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

Stock Code 3993

2009 Annual Report

* For identification purposes only

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This annual report includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that the Company expects or anticipates may or will occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. The Company's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various variables. The Company makes the forward-looking statements referred to herein as at 21 March 2010 and undertakes no obligation to update these statements.

COMPANY PROFILE

China Molybdenum Co., Ltd. ("CMOC" or the "Company") is a joint stock company established in the People's Republic of China (the "PRC") on 25 August 2006. The Company was successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 April 2007.

The Company and its subsidiaries (collectively, the "Group") is one of the leading molybdenum producers in the PRC. Our Sandaozhuang Mine contains one of the largest defined reserves of molybdenum and the second largest defined reserves of tungsten in the world. The Sandaozhuang Mine possesses various advantages such as abundant reserves and high-grade reserves which is suitable for open-pit mining. Our primary business operations involve molybdenum mining, flotation, roasting, smelting and downstream processing. We occupy a position of unparalleled strategic importance and are well situated at a market-steering foothold. In addition, we are well positioned to capitalise our tungsten reserves through the development of our tungsten production facilities. We have an experienced and dedicated senior management team in the molybdenum and tungsten industries.

FINANCIAL HIGHLIGHTS

	For the year ended 2009 *RMB'000*	2008 *RMB'000*	Increase/ (Decrease)
Revenue	**3,045,649**	5,563,275	(45.3%)
Gross profit	**829,969**	2,719,700	(69.5%)
Profit before taxation	**723,186**	2,505,000	(71.1%)
Profit for the year	**534,610**	1,848,813	(71.1%)
Total comprehensive income attributable to:			
Owners of the Company	**503,315**	1,640,902	(69.3%)
Minority interests	**31,295**	207,911	(84.5%)
Earnings per share - Basic	**RMB0.10**	RMB0.34	
Dividend			
Final dividend proposed	**RMB0.08**	RMB0.15	

	As at 31 December 2009 *RMB'000*	2008 *RMB'000*	Increase/ (Decrease)
Equity attributable to owners of the Company	**10,970,502**	11,237,128	(2.4%)
Minority interests	**320,272**	407,957	(21.5%)
Total equity	**11,290,774**	11,645,085	(3.04%)
Bank borrowings	**281,242**	228,000	23.4%
Total assets	**12,684,397**	12,736,260	(0.4%)
Gearing ratios			
Debt/equity gearing ratio *(Note 1)*	**2.49%**	1.96%	27.0%
Debt/asset gearing ratio *(Note 2)*	**2.22%**	1.79%	24.0%

Notes:

1. Debt/equity gearing ratio is the ratio of net borrowings to total equity.

2. Debt/asset gearing ratio is the ratio of net borrowings to total assets.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2009. On behalf of the board of directors (the "Board") and all employees of the Company, I hereby express my sincere gratitude for all your support.

RESULTS AND DIVIDENDS

In 2009, the Group recorded a turnover of RMB3,045.6 million, representing a decrease of 45.3% from 2008. Profit attributable to owners of the Company was RMB503.3 million, representing a decrease of 69.3% from 2008. Earnings per share of the Company was RMB0.10. On 21 March 2010, the Board recommended the payment of a final dividend of RMB0.08 per share (including tax) for the year ended 31 December 2009.

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.

BUSINESS REVIEW

During the year 2009, with the benefits of efficient management, detailed organization and continued commitment of our staffs, the Group fully capitalised 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 (containing 47% Mo), molybdenum oxides (containing 51% Mo), ferromolybdenum (containing 60% Mo) and tungsten concentrates (containing 65% WO_3) (including Yulu Mining Co., Ltd.（豫鷺礦業有限公司）("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（中國有色金屬工業協會）showed that the production of molybdenum concentrates in China (containing 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.

CHAIRMAN'S STATEMENT

Satisfactory progress has been made to the Group's major projects. In 2009, the Group completed the 40,000-tonne-per-year smelting plant project (Phase I), the Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd.(洛陽高科鉬鎢材料有限公司)("Luoyang High Tech") 1,500-tonne-per-year molybdenum downstream processing production line project and the Yongning Gold & Lead Refining Co., Ltd.(永寧金鉛冶煉有限公司)("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 organised by Science and Technology Department of Henan Province. The Group protects its intellectual property rights through registering its inventions and models with the relevant authorities. During the year, we have 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 has 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 has also designated numerous teams to conduct surveys on molybdenum resources in various regions across the country at numerous intervals, and focused on the follow-up-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 a legally-binding term sheet, pursuant to which the Company intended to dispose of 50% of its equity interests in Luoyang High Tech, a wholly-owned subsidiary of the Group, and establish a joint venture, to enhance Luoyang High Tech's product quality, market share and management. The Company also entered into certain definitive agreements with Eastern Special Metals Hong Kong Limited(東方特金香港有限公司), a wholly owned subsidiary of Molibdenos y Metales S.A. ("Molymet"), including the Equity Transfer Agreement and the Joint Venture Contract, and entered into the relevant Trademark Licence Agreement with Luoyang High Tech in March 2010. On 22 December 2009, the Company and Luoyang Construction Investment and Mining Co., Ltd.(洛陽建投礦業有限公司)("Luoyang Construction Investment and Mining") entered into a 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 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"). 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. On 2 February 2010, the Company entered into a framework agreement with Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource (河南省地質礦產勘查開發局) ("Henan Bureau") in relation to a molybdenum mine located in East Gobi, Hami, Xinjiang. 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.

CHAIRMAN'S STATEMENT

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_3) 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.

With the combined efforts of the other members of the Board, senior management and staff, as well as support from various parties in the community, I believe that the Group will make the best at every encounter amid the market recovery, continue to achieve greater development in resource consolidation and acquisition. Accordingly, we will continue to deliver quality products and services to our customers and generate more lucrative returns for our shareholders.

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

Duan Yuxian
Chairman

Luoyang, the PRC
21 March 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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				2008			
Product Name	**Turnover** ***(RMB million)***	**Operating cost** ***(RMB million)***	**Gross profit** ***(RMB million)***	**Gross profit margin** ***(%)***	Turnover *(RMB million)*	Operating cost *(RMB million)*	Gross profit *(RMB million)*	Gross profit margin *(%)*
Domestic market								
— Molybdenum additive materials	**2,272.1**	**1,574.8**	**697.4**	**30.7%**	3,351.6	1,428.5	1,923.1	57.4%
— Tungsten concentrate (containing 65% WO_3)	**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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 increase was mainly attributable to the fact that: 1) the increase in the Group's gains from investment and income from deposit interest for the year of 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 of 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 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 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 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 RMB2.9 million in the same period last year. Such 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 increase was mainly attributable to the improvement in results of the associated company Yulu Company during the year as compared with the same period last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 decrease was mainly attributable 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 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.(欒川縣九揚礦業有限公司), Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.(欒川縣三強鉬鎢有限公司)("Sanqiang Company") and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.(欒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.

EQUITY 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 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 RMB12,684.4 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 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 increase was mainly attributable to: 1) the increase in inventories as a result of the purchase of materials required by 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

As at 31 December 2009, bank borrowings of the Group aggregated to RMB281.2 million, representing an increase of RMB53.2 million, or 23.4%, as compared to the beginning of the year. Borrowing due within one year of the Group amounted to RMB231.2 million, representing an increase of RMB3.2 million, or 1.4%, as compared to the beginning of the year. Borrowing due after one year amounted to RMB50.0 million, representing an increase of RMB50.0 million, or 100%, as compared to the beginning of the year. There were no borrowings with maturities of more than one year in the beginning of the year.

As at 31 December 2009, except for unsecured borrowings aggregated to US$4.9 million (2008:nil), which were equivalent to RMB33.2 million, all bank borrowings of the Group are denominated in Renminbi.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at 31 December 2009, gearing ratio of the Group, which represents the ratio of total interest-bearing bank borrowings to the total equity plus interest-bearing bank borrowings, was 2.49%, representing an increase of 0.53% as compared to the beginning of the year.

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 tonnes 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 has 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 had sufficient capital which enabled it 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

NUMBER OF EMPLOYEES, REMUNERATION AND REMUNERATION POLICY

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

Department	Employees	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. For the year ended 31 December 2009, the staff cost of the Group (excluding directors' remuneration) was approximately RMB351.0 million. Our employees were remunerated based on their performance, experience and prevailing industry practices. The Company's remuneration policies and packages were reviewed on a regular basis. 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 per year; and
- approximately RMB58 million for technological improvement at Luoyang High Tech.

MATERIAL EVENTS

A. MATERIAL EVENTS

1. Commencement of operation of molybdenum roasting and smelting plant of 40,000 tonnes (Phase I)

In August 2009, the Group's molybdenum roasting and smelting plant of 40,000 tonnes per year (Phase I) completed its construction and commenced trial operation.

2. Commencement of operation of molybdenum downstream processing production line of 1,500 tonnes per year

In August 2009, the Group's molybdenum downstream processing production line of 1,500 tonnes per year commenced operation.

3. Completion of construction of Yongning 80,000-tonne-per-year comprehensive smelting plant project

In the end of 2009, the Yongning Gold Company's 80,000-tonne-per-year comprehensive smelting plant project of the Group completed construction and was put into preliminary trial production.

4. Honours awarded by provincial and municipal governments to the Group, including the Key Export Enterprise (出口重點企業) and the Eminent Foreign-funded Enterprise (外商投資優秀企業)

On 12 February 2009, the Group is accredited by the People 's Government of Henan Province as the Key Export Enterprise in Henan 2009, successfully entering into the 2009 key importer and exporter list in Henan. The Group was further entitled the Champion in Actual Use of Foreign Direct Investment in Henan 2009 by Henan Provincial Commerce Department , being the only enterprise winning the honour in Henan. Meanwhile, the Group was named the Eminent Foreign-funded Enterprise in Luoyang 2009 by Luoyang City.

5. Our Chairman Mr Duan Yuxian was honoured the 5th Yuan Baohua Corporate Management Gold Award (第五屆袁寶華企業管理金獎)

On 17 May 2009, our Chairman Mr Duan Yuxian was honoured the 5th Yuan Baohua Corporate Management Gold Award by China Foundation of Corporate Management Science (中國企業管理科學基金會). This is the top award in Chinese field of corporate management science, which was granted to an entrepreneur in Henan for the first time.

6. The Group was entitled the Model Ecological Project of All-round Well-off China 2009 (二零零九年中國全面小康生態示範工程)

On 28 June 2009, "The Second China Ecological Well-off Forum" (第二屆中國生態小康論壇) jointly hosted by the Ministry of Environmental Protection, State Forestry Administration and Qiushi magazine (《求是》雜誌社) was held, with the theme of advocating ecological civilization and scientific growth. At the meeting, the Group was entitled the Model Ecological Project of All-round Well-off China 2009.

7. The Group was honored as Advanced Unit on National Soil and Water Conservation in 2008 (二零零八年度全國水土保持先進單位)

In July 2009, the Group was honored as Advanced Unit on National Soil and Water Conservation in 2008 by the Ministry of Water Resources.

MATERIAL EVENTS

8. Proposed disposal of 50% equity interest in a wholly owned subsidiary by the Company

On 3 December 2009, the Company and Molymet Corporation entered into the Term Sheet, which is legally binding, pursuant to which the Company agreed to sell 50% equity interest in Luoyang High Tech, a wholly owned subsidiary of the Company, to establish a joint venture, and had entered into certain definitive agreements with Eastern Special Metals Hong Kong Limited, a subsidiary wholly owned by Molymet, on 22 March 2010, including the Equity Transfer Agreement and Joint Venture Contract to sell 50% equity interest in Luoyang High Tech, and entered into the Trademark Licence Agreement with Luoyang High Tech.

9. Provision of a loan of RMB1,150,000,000 to Luoyang Construction Investment and Mining

On 22 December 2009, the Company entered into the Loan Agreement with Luoyang Construction Investment and Mining, pursuant to which the Company agreed to advance the loan in an amount of RMB1,150,000,000 to Luoyang Construction Investment and Mining for the purpose of further acquiring the Shangfanggou molybdenum mine owned and operated by Luoyang Fuchuan in Luanchuan County, Luoyang City, the PRC after the acquisition of equity interest in Xuzhou Huanyu or Luoyang Fuchuan.

B. DOMESTIC INDUSTRY POLICIES

1. Export Quota

On 26 December 2008 and 30 June 2009, the Ministry of Commerce of the PRC promulgated the first notification on export quota of ordinary trading industrial commodities for 2009 and the second notification on export quota of ordinary trading industrial commodities for 2009 respectively, which set out that the Company was entitled to export 4,362 tonnes and 2,891 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 55 tonnes and 37 tonnes of molybdenum chemical products and 93 tonnes and 60 tonnes of molybdenum products respectively. The quotas for molybdenum products of Luoyang High Tech, a wholly owned subsidiary of the Company, were 58 tonnes and 53 tonnes.

On 29 December 2009, the Ministry of Commerce of the PRC promulgated the notification on export quota of the first batch of ordinary trading industrial commodities for year 2010, which set out that the Company was entitled to export 4,877 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 46 tonnes of molybdenum chemical products and 88 tonnes of molybdenum products, respectively. The quota for molybdenum products of Luoyang High Tech, a wholly owned subsidiary of the Company, was 97 tonnes.

2. Implementation of New Tariffs

On 22 June 2009, the 4th Meeting of Tariff Regulations Committee of the State Council considered and passed, and as approved by the State Council, that starting from 1 July 2009, export tariff for molybdenum chemicals including molybdenum powder, ammonium molybdates, high-purity molybdenum trioxide and certain molybdenum products would be adjusted from 10% or 15% to 5% non-discriminatively. Export tariff for primary molybdenum products such as molybdenum oxides and ferromolybdenum remains unchanged. Export tariff for tungstic acid, tungsten trioxide, ammonium paratungstate and other tungsten oxides and hydroxide would be adjusted from 10% to 5% non-discriminatively, which is a positive factor for the molybdenum and tungsten chemicals and products of the Group.

CORPORATE GOVERNANCE REPORT

The Board of the Company hereby presents this Corporate Governance Report in the Group's annual report for the year from 1 January 2009 and ended 31 December 2009.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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.

THE BOARD

During the year ended 31 December 2009, the Company held eight 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.

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively.

Every director carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises 11 members, consisting of five executive directors, two non-executive directors and four independent non-executive directors.

The list of all directors is set out under "Corporate Information" on pages 34 to 35 and the independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company comprises the following directors:

Executive Directors

Duan Yuxian, Chairman (also the chairman within the meaning of the CG Code)
Li Chaochun, Vice Chairman
Wu Wenjun, General Manager (also the chief executive officer within the meaning of the CG Code)
Li Faben
Wang Qinxi

CORPORATE GOVERNANCE REPORT

Non-executive Directors

Shu Hedong, member of the remuneration committee (appointed on 18 August 2009)
Zhang Yufeng, member of the audit committee

Independent Non-executive Directors

Gao Dezhu, chairman of the remuneration committee
Zeng Shaojin, member of the audit committee (appointed on 18 August 2009)
Gu Desheng, member of the remuneration committee
Ng Ming Wah, Charles, chairman of the audit committee

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the year ended 31 December 2009, the Board, at all times, met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received an annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board meetings of Boards committees, supervising issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions that affect the direction of the Company.

Chairman and General Manager

The roles and duties of the Chairman and the General Manager are carried out by different individuals and with roles that have been clearly defined in writing.

The Chairman is Mr Duan Yuxian, who provides leadership for the Board and is also responsible for chairing the meetings, leading the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner.

The General Manager, Mr Wu Wenjun, is responsible for running the Company's business operations and implementing the Group's strategic plans and business goals.

CORPORATE GOVERNANCE REPORT

Appointment and Re-Election of Directors

Each of the non-executive directors of the Company is appointed for a term of three years and is subject to retirement by rotation at least once every three years. In accordance with the Company's Articles of Association (the "Articles of Association"), all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself for election by shareholders at the first general meeting after appointment. The Board selected candidates of directors with reference to major shareholders' recommendation and certain criteria and procedures. The major criteria includes the candidate's professional background, especially their experience in the industry where the Group establishes its presence, his or her financial and past track record with other similar companies and the recommendations from management and other knowledgeable individuals. The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Board as a whole is responsible for reviewing the Board composition, monitoring the appointment, nomination and succession planning of directors and assessing the independence of independent non-executive directors.

Induction and Continuing Development for Directors

Each newly appointed director receives a comprehensive, formal and tailored induction on the first occasion of his appointment so as to ensure that he has an appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The directors regularly updated with legal and regulatory developments as well as business and market changes to facilitate the discharge of their responsibilities. Continual briefings and professional development schemes for directors will be arranged whenever necessary.

Board Meetings

Board Practices and Conduct of Meetings

General meeting schedules and draft agendas for each meeting are normally made available to directors in advance.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

The agenda of Board meeting and the accompanying Board papers are sent to all directors at least three days before each Board meeting or committee meeting for their review and to keep the directors apprised of the latest developments and financial position of the Company so as to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary for inquiries or additional information.

The senior management attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, operation, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Articles of Association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions where such directors or any of their associates have a material interest.

CORPORATE GOVERNANCE REPORT

Directors' Attendance Records

The attendance records of each director at the meetings of the Board, remuneration committee and audit committee during the year ended 31 December 2009 are set out below:

	Attendance/Number of Meetings		
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**
Mr Duan Yuxian	8/8	N/A	N/A
Mr Li Chaochun	7/8	N/A	N/A
Mr Wu Wenjun	8/8	N/A	N/A
Mr Li Faben	8/8	N/A	N/A
Mr Wang Qinxi	8/8	N/A	N/A
Mr Shu Hedong(1)	4/8	0/2	N/A
Mr Zhang Yufeng	8/8	N/A	3/3
Mr Gao Dezhu(2)	7/8	2/2	2/3
Mr Zeng Shaojin(2)(3)	7/8	1/2	2/3
Mr Gu Desheng(2)	6/8	1/2	2/3
Mr Ng Ming Wah, Charles	7/8	N/A	3/3
Mr Xu Jun(1)	2/8	1/2	N/A

(1) On 18 August 2009, Mr Xu Jun resigned as and Mr Shu Hedong was appointed as non-executive director and a member of remuneration committee of the Company.

(2) On 18 August 2009, each of Mr Gao Dezhu and Mr Gu Desheng resigned as and Mr Zeng Shaojin was appointed as members of audit committee of the Company.

(3) On 18 August 2009, Mr Zeng Shaojin resigned as member of the remuneration committee of the Company.

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 in respect of dealings in the Company's securities by directors. Specific enquiry has been made on all directors and all of them confirmed that they had complied with the Model Code throughout the year ended 31 December 2009. The Company has also established written guidelines equally stringent to the Model Code (the "Employees Written Guidelines") for the Company's securities transactions by employees of the Company who are likely to be in possession of unpublished price or securities sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees has been noted by the Company.

DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

CORPORATE GOVERNANCE REPORT

All directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are complied with. In appropriate circumstances, directors may seek independent professional advice relating to such queries at the Company's expense upon making such request to the Board.

The day-to-day management, administration and operations of the Company are delegated to the General Manager and the senior management. The delegated functions and work tasks are periodically reviewed. Prior to any significant transactions entered into by the abovementioned officers, approval has to be obtained from the Board.

The Board has established 3 committees, namely, the remuneration committee, audit committee and strategic committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies regarding remuneration of directors and senior management personnel of the Company. Details of the remuneration of each of the directors of the Company for the year ended 31 December 2009 are set out in the note 12 to the consolidated financial statements.

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 primary goal of the remuneration policy on executive directors' packages is to enable the Company to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives. The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company. In determining guidelines for each element of the remuneration package, the Company refers to the remuneration surveys conducted by independent external consultants on companies operating in similar business.

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.

The remuneration committee held two meetings during the year ended 31 December 2009 and the attendance records are set out under "Directors' Attendance Records" on page 17.

CORPORATE GOVERNANCE REPORT

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.

The main duties of the audit committee include the following:

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board;
- To acquaint with the work performed by the auditor, their fees and terms of engagement to review the relationship between the Company and the external auditor, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;
- To review the drafts of annual report, including reports submitted by the chief executives and the management;
- To supervise directors to ensure that they perform annual review in respect of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, the training programmes and the budget;
- To review the audit activities with and internal auditors at least once every six months, and the internal auditors shall specify the important issues and results which the Committee shall know or pay attention to. To prepare for such review, the internal auditor will provide internal audit reports or report summaries of the Company and its subsidiaries to members of the committee through the Secretary of the committee when necessary. Report on the activities of the committee in each financial year will also be submitted to the Board; and
- To communicate with executive directors, other executives or employees, external auditors and internal auditors without any restrictions. External auditors and internal auditors are entitled to consult the committee without notifying the management. The committee is also entitled to consult the external auditors and internal auditors without notifying the management or consult the management without notifying the external auditors and internal auditors.

The audit committee provides supervision on the internal control system of the Company, reports to the Board on any material issues and makes recommendations to the Board.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2009, the audit committee reviewed the interim results for the six months ended 30 June 2009 and the annual results for the year ended 31 December 2009. The audit committee also reviewed the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes and the re-appointment of the external auditors.

The audit committee held three meetings during the year ended 31 December 2009 and the attendance records are set out under "Directors' Attendance Records" on page 17.

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 Mr Yang Jianbo (appointed on 18 August 2009), Mr Wang Bin (appointed on 18 August 2009) and Mr Zhang Bin (appointed on 18 August 2009), with Mr Duan Yuxian serving as the chairman of the committee.

SUPERVISORY COMMITTEE

As at the date of this report, the supervisory committee of the Company comprises three members, namely Mr Zhang Zhenhao (chairman), Mr Yin Dongfang and Mr Deng Jiaoyun. The supervisory committee is responsible for exercising supervision over the Board and its members and senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. During the year ended 31 December 2009, the committee held two meetings to review the financial positions of the Company and launched various activities to adhere to the principle of good faith.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2009.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides explanations and information to the Board for approval so as to enable the Board to make an informed assessment of the financial information and position of the Company.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

During the year ended 31 December 2009, the Board has conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control system to safeguard the assets of investors and the Company assets and for reviewing the effectiveness of such system on an annual basis.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditors and senior management shall evaluate internal controls and risk management on a regular basis and report to the audit committee on any findings concerning internal controls and risk management.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 36.

During the year ended 31 December 2009, the remuneration paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd., is set out below:

Category of services	**Fee paid/payable** *HK$'000*
Annual audit service	2,480
Interim review services	600
Other services	396

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The chairman of the Board as well as chairmen of the audit committee, remuneration committee and strategic committee shall attend the forthcoming annual general meeting to answer questions of the shareholders.

The 2010 Annual General Meeting ("AGM") will be held on Sunday, 6 June 2010. The notice of AGM has been sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue (including the election of individual directors).

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange after the general meeting.

REPORT OF THE DIRECTORS

Dear Shareholders,

The directors of the Company are pleased to present their 2009 report and the audited consolidated financial statements of the Company for the year ended 31 December 2009.

ESTABLISHMENT OF THE COMPANY

The Company was incorporated in the PRC on 25 August 2006 as a joint stock limited company in preparation for the listing of the Company's H shares on the Stock Exchange. Details are set out in the prospectus of the Company dated 13 April 2007.

On 26 April 2007, the Company completed its initial public offering and the H shares of the Company were successfully listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activities of the Company are mining, flotation, roasting, smelting and downstream processing of molybdenum products. In addition, we develop our tungsten production facilities. Details of the principal activities of the substantial subsidiaries are set out in note 5 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

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 AGM.

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 Shops 1712-1716, 17th 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.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company received an aggregate net proceeds of approximately HK$8.1 billion from the issue of new H shares at the time of its listing on the Stock Exchange. Such net proceeds were derived after deduction of related issuance expenses. The directors are of the opinion that the remaining proceeds will be applied in the coming years to their intended uses as set out in the Company's prospectus dated 13 April 2007.

REPORT OF THE DIRECTORS

FINANCIAL INFORMATION SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the Company's audited consolidated financial statements for the year ended 31 December 2009, is set out on page 96. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes to the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution as at 31 December 2009, calculated in accordance with PRC rules and regulation, was RMB1,582.8 million.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling RMB1.5 million (2008: RMB5.4 million).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2009, the proportions of purchase and sales from our major suppliers and major customers to our total purchase and sales were as follows:

PURCHASE

The total purchase from our largest supplier was approximately 16.8% of our total purchase value.

The total purchase from our five largest suppliers was approximately 35.5% of our total purchase value.

SALES

The total sales to our largest customer was approximately 10.8% of our total sales value.

The total sales to our five largest customers was approximately 25.4% of our total sales value.

During the year, to the best of the directors' knowledge, none of the directors or supervisors or their associates or any shareholder who holds more than 5% of our shares, held any material interest or rights in our five largest customers and our five largest suppliers.

REPORT OF THE DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The directors, supervisors and senior management of the Company during the year are:

Executive Directors

Mr Duan Yuxian	(re-elected on 18 August 2009)
Mr Li Chaochun	(re-elected on 18 August 2009)
Mr Wu Wenjun	(re-elected on 18 August 2009)
Mr Li Faben	(re-elected on 18 August 2009)
Mr Wang Qinxi	(re-elected on 18 August 2009)

Non-executive Directors

Mr Shu Hedong	(appointed on 18 August 2009)
Mr Zhang Yufeng	(re-elected on 18 August 2009)
Mr Xu Jun	(resigned on 18 August 2009)

Independent Non-executive Directors

Mr Gao Dezhu	(re-elected on 18 August 2009)
Mr Zeng Shaojin	(re-elected on 18 August 2009)
Mr Gu Desheng	(re-elected on 18 August 2009)
Mr Ng Ming Wah, Charles	(re-elected on 18 August 2009)

Supervisors

Mr Zhang Zhenhao	(appointed on 18 August 2009)
Mr Yin Dongfang	(re-elected on 18 August 2009)
Mr Deng Jiaoyun	(re-elected on 18 August 2009)
Mr Shu Hedong	(resigned on 18 August 2009)

Senior Management

Mr Yang Jianbo	(appointed as deputy general manager in August 2006)
Mr Wang Bin	(appointed as deputy general manager in August 2006)
Ms Gu Meifeng	(appointed as chief financial officer in August 2006)
Mr He Feng	(appointed as Board secretary in August 2006)

In accordance with the Articles of Association, all directors and supervisors are elected for a term of three years (the expiry date will be the date of the annual general meeting in 2012) and may serve consecutive terms upon re-election. The Company has received annual confirmations of independence from Mr Gao Dezhu, Mr Zeng Shaojin, Mr Gu Desheng and Mr Ng Ming Wah, Charles, and as at the date of this report still considers them to be independent.

REPORT OF THE DIRECTORS

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and supervisors of the Company and the senior management of the Group are set out on pages 30 to 33 of the annual report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

The directors' and supervisors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' and supervisors' duties, responsibilities and performance and the results of the Group. In compliance with the CG Code, the Company has a remuneration committee to formulate remuneration policies. Details of the directors' and supervisors' and senior management's remuneration are disclosed in note 12 to the consolidated financial statements.

DIRECTORS' AND SUPERVISORS' MANAGEMENT CONTRACTS

Each of our directors and supervisors has entered into a service contract with our Company for a term of three years until the annual general meeting of the Company to be held in 2012. No director proposed for the re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the directors and supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group entered into by the Company, its holding company or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

As of 31 December 2009, none of the directors, chief executives and supervisors and their respective associates had interests or short positions in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which require the Company and the Stock Exchange to be notified pursuant to Part XV of the SFO or which, pursuant to section 352 of the SFO, require such interests or short positions to be entered into the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors and supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the directors or supervisors of the Company to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

To the best knowledge of all directors or supervisors, as at 31 December 2009, the persons or companies (other than a director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Class of Share	Approximate percentage of shareholding in relevant class of shares
Luoyang Mining Group Co., Ltd.	1,796,593,475	Domestic share	50.40%
Cathay Fortune Corporation	1,736,706,322	Domestic share	48.72%
National Council for Social Security Fund of the PRC	119,196,000	H share	9.09%
Citigroup Inc.	69,913,167	H share	5.32%
JP Morgan Chase & Co.	96,857,364	H share	7.39%

Save as disclosed above, as at 31 December 2009, the directors were not aware of any other person (other than a director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

As at 31 December 2009, the Group's bank loans of RMB98 million were guaranteed by Luoyang Mining Group Co., Ltd..

Save as disclosed above, the Group has not conducted any other transactions with connected persons as defined in the Listing Rules during the reporting year.

NON-COMPETE AGREEMENTS

On 6 September 2006, the non-compete agreements were entered into by our Company with Luoyang Mining Group Co., Ltd.（洛陽礦業集團有限公司）("LMG") and Cathay Fortune Corporation（鴻商產業控股集團有限公司）("CFC"), respectively. LMG and CFC agreed not to compete with us in our businesses and granted us certain options and right of first refusal pursuant to the non-compete agreements, details of the non-compete agreements have already been disclosed in the prospectus of the Company dated 13 April 2007, under the section headed "Relationship with Controlling Shareholders - Non-Compete Agreements".

LMG informed the Company in early 2009 of the opportunity to conduct a general exploration of the molybdenum mine in the periphery of Da Shimen Gou Gold Mine (大石門溝金礦) in Song County, Henan Province for investment and construction ("Da Shimen Project"). The Company convened a Board meeting on 20 March 2009 to discuss the opportunity presented by the Da Shimen Project. Upon research, directors (including independent non-executive directors) were of the opinion that the Company was only granted the mine exploration permits of Da Shimen Project, and without exhaustive geographic information, resolved to abandon the investment and acquisition of the Da Shimen Project. As the Company had already notified LMG of its decision to abandon the Da Shimen Project, LMG has commenced development of the Da Shimen Project on its own.

REPORT OF THE DIRECTORS

In September 2009, LMG informed the Company of the opportunity of acquiring 100% equity interest in Luanchuan Huqi Mining Company Limited (欒川縣滬七礦業有限公司) ("Huqi Mining"). Huqi Mining is a processing company principally engaged in the production of molybdenum concentrates and holds 10% equity interest in Luoyang Fuchuan. On 20 September 2009, the Company held a Board meeting to discuss on taking over the business. Upon research, the directors (including independent non-executive directors) were of the opinion that Huqi Mining had a complicated asset and equity structure and numerous legal problems, therefore no evaluation and judgment can be made on its value and risk before conducting a due diligence. Moreover, the Company will not be able to have de facto control over Luoyang Fuchuan even though it acquires Huqi Mining, since Huqi Mining only holds 10% equity interest in Luoyang Fuchuan. Thus, the directors (including independent non-executive directors) resolved not to acquire Huqi Mining. LMG acquired 100% equity interest in Huqi Mining in October 2009 on its own.

In September 2009, LMG informed the Company of the opportunity of acquiring Luanchuan Tianfeng Mining Company Limited (欒川縣田豐礦業有限公司) ("Tianfeng Company"). Tianfeng Company owns a processing plant with a capacity of 1,200 tonnes per day and an exploration right of a lead and molybdenum mine with an area of 3.04 km^2. On 20 September 2009, the Company held a Board meeting to discuss the opportunity of acquiring Tianfeng Company. Upon research, the directors (including independent non-executive directors) were of the opinion that the proposal was not in tune with the development plan of the Company as Tianfeng Company is a small-sized company with nearly exhausted pipeline resources and high processing costs, and resolved not to acquire Tianfeng Comany. Thus, LMG had acquired Tianfeng Company on its own at the end of 2009.

As early as April 2007, LMG has commenced its partnership with No. 5 Geology Team of Henan Provincial Non-ferrous Metals Geological and Mineral Resources Bureau (河南省有色地質勘查局第五地質大隊) and Luoyang Sanjiang Enterprise (Group) Company Limited (洛陽三江企業集團有限公司) ("Sanjiang Enterprise") in the exploration and development project of a gold mine ("Gold Resource Development Project") at Song County, Henan Province. Thus, LMG has an earlier presence in gold resource development than the Company. Besides, LMG had acquired 10% equity interest of the Gold Resource Development Project from Sanjiang Enterprise in January 2009.

Save as the Da Shimen Project, the equity interests in Huqi Mining and Tianfeng Company and the Gold Resource Development Project, LMG and CFC had confirmed to the Company that none of them had engaged in any business or projects that may lead to competition with the Company's principal activities during the period from the date of listing to 31 December 2009.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information and to the knowledge of the directors, at least 26.89% of the Company's total issued share capital was held by the public as of the date of this report. The Company has been maintaining the public float required by the Listing Rules.

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 H 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.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2009 were audited by Deloitte Touche Tohmatsu. The auditor has to retire at the end of the year, but is eligible to be reappointed as auditor at the next annual general meeting of the Company. The Company did not change the auditor in the past three years.

By Order of the Board
Duan Yuxian
Chairman

Luoyang, the PRC
21 March 2010

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, the supervisory committee of the Company ("Supervisory Committee") strictly complied with the PRC Company Law, the laws and regulations of Hong Kong and the Articles of Association of the Company. We diligently served the functions of the Supervisory Committee by duly performing the supervisory and examining duties, working with the Board and the management in close tandem and protecting the rights of the shareholders. The Supervisory Committee performed supervisory duties with respect to various aspects such as the operating condition, financial status, development plan and senior management staffs of 2009.

I. MEETINGS CONVENED DURING THE REPORTING PERIOD

During the reporting period, the Supervisory Committee held two meetings.

II. MAJOR DUTIES OF THE SUPERVISORY COMMITTEE

During the year, the Supervisory Committee prudently reviewed the operational and development plans of the Company. The Supervisory Committee also raised reasonable recommendations and opinions to the Board. It also stringently and effectively supervised the important decisions made at the managerial level, and ensured that the decisions were made in compliance with the national laws and regulations and the Articles of Association. It also ensured that the decisions made were to the benefit of the shareholders.

During the reporting period in 2009, the current session of the Supervisory Committee primarily engaged in the following activities:

1. Inspection of the implementation of resolutions passed on the general meetings

The current session of the Supervisory Committee exercised supervision and inspection of the implementation of resolutions by the Board, directors and the management of the Company through observation and attendance at general meetings and Board meetings of the Company. The Supervisory Committee is of the opinion that the Board has diligently performed their duties by making earnest effort to execute all resolutions of the general meetings, and has not conducted any act which jeopardized the interests of the Company and shareholders. All resolutions of the Board are in compliance with laws and regulations such as the Company Law and the Articles of Association.

2. Inspection of legal compliance of the Company's operations

In 2009, in accordance with the requirements of the relevant PRC laws, regulations and Articles of Association, the Supervisors of the Company exercised inspection and supervision over the procedures for convening general meetings and Board meetings of the Company, items to be resolved, execution of resolutions passed on general meetings by the Board, the conduct of senior management of the Company and internal control systems of the Company. Upon inspection, the Supervisory Committee of the Company is of the view that the decision making procedures on the general meetings and on each of the Board meetings of the Company are lawful, and the internal control system of the Company is well established. No violation of any laws, regulations and Articles of Association or any act which jeopardized the benefits of the Company and the interests of the shareholders had been found in the performance of duties of each of the directors and senior management.

REPORT OF THE SUPERVISORY COMMITTEE

3. Inspection of the Company's daily operating activities

The Supervisory Committee exercised supervision over the Company's operating activities. The Supervisory Committee is of the opinion that the Company has established a sound internal control system, and has made great progress in the formulation and implementation of its internal work procedures, thus effectively controlling its exposure to various operating risks. The Company's operation is in compliance with the PRC laws and regulations, the Articles of Association and its work procedures.

4. Inspection of the Company's financial status

In 2009, the Supervisory Committee of the Company exercised effective supervision and inspection over the financial work of the Company. Upon inspection, the Supervisory Committee is of the view that the financial operation of the Company was conducted in strict compliance with the financial management and internal control systems of the Company. Through the inspection over each auditing materials (including the financial information) provided by the Company, the Supervisory Committee is of the opinion that the Company has basically built a relatively sound financial internal control system, which could guarantee the efficient operation of corporate funding and the safety and integrity of the Company's properties. The Company has neither acted against the wishes of the shareholders nor violated the internal management system of the Company during the course of business. The utilization of fund is in the interests of the shareholders and fit in the principle of maximizing the Company's benefits. The financial position of the Company was solid and the financial data was valid.

5. Inspection of the performance by the directors and senior management of the Company of their duties

In 2009, the Supervisory Committee of the Company exercised timely supervision over the execution of relevant PRC laws and regulations and the resolutions of the general meetings and Board meetings by the Board and senior management of the Company. No violation of the Company Law, the Articles of Association and other laws and management systems of the Company was found during the implementation of the management systems by the directors and senior management of the Company. The Supervisory Committee deeply appreciated the effort of directors and senior management of the Company in overcoming obstacles and carrying out resolutions approved at the general meetings and Board meetings with such outstanding efficiency.

In 2010, in a bid to protect the interests of the Company and shareholders as well as advancing the sustainable development of the Company, the Supervisory Committee of the Company will continue its relentless effort in performing its duties more efficiently and fostering a standardized operation in the Company.

Zhang Zhenhao
Chairman of the Supervisory Committee

Luoyang, the PRC
21 March 2010

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Duan Yuxian, aged 56, has been our chairman since August 2006. Mr Duan graduated from the Academy of the Henan Province Chinese Communist Party (CCP member) Committee in 1995. From May 1986 to January 1999, Mr Duan served at Luanchuan County Metallurgical and Chemical Company ("LCMCC") where he held various positions including head of the finance section, deputy manager and manager. From January 1999 to August 2006, he served as vice chairman, general manager, and chairman of Luoyang Luanchuan Molybdenum Group Co., Ltd. ("LLMG"). From January 2006 to December 2006, Mr Duan was also the chairman of Luoyang Baima Group. Mr Duan is currently a director and the chairman of LMG, and is elected as the deputy of the eleventh National People's Congress.

Li Chaochun, aged 33, has been our director and vice chairman since January 2007. Mr Li graduated from Shanghai Jiaotong University with a bachelor's degree in law in July 1999. From July 1999 to December 1999, he was a staff accountant of the tax division of Arthur Andersen (Shanghai) Business Consulting Co., Ltd. He was with Arthur Andersen Hua Qiang CPA from January 2000 to March 2002, where his last position was first year senior of the tax division. From April 2002 to February 2003, he was an assistant manager of planning and strategy implementation of the general representative office of The Hong Kong and Shanghai Banking Corporation Limited. From July 2003 to January 2007, Mr Li was an executive director of the investment department of CFC, one of the promoters of the Company.

Wu Wenjun, aged 43, has been our director and general manager since January 2007. Mr Wu graduated from the Luoyang Institute of Technology in July 1987 with a bachelor's degree in machinery processing and equipment and from Tsinghua University School of Economics and Management in June 1993 with a master's degree in technological economics. Between July 1993 and February 1994, Mr Wu worked as an engineer with CITIC Heavy Machinery Inc. Computing Center and between February 1994 and December 2000, he worked as department manager and deputy general manager of CITIC Heavy Machinery Inc. Foreign Trade Company ("CITIC Foreign Trade"). From December 2000 to March 2003, he served as the general manager of CITIC Foreign Trade. From March 2003 to December 2006, he was appointed as the deputy mayor of the Luanchuan County.

Li Faben, aged 46, has been our director and executive deputy general manager since August 2006. Mr Li graduated from the Central South Mining & Metallurgical College with a bachelor's degree in engineering in 1983 (major in mining engineering) and the Xi'an Construction Technology University with a master's degree in engineering in 2004 (specialised in mining engineering). Mr Li is a senior engineer and has over 20 years of experience in the PRC mining industry. Mr Li was appointed as a national class mining inspector by the Ministry of Land and Resources of the PRC ("MLR") from 2002. From August 1988 to January 1999, Mr Li held various positions at Luoyang Luanchuan Molybdenum Company ("LLMC"), in which he served as the deputy head and head of the technical division of LLMC, head of various mines of LLMC, head of the open-pit mining construction department of LLMC, and deputy manager of LLMC. Mr Li served as deputy general manager of LLMG between January 1999 and November 2002. From November 2002 to the present, Mr Li was the deputy general manager and vice chairman of LLMG and as well a director of LMG.

Wang Qinxi, aged 45, has been our director and deputy general manager since August 2006. Mr Wang graduated from Beijing Steel College with a bachelor's degree in engineering majoring in ore flotation in 1987. Mr Wang has over 19 years of experience in ore flotation. From 1987 to January 1999, Mr Wang was a technician and workshop head of No.1 ore processing branch of Luanchuan Molybdenum Mine of Henan Province, head of the ore processing plant of LLMC Mucheng Company, deputy manager of LLMC Mucheng Enterprise Company, deputy head of Majuan Ore Processing Plant of LLMC and deputy manager of LLMC. From January 1999 to August 2006, Mr Wang served as vice chairman and deputy general manager of LLMG. From January 2006 to December 2006, Mr Wang also served as vice chairman of Luoyang Baima Group.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Shu Hedong, aged 46, has been our non-executive director since August 2009. Mr Shu served as our supervisor from August 2006 to August 2009. Mr Shu graduated from Nanjing University in 1985 with a bachelor's degree in radio-geology and from the Third Institute of the Ministry of Nuclear Industry in 1988 with a master's degree in radio-geology. From May 1989 to March 1993, Mr Shu worked for the former Ministry of Energy and from April 1993 to January 1995, he served as the business development manager of Unisono Limited. Subsequently from February 1995 to November 1998, Mr Shu served as the business development manager of PowerGen International. From December 1998 to March 2001, Mr Shu served as the director of corporate strategy and new business development of Unisono Limited and from April 2001 to March 2004, he served as the deputy general manager of Beijing Leader & Harvest Technology Co., Ltd. Since April 2004, Mr Shu has been an assistant to the president of CFC. Mr Shu is currently an executive director of CFC.

Zhang Yufeng, aged 35, has been our non-executive director since August 2006. Mr Zhang graduated from Shanghai Jiaotong University in 1996 with a bachelor's degree in engineering. Mr Zhang obtained qualification as a certified public accountant in China. From January 1997 to August 1998, Mr Zhang was engaged in project development for Shanghai Caohejing Hi-Tech Park West Zone Development Co., Ltd. and from August 1998 to July 2001, he served in the investment and consultancy department of DTZ Debenham Tie Leung Limited. From July 2001 to September 2002, Mr Zhang worked for Shanghai Bao Rui Technology Investment Company. Mr Zhang was engaged in investment services for China Fortune Securities Co., Ltd. from December 2002 to July 2003. From August 2003 to the present, Mr Zhang has been the general manager of the No. 2 Investment Department of CFC.

Independent Non-Executive Directors

Gao Dezhu, aged 70, has been our independent non-executive director since October 2006. Mr Gao is a senior economist and is currently the executive vice chairman of the China Non-ferrous Metals Industry Association. Mr Gao graduated from the Chinese Language Department of the Fushun College of Education in September 1962. Mr Gao had been appointed as a part-time professor in various universities in the PRC including the Graduate School of the People's Bank of China, China Renmin University, Liaoning University and Central South University. Mr Gao has more than 36 years of experience in the banking industry and he was the general manager of the credit department, and vice president of the headquarters of the Bank of China. From 1998 to present, Mr Gao has been serving as deputy chief of the State Non-ferrous Metals Industry Administration. In the past, Mr Gao also served as chairman of ONFEM Holdings Limited in Hong Kong and chairman of Oriental Metals (Holdings) Company Limited in Hong Kong as well as the independent non executive director of Hunan Zhuye Torche Metals Co., Ltd., a PRC company listed on the Shanghai Stock Exchange (stock code: 600961), BGRIMM Magnetic Materials & Technology Co., Ltd., a PRC company listed on the Shanghai Stock Exchange (stock code: 600980), Anhui Tongdu Copper Co., Ltd., a PRC company listed on the Shenzhen Stock Exchange (stock code: 000630). Mr Gao currently serves as independent non-executive director of Jiangxi Copper Company Limited, a PRC company whose A shares are listed on the Shanghai Stock Exchange (stock code: 600362) and whose H shares are listed on the Hong Kong Stock Exchange (stock code: 00358), London Stock Exchange (secondary listing) and The Bank of New York (Level I American Depository Receipt) and Western Mining Co., Ltd., a PRC company.

Zeng Shaojin, aged 66, has been our independent non-executive director since October 2006. Mr Zeng graduated from the department of geophysical exploration of Chengdu College of Geology in 1967. Mr Zeng is a professor-level senior engineer and was recognised by the State Council for his special contributions to the nation in 1998. From 1968 to 1982, Mr Zeng was a technician and team head of two geological survey teams in Henan Province, and was deputy team head and general engineer of the Henan Province Geophysical Exploration Team. From July 1983 to June 1990, Mr Zeng was the deputy chief, chief and director of Henan Province Bureau of Geology and Mineral Resources. From July 1990 to July 1996, he was the chief of the Department of Geological Survey of Ministry of Geology and Mineral Resources, and from June 1996 to June 1999, Mr Zeng served as the president of the Chinese Academy of Geological Survey Technologies. Mr Zeng also served as chief of the Department of Mineral Exploitation of the MLR from July 1999 to January 2005. From 2004 to 2009, Mr Zeng served as the executive deputy president of the China Association for Geology and Mineral Economics. Mr Zeng is currently the executive deputy president of China Mining Association.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Gu Desheng, aged 72, has been our independent non-executive director since October 2006. Mr Gu is a professor and an academic advisor to Ph.D. students at Central South University. Mr Gu graduated from Central South Mining & Metallurgical College in July 1960 and joined the faculty thereafter as a professor, academic advisor to Ph.D. students, department head, head of the research institute and member of the degree-awarding committee. He is specialised in theories of continuous mining of metal ore and oscillation ore drawing technology. In 1995, Mr Gu became a fellow of the Chinese Academy of Engineering. Mr Gu has received various awards including the first prize at the National Technology Advancement Award, second prize at the National Technological Advancement Awards, and the State Major Technology Contribution and Breakthrough Award. He has authored and published more than 180 professional articles. Mr Gu was the member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference and a member of the evaluation committee of the National Natural Science Foundation. Mr Gu also serves as an independent non-executive director of Hunan Nonferrous Metals Corporation Limited, a PRC company whose H shares are listed on the Stock Exchange (stock code: 2626).

Ng Ming Wah, **Charles**, aged 60, has been our independent non-executive director since December 2006. Mr Ng graduated from Loughborough University in England in 1972 with a Bachelor of Science degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies in England in 1974 with a Master of Science degree in Business Studies. He is a director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. Mr Ng has more than thirty years of experience in corporate finance and investment bank. Mr Ng was an independent non-executive director of Zhaojin Mining Industry Company Limited (stock code: 1818) from 16 October 2004 to 16 April 2007 and of Stone Group Holdings Limited (stock code: 409), the listing of which was withdrawn from the close of business on 6 November 2009), between 1 September 2004 to 9 November 2009. He is currently a non-executive director of Goldlion Holdings Limited (stock code: 533) and an independent non-executive director of each of China Everbright Limited (stock code: 165) and Dalian Port (PDA) Company Limited (stock code: 2880). In addition, Mr Ng is a member of the Board of Governors of Hong Kong Arts Centre.

SUPERVISORS

Zhang Zhenhao, aged 36, has been our supervisor since August 2009. Mr Zhang graduated from Tianjin Polytechic University with a bachelor's degree in textile engineering. Mr Zhang also obtained a master degree in finance from the Graduate School of The Chinese Academy of Social Sciences and the CFA qualification from the CFA Institute in 2006 and is certified as a Class 2 Securities Professional by the Securities Association of China. He is also registered as a dealer of the Shanghai Stock Exchange. Between 1993 and 1999, Mr Zhang held positions with Tianjin Colour Weaving Company, Tianjin Weaving Materials Exchange, Hainan Zhongshang Futures Exchange (海南中商期貨交易所). From May 1999 to December 2001, Mr Zhang was employed by Zhongfu Securities Dealer Co. Ltd. as member of the planning committee, general manager of the business management department and supervisor of the company. From January 2002 to May 2007, Mr Zhang was employed by Zhongfu Securities Co. Ltd. as member of the planning committee, general manager of the sales department of Haikou Securities, executive director of the sales management department, secretary to the board of directors of the company, general manager of the chief executive office and the human resources department. From June 2007, Mr Zhang was the general manager of the finance department of CFC.

Yin Dongfang, aged 48, has been our supervisor since January 2007. Mr Yin graduated from Zhengzhou University with a diploma in law in June 1988 and obtained his lawyer's qualifications certificate in May 1989. Between 1994 and 1998, Mr Yin practiced as a lawyer in Luoyang City No. 2 Law Firm and between August 2002 and December 2004, he set up his own legal practice with two other partners. Between August 2002 and December 2004, Mr Yin was appointed as the executive deputy chairman of Luoyang City Bar Association. From May 2005 to the present, he was appointed as the manager of the investment and management department of the Luoyang City Branch of Henan Province Association of Municipal and Township Collectively-Owned Industries.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Deng Jiaoyun, aged 57, has been our supervisor since August 2006. From 1969 to 1984, Mr Deng worked at the Wood Construction Society, No. 2 Light Industry Bureau, and Planning Committee of Luanchuan County. From 1984 to 1988, Mr Deng was the deputy chief of Luanchuan County Bureau of Statistics and from 1988 to 1989, he was appointed the deputy head of the policy research office of Luanchuan County CCP Committee. In addition, from April 1983 to March 1999, Mr Deng served as the head of the finance department, labor and personnel department, and organization department of LLMC. From 1999 to August 2006, Mr Deng also served as the head of organization department, and director of LLMG. He is also the chairman of the labor union of our Company.

JOINT COMPANY SECRETARIES

Ho Siu Pik, aged 46, is the joint company secretary of the Company for the purpose of Rule 8.17 of the Listing Rules. Ms Ho is a director of Corporate Services Division of Tricor Services Limited and an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms Ho has over 20 years of experience in the company secretarial area. She is currently the joint company secretary of Sands China Ltd., a company listed on the Stock Exchange.

Lai Sharon Magdalene, aged 29, was appointed as the joint company secretary of the Company in March 2010 for the purpose of Rule 8.17 of the Listing Rules. Ms Lai is a manager of Corporate Services Division of Tricor Services Limited and an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms Lai has over five years of experience in corporate services.

SENIOR MANAGEMENT

Our senior management comprises our executive directors, our joint company secretaries and the following persons:

Yang Jianbo, aged 44, has been our deputy general manager since August 2006. Mr Yang graduated from Northeast Industrial College in 1988 with a bachelor's degree in ore processing. From 1988 to 1992, Mr Yang served as a technician of the Lengshui ore processing plant and deputy head of the control center of LLMC. From 1992 to 1999, Mr Yang served as deputy manager of LLMC, deputy head of the Lengshui ore processing plant and deputy head of the Majuan ore processing plant. From 1999 to 2002, Mr Yang served as deputy head of the science and technology department of LLMG and manager of the No. 2 ore processing branch company of LLMG. From November 2002 to August 2006, Mr Yang served as a deputy general manager and director of LLMG.

Wang Bin, aged 43, has been our deputy general manager since August 2006. Mr Wang graduated from Central South University of Technology in 1989 with a bachelor's degree in geology. From 1989 to 1996, Mr Wang was a technician and a deputy head of Luanchuan County Mineral Company. From 1996 to 1998, Mr Wang served as an office secretary of Luanchuan County People's Government. From 1998 to 1999, Mr Wang was a deputy manager of LCMCC. From 1999 to 2002, Mr Wang served LLMG in the positions of board secretary, deputy head of the business planning department, and manager of the mine branch company. From November 2002 to August 2006, Mr Wang served as a deputy general manager and director of LLMG.

Gu Meifeng, aged 45, senior accountant, has been our chief financial officer since August 2006. Ms Gu graduated from Henan University in 1995. Ms Gu obtained qualifications as a certified public accountant, registered asset appraiser and senior accountant in China. From 1986 to 1994, Ms Gu worked on cost accounting with YTO Group Corporation Equipment Reparation & Manufacturing Plant. From 1994 to June 2006, Ms Gu was a deputy general manager of Luoyang Zhonghua Certified Public Accountants Co., Ltd.

He Feng, aged 46, has been our board secretary, board secretary-general and director of the general manager office since September 2006. Mr He graduated from Luoyang Normal University in 1987 with a diploma in Chinese. From 1987 to 1989, Mr He worked in Henan Province Luoyang Luanchuan Molybdenum Mine Workers' Children School and became the Secretary of the Communist Youth League General Branch of the school in 1989. From 1991 to 1995, Mr He served as an editor and journalist in newspaper office of LLMC. From 1995 to 1999, Mr He was a secretary in the manager office of LLMC. From 1999 to 2006, Mr He served LLMG as section chief of general manager office secretary section, deputy director of general manager office and board secretary-general.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Shu Hedong
Zhang Yufeng

Independent Non-executive Directors

Gao Dezhu
Zeng Shaojin
Gu Desheng
Ng Ming Wah, Charles

SUPERVISORS

Zhang Zhenhao
(Chairman of the Supervisory Committee)
Yin Dongfang
Deng Jiaoyun

BOARD SECRETARY

He Feng

REGISTERED OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PLACE OF BUSINESS IN HONG KONG

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

LEGAL REPRESENTATIVE

Duan Yuxian

AUTHORIZED REPRESENTATIVES

Li Chaochun
Ho Siu Pik

ALTERNATE AUTHORIZED REPRESENTATIVE

Lai Sharon Magdalene

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Ho Siu Pik *(ACS, ACIS)*
Lai Sharon Magdalene *(ACS, ACIS)*

ENQUIRY DEPARTMENT OF THE COMPANY

Board Secretariat

INFORMATION ENQUIRY TELEPHONE NO. OF THE COMPANY

(+86) 379 6681 9810

HONG KONG H SHARE REGISTRAR

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

NAME OF THE STOCK

China Molybdenum Co., Ltd. (CMOC)

STOCK CODE

03993 (Listed on 26 April 2007)

PRINCIPAL BANKS

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Hong Kong:

Lovells
11/F, One Pacific Place, 88 Queensway, Hong Kong

PRC:

Llinks Law Offices
21/F, South Tower, Shanghai Stock Exchange Building,
528 South Pudong Road, Shanghai 200120, the PRC

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
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)

We have audited the consolidated financial statements of 洛陽欒川鉬業集團股份有限公司 China Molybdenum Co., Ltd. (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 37 to 95, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2009 and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2010

FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	**2009** **RMB'000**	2008 RMB'000
Revenue	5	**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	7	**182,974**	137,507
Selling and distribution expenses		**(13,992)**	(25,019)
Administrative expenses		**(248,617)**	(253,494)
Other expenses and losses	8	**(22,346)**	(85,547)
Finance costs	9	**(21,363)**	(2,939)
Share of results of associates		**16,561**	14,792
Profit before taxation		**723,186**	2,505,000
Taxation	10	**(188,576)**	(656,187)
Profit for the year	11	**534,610**	1,848,813
Other comprehensive income (expenses):			
Exchange differences arising on translation of foreign operations		**494**	(1,770)
Available-for-sale financial assets			
Net gain on change in fair value of available-for-sale financial assets during the year		**—**	7,262
Reclassification adjustments relating to available-for-sale financial 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		**503,315**	1,640,902
Minority interests		**31,295**	207,911
		534,610	1,848,813
Total comprehensive income attributable to:			
Owners of the Company		**503,809**	1,638,296
Minority interests		**31,295**	207,911
		535,104	1,846,207
Earnings per share - Basic	14	**RMB0.10**	RMB0.34

AT 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**4,304,002**	3,913,156
Land use rights - non-current portion	16	**401,252**	421,008
Mining rights	17	**310,590**	337,815
Trademarks	18	**656**	835
Interests in associates	19	**52,765**	46,204
Investments in debt securities	20	**80,000**	200,000
Available-for-sale investments	21	**2,300**	2,300
Deferred tax assets	22	**181,412**	130,721
Deposits paid for acquisition of mines	23	**159,600**	155,153
		5,492,577	5,207,192
Current assets			
Inventories	24	**849,011**	650,367
Trade and other receivables	25	**821,537**	653,587
Amounts due from associates	26	**48,616**	105,856
Land use rights — current portion	16	**10,217**	9,295
Investments in debt securities	20	**1,230,000**	2,899,000
Held-for-trading investments	27	**108,606**	663,339
Loan receivables	28	**1,092,824**	—
Restricted bank deposits	29	**43,952**	—
Bank balances and cash	29	**2,775,207**	2,547,624
		6,979,970	7,529,068
Assets classified as held for sale	30	**211,850**	—
		7,191,820	7,529,068
Current liabilities			
Trade and other payables	31	**(866,151)**	(681,061)
Dividend payables	32	**(62,218)**	(51,767)
Tax payable		**(100,977)**	(67,964)
Bank borrowings — due within one year	33	**(231,242)**	(228,000)
		(1,260,588)	(1,028,792)
Liabilities directly associated with assets classified as held for sale	30	**(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

AT 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2009 RMB'000	2008 RMB'000
Non-current liabilities			
Bank borrowings — due after one year	33	**(50,000)**	—
Provision	34	**(40,586)**	(38,653)
Long term payable	35	**(1,540)**	(5,286)
Deferred income	36	**(27,347)**	(18,444)
		(119,473)	(62,383)
		11,290,774	11,645,085
Capital and reserves			
Share capital	37	**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

The consolidated financial statements on pages 37 to 95 were approved and authorised for issue by the Board of Directors on 21 March 2010 and are signed on its behalf by:

Duan Yuxian
DIRECTOR

Wu Wenjun
DIRECTOR

FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000* *(note 38)*	**Statutory surplus reserve** *RMB'000* *(note 38)*	**Investment revaluation reserve** *RMB'000*	**Translation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Attributable to owners of the Company** *RMB'000*	**Minority interests** *RMB'000*	**Total** *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
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
Capital injection from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	35,000	35,000
Dividends	—	—	—	—	—	—	(770,435)	(770,435)	(172,556)	(942,991)
Transfer of reserves *(note 38)*	—	—	—	203,871	—	—	(203,871)	—	—	—
Transfer *(note 38)*	—	—	358,750	—	—	—	(358,750)	—	—	—
Transfer upon utilisation *(note 38)*	—	—	(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 arising on translation of foreign operations 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 *(note 38)*	—	—	—	68,028	—	—	(68,028)	—	—	—
Transfer *(note 38)*	—	—	308,954	—	—	—	(308,954)	—	—	—
Transfer upon ulitisation *(note 38)*	—	—	(344,985)	—	—	—	344,985	—	—	—
At 31 December 2009	975,234	7,346,260	388,722	610,981	—	(1,740)	1,651,045	10,970,502	320,272	11,290,774

FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF CASH FLOWS

	2009	2008
	RMB'000	*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)
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

FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2009 RMB'000	2008 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)
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 at 1 January		**2,547,624**	5,680,676
Cash and cash equivalents at the end of the year	40	**2,824,751**	2,547,624

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a joint stock company established in the People's Republic of China (the "PRC") on 25 August 2006. On 26 April 2007, the Company was successfully listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is an integrated producer of molybdenum in the PRC. Its operations consist of molybdenum mining, floating, smelting and refining to produce molybdenum and other related products, including molybdenum oxide, ferromolybdenum, molybdenum concentrate, tungsten concentrate, gold and silver and sulfuric acid. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

2. APPLICATION 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 "new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are effective for the Group's financial year beginning 1 January 2009.

IAS 1 (Revised)	Presentation of financial statements
IAS 23 (Revised)	Borrowing costs
IAS 32 & IAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
IFRS 2 (Amendments)	Vesting conditions and cancellations
IFRS 7 (Revised)	Improving disclosures about financial instruments
IFRS 8	Operating segments
Amendments to IFRIC 9 & IAS 39	Embedded derivatives
IFRIC 13	Customer loyalty programmes
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 18	Transfers of assets from customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs") *(Continued)*

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 redesignation of the Group's segments and changed 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 6 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 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 (referred to as 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 classification of related parties of the Group.

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs") *(Continued)*

New and revised IFRSs in issue but not yet effective

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

IFRSs (Amendments)	Amendments to IFRS 5 as part of improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs 2009[2]
IAS 27 (Revised)	Consolidated and separate financial statements[1]
IAS 32 (Amendment)	Classification of rights issues[4]
IAS 39 (Amendment)	Eligible hedged items[1]
IFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
IFRS 1 (Amendment)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters[5]
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
IFRS 3 (Revised)	Business combinations[1]
IFRS 9	Financial instruments[7]
IFRIC 14 (Amendment)	Prepayments of a minimum funding requirement[6]
IFRIC 17	Distributions of non-cash assets to owners[1]
IFRIC 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in a Group's ownership interest in a subsidiary.

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. In addition, under IFRS 9, changes in fair value of equity investments are generally recognised in other comprehensive income, with only dividend income recognised in profit or loss. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset including financial assets at fair value through profit and loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Retirement benefits schemes

The Group participates in retirement plans administered by the provincial government pursuant to which the Group pays a fixed percentage of the salaries and wages of its qualifying staff and employees as a contribution to the plan. The contribution payable in respect of the period to the retirement plans is recognised in profit or loss when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the results for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible for all deductible temporary differences temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary differences are related to goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Construction in progress

Construction in progress is stated at cost, which includes construction costs and other direct costs attributable to such projects including borrowing costs, capitalised in accordance with the Group's accounting policy, less any recognised impairment loss. It is not depreciated until completion of construction. The cost of completed construction work is transferred to the appropriate category of property, plant and equipment. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Other property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less any accumulated depreciation and any accumulated impairment losses at the end of the reporting period.

Provision for restoration, rehabilitation and environmental expenses is recognised as part of the cost of buildings and mining structure. Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be added to, or deducted from, the cost of the related asset in the current year provided that the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Land use rights

Payments for obtaining land use rights is considered as prepaid operating lease payments and charged to profit or loss over the period of the right using the straight-line method.

Trademarks

Trademarks are stated at cost less accumulated amortisation and any recognised impairment loss. The cost incurred in the acquisition of trademarks is capitalised and amortised on a straight-line basis over 5 years.

Gains or losses arising from derecognition of a trademark are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Mining rights

Mining rights are stated at cost less accumulated amortisation and accumulated impairment losses and are amortised on a straight-line basis over the shorter of their useful life based on the total proven and probable reserves of the mines or contractual period from the date of available for use.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Impairment of tangible assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into one of the following categories including financial assets as at fair value through profit or loss ("FVTPL"), available-for-sales financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL including financial assets held-for-trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At the end of the reporting period, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period, loans and receivables (including trade receivables, investments in debt securities, loan receivables, other receivables, amounts due from associates, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

Equity instruments held by the Group that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period subsequent to initial recognition.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, dividend payables, long term payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or receivable is recognised in profit or loss.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provision

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

Provisions for the Group's restoration, rehabilitation and environmental expenses are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Provision for restoration, rehabilitation and environmental expenditure

The provision for restoration, rehabilitation and environmental costs has been determined by the directors based on their best estimates. The directors estimated this liability for final reclamation and mine closure based upon detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the future. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities (see note 34).

Allowances for doubtful debts

The management regularly reviews the recoverability and aging of the trade receivables. Allowance for trade receivables is made based on the evaluation of collectability and aging analysis of accounts and on management's judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value.

A considerable amount of judgement is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required (see note 25).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and on the assumption that the PRC government will continue to renew the mining rights certificate upon its expiration in year 2021. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Income taxes

As at 31 December 2009, a deferred tax asset in relation to unused tax losses and unrealised profit of RMB30,834,000 (2008: RMB3,740,000) and RMB119,663,000 (2008: RMB90,761,000), respectively, has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on sufficient future profits or taxable temporary differences will be available in the future and in the case of deferred tax asset on unrealised profit, whether the goods are eventually sold outside the Group. In cases where the actual future profits/sales generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

5. 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

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. 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 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#

Represent sulfuric acid and other by-products

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the gross profit for the year in each operating segment. This is the measure reported to the Company's Executive Directors 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.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the year ended 31 December 2009

	Molybdenum related products		Processed molybdenum and tungsten products		Tungsten products	Gold and silver	Others	Eliminations	Consolidated
	Domestic	International	Domestic	International					
	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)

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2008

	Molybdenum related products		Processed molybdenum and tungsten products		Tungsten products	Gold and silver	Others	Eliminations	Consolidated
	Domestic	International	Domestic	International					
	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
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 and segment liabilities and other segment information such as capital expenditure are presented as such amounts are not provided to the chief operating decision maker.

6. SEGMENT INFORMATION *(Continued)*

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[1]	**329,656**	610,611
Customer B[1]	**—** [2]	845,438

1 Revenue from the domestic molybdenum related products segment.

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

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*
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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. 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 (note 36)	**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.

8. OTHER EXPENSES AND LOSSES

	2009	2008
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**13,738**	8,702
Loss on disposal of land use rights	**121**	—
Net foreign exchange losses	**769**	65,916
Penalty expenses	**215**	63
Donations	**1,543**	5,389
Others	**5,960**	5,477
	22,346	85,547

9. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interests on bank borrowings wholly repayable within five years	**9,670**	10,077
Interests on bills discounted with recourse	**16,760**	1,078
Other interest expenses - unwinding discounts on provision	**1,933**	1,840
Less: Amount included in the cost of qualifying assets	**(7,000)**	(10,056)
	21,363	2,939

Borrowing costs included in the cost of qualifying assets on the general borrowing pool and are calculated by applying a capitalisation rate of 6.2% per annum for the year ended 31 December 2009 (2008: 6.7%), to expenditure on such assets for the year.

10. TAXATION

	2009	2008
	RMB'000	*RMB'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 *(note 22)*		
— current year	**(54,784)**	(95,844)
	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.

10. TAXATION *(Continued)*

Taxation for the year can be reconciled to the profit before taxation as follows:

	2009 **RMB'000**	2008 RMB'000
Profit before taxation	**723,186**	2,505,000
Tax at the domestic income tax rate of 25% (2008: 25%)	**180,797**	626,250
Tax effect of income not taxable for tax purposes	**(4,861)**	(4,421)
Tax effect of expenses not deductible for tax purposes	**11,184**	2,472
Underprovision in prior year	**4,659**	26,748
Tax effect of tax losses not recognised	**1,270**	10,072
Tax effect of share of results of associates	**(4,140)**	(3,698)
Utilisation of tax losses previously not recognised	**(333)**	(1,236)
Tax charge for the year	**188,576**	656,187

The domestic income tax rate represents the tax rate in the jurisdiction where the operations of the Group is substantially based.

11. PROFIT FOR THE YEAR

	2009 **RMB'000**	2008 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration *(note 12)*	**6,487**	6,343
Other staff's salary, bonus and allowances	**311,221**	413,213
Other staff's contribution to retirement benefit cost	**39,753**	32,053
Total staff costs	**357,461**	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.

12. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

	2009 *RMB'000*	2008 *RMB'000*
Directors' fees	**625**	620
Other emoluments for executive directors		
— basic salaries and allowances	**1,900**	1,900
— performance related bonus	**3,934**	3,800
— retirement benefits contributions	**28**	23
	6,487	6,343

Note: The performance related bonus is determined based on the record of growth of the Group's annual result.

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Retirement benefit contribution *RMB'000*	Performance related bonus *RMB'000*	Total *RMB'000*
For the year ended 31 December 2009					
Name of director					
Executive director					
段玉賢 Duan, Yuxian	—	400	9	828	1,237
李朝春 Li, Chaochun	—	380	—	787	1,167
吳文君 Wu, Wenjun	—	380	6	787	1,173
李發本 Li, Faben	—	380	7	787	1,174
王欽喜 Wang, Qinxi	—	360	6	745	1,111
	—	1,900	28	3,934	5,862
Non-executive director					
張玉峰 Zhang, Yufeng	60	—	—	—	60
舒鶴棟 Shu, Hedong (appointed on 18 August 2009)	25	—	—	—	25
許軍 Xu, Jun (resigned on 18 August 2009)	40	—	—	—	40
	125	—	—	—	125
Independent non-executive director					
高德柱 Gao, Dezhu	100	—	—	—	100
曾紹金 Zeng Shaojin	100	—	—	—	100
古德生 Gu, Desheng	100	—	—	—	100
吳明華 Ng Ming Wah, Charles	200	—	—	—	200
	500	—	—	—	500
Total directors' emoluments	625	1,900	28	3,934	6,487

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12. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Retirement benefit contribution *RMB'000*	Performance related bonus *RMB'000*	Total *RMB'000*
For the year ended 31 December 2008					
Name of director					
Executive director					
段玉賢 Duan, Yuxian	—	400	7	800	1,207
李朝春 Li, Chaochun	—	380	—	760	1,140
吳文君 Wu, Wenjun	—	380	5	760	1,145
李發本 Li, Faben	—	380	6	760	1,146
王欽喜 Wang, Qinxi	—	360	5	720	1,085
	—	1,900	23	3,800	5,723
Non-executive director					
許軍 Xu, Jun	60	—	—	—	60
張玉峰 Zhang, Yufeng	60	—	—	—	60
	120	—	—	—	120
Independent non-executive director					
高德柱 Gao, Dezhu	100	—	—	—	100
曾紹金 Zeng Shaojin	100	—	—	—	100
古德生 Gu, Desheng	100	—	—	—	100
吳明華 Ng Ming Wah, Charles	200	—	—	—	200
	500	—	—	—	500
Total directors' emoluments	620	1,900	23	3,800	6,343

12. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Basic salaries and allowances *RMB'000*	Retirement benefit contribution *RMB'000*	Total *RMB'000*
For the year ended 31 December 2009			
Supervisors			
舒鶴棟 Shu, Hedong	**35**	**—**	**35**
鄧交雲 Deng, Jiaoyun	**350**	**7**	**357**
尹東方 Yin, Dongfang	**60**	**—**	**60**
張振昊 Zhang, Zhenhao (appointed on 18 August 2009)	**20**	**—**	**20**
	465	**7**	**472**
For the year ended 31 December 2008			
Supervisors			
舒鶴棟 Shu, Hedong	60	—	60
鄧交雲 Deng, Jiaoyun	350	6	356
尹東方 Yin, Dongfang	60	—	60
	470	6	476

Highest paid individuals

The five highest paid individuals represented five directors (2008: five) for the year ended 31 December 2009.

The emoluments of the five highest paid individuals in the Group in both years were all between HKD1,000,000 to HKD1,500,000.

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments for the years ended 31 December 2009 and 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. 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)	**—**	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 dividend of RMB0.158 per share) totalling RMB390,094,000 (2008: final dividend of RMB770,435,000) has been proposed by the directors. The proposal is subject to approval by the shareholders in general meeting.

14. 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings and mining structures *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2008	1,761,232	798,789	90,780	70,142	656,934	3,377,877
Additions	247,719	76,414	25,995	13,009	784,669	1,147,806
Disposals	(3,870)	(12,559)	(2,765)	(1,970)	—	(21,164)
Transfers	464,318	140,071	816	660	(605,865)	—
At 31 December 2008	2,469,399	1,002,715	114,826	81,841	835,738	4,504,519
Additions	27,512	51,793	43,231	8,448	604,010	734,994
Disposals	(37,794)	(53,043)	(3,266)	(8,009)	(1,297)	(103,409)
Transfers	588,626	277,867	2,522	—	(869,015)	—
Reclassified as held for sale	(16,335)	(47,092)	(366)	(1,363)	(14,536)	(79,692)
At 31 December 2009	3,031,408	1,232,240	156,947	80,917	554,900	5,056,412
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2008	(180,746)	(152,520)	(18,983)	(23,068)	—	(375,317)
Provided for the year	(107,613)	(94,945)	(9,464)	(11,158)	—	(223,180)
Eliminated on disposals	636	5,045	591	862	—	7,134
At 31 December 2008	(287,723)	(242,420)	(27,856)	(33,364)	—	(591,363)
Provided for the year	(111,298)	(118,846)	(15,746)	(11,306)	—	(257,196)
Eliminated on disposals	32,983	42,947	1,759	5,425	—	83,114
Eliminated on reclassification as held for sale	2,556	9,739	180	560	—	13,035
At 31 December 2009	(363,482)	(308,580)	(41,663)	(38,685)	—	(752,410)
CARRYING VALUES						
At 31 December 2009	2,667,926	923,660	115,284	42,232	554,900	4,304,002
At 31 December 2008	2,181,676	760,295	86,970	48,477	835,738	3,913,156

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's buildings and mining structures are situated in Luoyang, the PRC under medium-term lease.

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Buildings and mining structures	8 - 45 years
Plant and machinery	8 - 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	8 years

16. LAND USE RIGHTS

	2009	2008
	RMB'000	*RMB'000*
CARRYING AMOUNT		
At beginning of the year	430,303	312,144
Additions	18,360	126,953
Disposals	(3,980)	—
Reclassified as held for sale	(24,471)	—
Charged to profit or loss	(8,743)	(8,794)
At end of the year	411,469	430,303

Analyse of the carrying amount of land use rights is as follows:

	2009	2008
	RMB'000	*RMB'000*
Land use rights	**411,469**	430,303
Less: Portion to be charged to profit or loss in the coming twelve months and shown as current assets	**(10,217)**	(9,295)
Amount due after one year	**401,252**	421,008

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

17. MINING RIGHTS

	RMB'000
COST	
At 1 January 2008, at 31 December 2008 and 2009	401,486
ACCUMULATED AMORTISATION	
At 1 January 2008	(36,293)
Amortisation	(27,378)
At 31 December 2008	(63,671)
Amortisation	(27,225)
At 31 December 2009	(90,896)
CARRYING VALUES	
At 31 December 2009	310,590
At 31 December 2008	337,815

The Group obtained the mining right certificate in 2006 at a consideration of RMB401,486,000 which will expire in year 2021. In the opinion of the directors, that the PRC government will renew the mining rights certificate at minimal cost upon its expiration.

The mining rights are amortised over the initial license period of 15 years.

18. TRADEMARKS

	RMB'000
COST	
At 1 January 2008	—
Addition	890
At 31 December 2008 and 2009	890
ACCUMULATED AMORTISATION	
At 1 January 2008	—
Amortisation	(55)
At 31 December 2008	(55)
Amortisation	(179)
At 31 December 2009	(234)
CARRYING AMOUNTS	
At 31 December 2009	656
At 31 December 2008	835

The above trademarks have definite useful lives. Such trademarks are amortised on a straight-line basis over 5 years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INTERESTS IN ASSOCIATES

	2009 RMB'000	2008 RMB'000
Capital contribution	**21,650**	21,650
Share of post-acquisition profits, net of dividends received	**31,115**	24,554
	52,765	46,204

Details of the Group's associates are set as follows:

Name of company	Date of establishment	Place of establishment and operation	Issued and fully paid/ registered capital	Proportion of equity held directly by the Company	Principal activities
洛陽豫鷺礦業有限責任公司 Luoyang Yulu Mining Co., Ltd.	24 April 2002	PRC — Limited liability company	RMB50,000,000	40% (Note) (2008: 40%)	Manufacturing of tungsten concentrate
上海宇華鉬業公司 Shanghai Yuhua Molybdenum Co., Ltd.	27 October 2005	PRC — Limited liability company	RMB5,000,000	33% (2008: 33%)	Trading of molybdenum products

Note: Pursuant to the shareholders' agreement, the Group is entitled to 50% of the associate's profit from 1 January 2008.

The summarised combined financial information in respect of the Group's associates is set out below:

	2009 RMB'000	2008 RMB'000
Total assets	**188,749**	203,041
Total liabilities	**(60,560)**	(88,221)
Net assets	**128,189**	114,820
Group's share of net assets of associates	**52,765**	46,204
Revenue	**684,614**	879,155
Profit for the year	**33,369**	29,985
Group's share of results of associates for the year	**16,561**	14,792

20. 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	2008
	RMB'000	*RMB'000*
Unlisted corporate entities' debts	**450,000**	691,000
Debentures and bills issued 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. They will mature during the period from February 2010 to August 2012 (2008: mature 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, totally RMB151,067,000 were matured and settled.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	RMB'000	*RMB'000*
Unlisted securities		
— equity securities at cost	**2,300**	2,300

The above unlisted investments represent equity investments in private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. DEFERRED TAX ASSETS

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

	Impairment of property, plant and equipment *RMB'000*	Allowance for inventories *RMB'000*	Allowance for receivables *RMB'000*	Tax losses *RMB'000*	Deferred income *RMB'000*	Accrued expenses *RMB'000*	Unrealised profit *RMB'000* *(Note)*	Held-for-trading investments *RMB'000*	Undistributed earning of a subsidiary outside PRC *RMB'000*	Total *RMB'000*
At 1 January 2008	3,377	—	6,665	—	—	—	37,515	(5,348)	(7,332)	34,877
Credit to profit or loss	—	3,259	1,816	3,740	4,707	16,244	53,246	8,508	4,324	95,844
At 31 December 2008	3,377	3,259	8,481	3,740	4,707	16,244	90,761	3,160	(3,008)	130,721
(Charge) credit to profit or loss	(3,333)	(3,076)	(4,442)	27,094	2,226	6,021	28,902	(1,616)	3,008	54,784
At 31 December 2009	44	183	4,039	30,834	6,933	22,265	119,663	1,544	—	185,505

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

At the end of the reporting period, the Group has unused tax losses of RMB167,372,000 (2008: RMB55,248,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB123,336,000 (2008: RMB14,960,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB44,036,000 (2008: RMB40,288,000) due to the unpredictability of future profit streams of subsidiaries. Included in unrecognised tax losses are losses that will expire in the following year:

	2009 ***RMB'000***	2008 *RMB'000*
Expire in 2013	**53,916**	55,248
Expire in 2014	**113,456**	—
	167,372	55,248

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

	2009 ***RMB'000***	2008 *RMB'000*
Deferred tax assets	**181,412**	133,729
Deferred tax liabilities	**—**	(3,008)
	181,412	130,721
Deferred tax assets associated with assets held for sale *(note 30)*	**4,093**	—
	185,505	130,721

22. DEFERRED TAX ASSETS *(Continued)*

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

23. DEPOSITS PAID FOR ACQUISITION OF MINES

	2009	2008
	RMB'000	*RMB'000*
Advance to a minority shareholder of a subsidiary	**159,600**	89,800
Other deposits paid	**—**	65,353
	159,600	155,153

On 16 January 2008, the Group entered into a legally binding framework agreement with the People's Government of Luoning County and Luoning County Funiu Mining Development Centre ("Funiu Mining") - a minority shareholder of a subsidiary in respect of the proposed acquisition of all the property, plant and equipment, land use rights and mining rights of certain gold mines in Henan ("Proposed Acquisition"). Details of which have been disclosed in the Company's 2007 Annual Report. The Proposed Acquisition is expected to be completed in 2010.

During the year ended 31 December 2009, other deposits paid in prior years were utilised to acquire certain property, plant and equipment in those gold mines in preparation for the acquisition of mining rights in the future.

In the opinion of the directors, the carrying amount approximates its fair value at the end of the reporting period.

24. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Raw materials	**226,898**	164,367
Work in progress	**87,831**	23,903
Finished goods	**534,282**	462,097
	849,011	650,367

The balance of inventories of the Group at 31 December 2009 which are carried at net realisable value includes:

	2009	2008
	RMB'000	*RMB'000*
Raw material	**—**	17,688
Work in progress	**—**	23,903
Finished goods	**198**	21,642
	198	63,233

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. TRADE AND OTHER RECEIVABLES

	2009 RMB'000	2008 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 RMB'000	2008 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 RMB'000	2008 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 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).

25. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2009	2008
	RMB'000	*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

Movement in the allowance for doubtful debts of trade receivables

	2009	2008
	RMB'000	*RMB'000*
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

Movement in the allowance for doubtful debts of other receivables

	2009	2008
	RMB'000	*RMB'000*
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

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 ("USD")	**—**	4,164

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26. AMOUNTS DUE FROM ASSOCIATES

	2009 RMB'000	2008 RMB'000
Trade receivables from Shanghai Yuhua Molybdenum Co., Ltd.	**48,581**	105,856
Other receivables from Luoyang Yulu Mining Co., Ltd.	**35**	—
	48,616	105,856

Note: The amounts are unsecured and interest-free. Trade receivables are aged within 90 days. Both companies are associates of the Group at 31 December 2009 and 31 December 2008.

27. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments comprise:

	2009 RMB'000	2008 RMB'000
Listed securities *(note 1)*		
Equity securities listed in Hong Kong	**2,856**	1,657
Equity securities listed in PRC	**19,011**	16,273
	21,867	17,930
Other securities		
Quoted debentures *(note 2)*	**86,718**	645,388
Other debentures	**21**	21
	86,739	645,409
Total	**108,606**	663,339

Note 1: The fair values are determined based on the quoted market bid prices of underlying securities available on the relevant exchanges.

Note 2: The fair values are determined based on quoted prices by financial institutions which are publicly available. Quoted debentures carry effective annual interest rate ranged from 1.30% to 3.11% (2008: 1.35% to 3.11%) and with maturity date ranged from 25 August 2012 to 28 August 2015 for both years.

28. LOAN RECEIVABLES

	2009 *RMB'000*	2008 *RMB'000*
Loan receivable from 洛陽建投礦業有限公司 *(note 1)*	**1,050,000**	—
Other loan receivable *(note 2)*	**42,824**	—
	1,092,824	—

Note 1: 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 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") (the "Intended Acquisition"). 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 commencing from 22 December 2009 to 21 December 2010 and bear interest rate at 90% of the benchmark interest rate for loan of one year as quoted by the People's Bank of China.

Pursuant to the loan agreement, the Company has (i) during the term of the loan, an option (but is not obliged) for the Company 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 the 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 is 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 above have been disclosed in the Company's announcement dated 27 December 2009.

Note 2: The amount represents advance to a supplier with a term of one year commencing from 1 July 2009 to 30 June 2010, which bears interest at 5.31% per annum. The advance is secured by inventories of the supplier.

29. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits

The amount represented deposits pledged to banks to secure banking facilities granted to the Group. The deposits carry fixed interest rate as follows:

	2009	2008
Average interest rate per annum	**0.36%**	—

Deposits has been pledged to secure short-term bank facilities granted by the relevant banks and were therefore classified as current assets. The restricted bank deposits will be released upon the settlement of relevant bank borrowings.

29. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH *(Continued)*

Bank balances and cash

Bank balances carry interest at prevailing market rates ranging from 0.36% to 2.25% per annum (2008: ranging from 0.72% to 2.5% per annum).

The Group's bank balances and cash that are denominated in currencies other than functional currencies of the relevant group entities were as follows:

Currency	**2009** ***RMB'000***	2008 *RMB'000*
Hong Kong Dollars ("HKD")	**285**	15,195
USD	**878**	9,701

30. ASSETS CLASSIFIED AS HELD FOR SALE

On 3 December 2009, the Group 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 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.

31. TRADE AND OTHER PAYABLES

	2009 *RMB'000*	2008 *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 *RMB'000*	2008 *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 *RMB'000*	2008 *RMB'000*
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

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32. DIVIDEND PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Dividend payables to the minority shareholders of subsidiaries	**62,218**	51,767

33. BANK BORROWINGS

	2009	2008
	RMB'000	*RMB'000*
Fixed-rate bank loans - unsecured	**100,000**	228,000
Variable-rate bank loans - unsecured	**181,242**	—
	281,242	228,000
The maturity profile of the above borrowings are as follows:		
Within one year	**231,242**	228,000
More than two years but not exceeding five years	**50,000**	—
	281,242	228,000
Less: Amounts due within one year shown under current liabilities	**(231,242)**	(228,000)
	50,000	—

As at 31 December 2009, bank loan of RMB98,000,000 (2008: nil) was guaranteed by Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) ("LMG").

At the end of the reporting period, the Group had banking facilities secured by the following assets of the Group:

	2009	2008
	RMB'000	*RMB'000*
Bank deposits	**43,952**	—

33. BANK BORROWINGS *(Continued)*

The carrying amount and ranges of interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Carrying amount		Interest rates	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*		
Fixed-rate borrowings				
— RMB	**100,000**	228,000	**5.04%**	6.57% to 7.47%
Variable-rate borrowings				
— RMB	**148,000**	—	**90% to 100% of benchmark interest rate in People's Bank of China**	—
— USD	**33,242**	—	**London Interbank Offer Rate plus 0.6%**	—
	281,242	228,000		

34. PROVISION

	2009	2008
	RMB'000	*RMB'000*
Provision for restoration, rehabilitation and environmental costs	**40,586**	38,653
Movement during the year:		
At beginning of the year	**38,653**	36,813
Interest expense	**1,933**	1,840
At end of the year	**40,586**	38,653

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group's existing mines. The provision for restoration, rehabilitation and environmental costs has been determined by the directors based on their best estimates. The effective interest rate is 5% (2008: 5%) per annum.

35. LONG TERM PAYABLE

Long term payable comprised of:

	2009	2008
	RMB'000	*RMB'000*
Early retirement cost payable	**1,540**	5,286

The Company was transformed from a wholly state-owned enterprise to a limited liability company with partial private ownership in September 2004 (the "Restructuring"). As a result of the Restructuring, the employment contract between the employees and the state-owned enterprise was terminated. New employment contracts were signed between the employees and the limited liability company with partial private ownership. As a result, employees reach the statutory retirement age within 5 years or have been working for more than 30 years could either choose an one-off compensation plan and continue to work for the Group or received an early retirement compensation and discontinue service with the Group thereafter. The early retirement compensation is calculated based on factors including the remaining number of years of service from the date of early retirement to the normal retirement date and the salary on the date of early retirement of an employee.

During the current year, RMB3,746,000 (2008: RMB4,384,000) has been paid to qualified individuals.

36. DEFERRED INCOME

	2009	2008
	RMB'000	*RMB'000*
At beginning of the year	**18,444**	—
Government grants received	**11,936**	19,280
Released to profit or loss	**(3,033)**	(836)
Balance at end of the year	**27,347**	18,444

During current year, the Group received a government grant amounting to RMB6,000,000 from local government in connection with the Group's research project on the processing of molybdenum and tungsten products. An amount of RMB3,560,000 is still subject to final approval by local government when the Group carried out the research work and is therefore recognised as deferred income.

In addition, the Group received a government grant amounting to RMB5,936,000 (2008: RMB19,280,000) from relevant PRC local authorities in respect of the Group's acquisition of land use rights. It is recognised as deferred income and are released to income over the lease term of the land use right.

37. SHARE CAPITAL

	Number of shares		
	Domestic shares *(Note a)*	**H shares** *(Note b)*	**Amount** *RMB'000*
At 1 January 2008, 31 December 2008 and 31 December 2009	3,565,014,525	1,311,156,000	975,234

Note:

(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.

38. RESERVES

Capital reserves

Pursuant to regulation in the PRC, the Group is required to transfer an annual amount to reform specific development fund in capital reserve at RMB18 per tonne of molybdenum concentrate mined during the year. The fund can only be used for the future improvement of the mining facilities and is not available for distribution to shareholders. In addition, the Group is also required to transfer an additional amount at RMB4 per tonne of molybdenum concentrates mined as safety fund in capital reserve. The fund is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

The utilisation of the amount in the capital reserve account will be subjected to relevant regulations in the PRC. Upon utilisation of the funds, the corresponding amount will then be transferred from the capital reserve account to retained profits.

Statutory surplus reserve

Statutory surplus reserve represents the appropriation of 10% of profit after taxation calculated in accordance with the PRC accounting standards and regulations and the Articles of Association of the Company and its subsidiaries. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the Company's and its subsidiaries' registered capital. According to the Company's Articles of Association, statutory surplus reserve can be used to make up prior year losses, to expand production operation or to increase share capital. The Company or its subsidiaries may capitalise the statutory surplus reserve by way of bonus issues provided that the amount of the statutory surplus reserve remaining after such appropriation shall not be less than 25% of the registered capital of the Company or its subsidiaries.

39. RELATED PARTY TRANSACTIONS

The Group has the following significant transactions with related companies:

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

	2009	2008
	RMB'000	*RMB'000*
Nature of transactions		
Sales of goods	**329,656**	610,611

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

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

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

On 22 December 2009, the Group entered into a loan agreement with Luoyang Construction and Mining Co., Ltd. (洛陽建投礦業有限公司) for a loan amount of RMB1,150,000,000 which RMB1,050,000,000 has been drawn down as at 31 December 2009. Details of the loan has been disclosed in note 28.

In addition, the Group has also entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks which are government-related entities in its ordinary course of business.

(iii) Transactions with shareholders

As at 31 December 2009, bank loans of RMB98,000,000 (2008: nil) were guaranteed by LMG.

(iv) Compensation of key management personnel

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

	2009	2008
	RMB'000	*RMB'000*
Short-term benefits	**8,834**	10,833
Post-employment benefit	**59**	40
	8,893	10,873

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

40. 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	2008
	RMB'000	*RMB'000*
Bank balances and cash	**2,775,207**	2,547,624
Bank balances and cash included in a disposal group classified as held for sale	**49,544**	—
	2,824,751	2,547,624

41. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2009	2008
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**114,255**	269,067

42. RETIREMENT BENEFITS PLAN

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions paid/payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in notes 11 and 12 for employees and directors, respectively.

43. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance in order to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings and equity attributable to owners of the Company, comprising issued share capital, capital reserve and retained profits. The minimum registered capital of a joint stock limited liability company is RMB5,000,000.

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43. FINANCIAL INSTRUMENTS *(Continued)*

(a) Capital risk management *(Continued)*

The Group's board of directors reviews the capital structure on a continuous basis. As a part of this review, the board of directors considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior years.

(b) Categories of financial instruments

	2009	2008
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)		
— investments in debts securities	**1,310,000**	3,099,000
— other loans and receivables	**4,972,500**	3,245,357
	6,282,500	6,344,357
Held-for-trading investments	**108,606**	663,339
Available-for-sale investments (at cost)	**2,300**	2,300
Financial liabilities		
Amortised cost	**1,066,860**	934,633

(c) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

(d) Financial risk management objectives and policies

The Group's principal financial instruments comprise of trade receivables, loan receivables, held-for-trading investments, available-for-sale investments, investments in debt securities, amounts due from associates, trade payables, bank borrowings and bank balances and cash.

The Group's business is mining. The Group only sells commodities it has produced. In the long term, natural hedges operate in a number of ways to help to protect and stabilise earnings and cash flow, obviating the need to use derivatives or other forms of synthetic hedging for this purpose. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has exposure to such trading or speculative holdings through its investments in associates.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

43. FINANCIAL INSTRUMENTS *(Continued)*

(e) Interest rate risk management

An interest rate risk - the possibility that the fair value of a financial instrument (fair value risk) or future cash flows from a financial instrument (cash flow risk) will change due to movement in market interest rates - applies mainly to assets and liabilities with maturities of more than one year.

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial assets, mainly interest bearing bank balances, variable-rate loan receivables and variable-rate bank borrowings at prevailing market interest rates. The management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable interest bearing bank balances, loan receivables and variable-rate bank borrowings at the end of reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period.

If interest rates on bank balances had been 10 basis points higher/lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2009	2008
	RMB'000	*RMB'000*
Increase/decrease in profit for the year	**1,639**	488

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings, investments in debt securities, fixed-rate loan receivables and quoted debentures. The management considers the fair value interest rate risk is insignificant to the Group as most of them are short-term. In addition, the management also considers that the long-term portion is immaterial.

(f) Foreign currency risk management

The Group undertakes certain sales transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. In addition, the Group is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated trade receivables and bank balances.

The carrying amount of the Group's foreign currency denominated monetary assets (liabilities) at the reporting date is as follows:

	Liabilities		**Assets**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
USD	**(33,242)**	—	**5,986**	13,865
HKD	**—**	—	**251**	15,195

The Group does not carry out active currency hedging. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the board of directors.

43. FINANCIAL INSTRUMENTS *(Continued)*

(f) Foreign currency risk management *(Continued)*

Foreign currency sensitivity

The Group is mainly exposed to foreign currency risk in USD and HKD against RMB.

The following table details the Group's sensitivity to a 10 per cent change in RMB against the respective foreign currencies. The 10 per cent is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the end of the reporting periods and held constant throughout the reporting period. A negative number indicates a decrease in profit where RMB strengthens against the respective currencies which is mainly attributable to the exposure of outstanding USD receivables/bank borrowings and HKD bank balances. If RMB weakens against the respective currencies, there would be an equal and opposite impact on the profit and the balances below would be positive.

	USD Impact		**HKD Impact**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit and loss	**2,044**	(1,040)	**(19)**	(1,140)

In management's opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(g) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in natural resources and transportation sector quoted in The Stock Exchange of Hong Kong Limited. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity and debenture price risks at the reporting date.

If equity prices had been 20% higher/lower, profit for the year ended 31 December 2009 would increase/decrease by RMB5,209,000 (2008: RMB3,586,000).

If debenture prices had been 5% higher/lower, profit for the year ended 31 December 2009 would increase/decrease by RMB3,559,000 (2008: RMB32,270,000).

This is mainly due to the changes in fair value of held-for-trading investments and quoted debentures.

43. FINANCIAL INSTRUMENTS *(Continued)*

(h) Credit risk

The Group, trades only with recognised, creditworthy third parties. Trade receivables consist of a large number of customers, spread across diverse geographical areas. Products are sold only to companies whose credit information does not indicate payment irregularities. Credit limits have been set for most of the customers and they are monitored systematically. For overseas sales, document payments are in use, such as letters of credit. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is not significant.

The credit risk on liquid fund is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2008: 100%) of the total trade receivables as at 31 December 2009.

Loan receivables normally carry interest at rates with reference to banks' lending rates and are secured by collaterals. The Group has concentration of credit risk of the Group's loan receivables from a few entities. In order to minimise the credit risk, the management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or to recover overdue balances.

With respect to credit risk arising from the other financial assets of the Group which comprise, other receivables and amounts due from associates, the Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large state-owned enterprises with good credit standing and the Group does not expect any significant loss for uncollected advances to these entities.

The credit risk on investments in debt securities and debentures is limited because the majority of the counterparties are reputable banks or state-owned banks and the PRC government.

The carrying amount of financial assets records in the consolidated statement of financial position, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

(i) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's safety to managing liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due, including shareholder distributions. This is true not only of normal market conditions but also of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group's holdings of cash and short-term deposits, together with net cash flow from operations, are expected to be sufficient to cover the operating cost of the Group in the next financial year. The management considers that the Group have adequate source of funding to finance the Group and manage the liquidity position.

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. FINANCIAL INSTRUMENTS *(Continued)*

(i) Liquidity risk management *(Continued)*

Liquidity table

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate %	On demand and within one year *RMB'000*	One to two years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total *RMB'000*
31.12.2009					
Bank borrowings	**6.05**	**(244,199)**	**(54,050)**	**(298,249)**	**(281,242)**
Trade and other payables	**—**	**(721,860)**	**—**	**(721,860)**	**(721,860)**
Dividend payables	**—**	**(62,218)**	**—**	**(62,218)**	**(62,218)**
Long term payable	**—**	**—**	**(1,540)**	**(1,540)**	**(1,540)**
		(1,028,277)	**(55,590)**	**(1,083,867)**	**(1,066,860)**

	Weighted average interest rate %	On demand and within one year *RMB'000*	One to two years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total *RMB'000*
31.12.2008					
Bank borrowings	7.4	(244,872)	—	(244,872)	(228,000)
Trade and other payables	—	(649,580)	—	(649,580)	(649,580)
Dividend payables	—	(51,767)	—	(51,767)	(51,767)
Long term payable	—	—	(5,286)	(5,286)	(5,286)
		(946,219)	(5,286)	(951,505)	(934,633)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

43. FINANCIAL INSTRUMENTS *(Continued)*

(j) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.12.2009			
	Level 1 ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Financial assets				
Held-for-trading				
— listed equity securities	**21,867**	—	—	**21,867**
— quoted debentures	**86,739**	—	—	**86,739**
Total	**108,606**	—	—	**108,606**

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2009 and 2008 are set as follows:

Name of company	Date of establishment/ incorporation	Place of establishment/ incorporation and operation	Issued and fully paid/ registered capital	Proportion of equity held directly by the Company 2009	2008	Principal activities
洛陽欒川鉬業集團冶煉有限責任公司 Luomu Group Refining Co., Ltd.	5 June 2002	PRC - Limited liability company	RMB5,660,000	**100%**	100%	Manufacturing of molybdenum oxide, molybdenum steel and related products
洛陽欒川鉬業集團鎢鉬銷售貿易有限公司 Luomu Group Sales and Trading Co., Ltd.	27 March 2001	PRC - Limited liability company	RMB2,000,000	**100%**	100%	Trading of molybdenum products
洛陽大川鉬鎢科技有限責任公司 Luoyang Dachuan Molybdenum & Tungsten Technology Co., Ltd.	10 March 2003	PRC - Limited liability company	RMB157,500,000	**100%**	100%	Manufacturing of ammonium molybdate, and molybdenum powder
洛陽高科鉬鎢材料有限公司 Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd.	14 January 2005	PRC - Limited liability company	RMB530,000,000	**100%**	100%	Manufacturing of molybdenum powder, tungsten powder, and related products
欒川縣三強鉬鎢有限公司 Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.	24 March 2003	PRC - Limited liability company	RMB55,480,000	**51%**	51%	Ore processing
欒川縣九揚礦業有限公司 Luanchuan County Jiuyang Mining Co., Ltd.	9 May 2003	PRC - Limited liability company	RMB33,390,000	**51%**	51%	Ore processing
欒川縣大東坡鉬鎢礦業有限公司 Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.	2 June 2003	PRC - Limited liability company	RMB65,654,000	**51%**	51%	Ore processing
洛陽鉬都國際飯店有限公司 Luoyang Mudu International Hotel Co., Ltd.	11 October 2006	PRC - Limited liability company	RMB210,000,000	**100%**	100%	Hotel and catering
洛陽坤宇礦業有限公司 Luoyang Kunyu Mining Co., Ltd.	27 September 2006	PRC - Limited liability company	RMB50,000,000	**70%**	70%	Production of various non-ferrous metals
洛陽鉬業集團金屬材料有限公司 Luomu Group Metal Material Company Limited	27 December 2007	PRC - Limited liability company	RMB650,000,000	**100%**	100%	Manufacturing and trading of molybdenum products
洛陽鉬業(香港)有限公司 China Molybdenum (Hong Kong) Company Limited	3 August 2007	Hong Kong - Limited liability company	HKD1	**100%**	100%	Trading of molybdenum products

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Date of establishment/ incorporation	Place of establishment/ incorporation and operation	Issued and fully paid/ registered capital	Proportion of equity held directly by the Company 2009	2008	Principal activities
洛陽鉬業集團貴金屬投資有限公司 Luomu Group Precious Metals Investment Co. Ltd.	6 August 2007	PRC - Limited liability company	RMB2,500,000,000	**100%**	100%	Sales of precious metals, investment on precious metals
洛陽永寧金鉛冶煉有限公司 Luoyang Yongning Gold & Lead Refining Co. Ltd.	21 September 2007	PRC - Limited liability company	RMB325,000,000	**73.8%**	70.6%	Sale and manufacturing of molybdenum oxide
洛陽欒川鉬業集團鎢業有限公司 Luomu Group Tungsten Co., Ltd.	3 August 2007	PRC - Limited liability company	RMB1,000,000,000	**100%**	100%	Sales, processing and recovery of molybdenum and tungsten
洛陽鉬業集團赤峰宇鑫礦業有限公司 Loumu Group Chifeng Yuxin Mining Co., Ltd.	8 January 2009	PRC - Limited liability company	RMB5,000,000	**100%**	—	Extracting, processing and sales of nonferrous metals

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

45. LITIGATION

During the year, the Group was involved in civil litigation relating to a claim from a mining company (the "plaintiff") for damages arising from the Group's construction of a manufacturing plant which affect the plaintiff's mining activities in that area for an amount of approximately RMB135 million. The directors are of the view that the Group has complied with relevant laws and regulations in respect of the construction of the manufacturing plant and has appointed lawyers to defend the claim on its behalf. The directors of the Company considered that the Group has good defenses to these claims and will continue to defend vigorously. Accordingly, no provision in connection with the legal claim has been made in the consolidated financial statements. Such civil litigation is still in progress up to the date of this report.

FOR THE YEAR ENDED 31 DECEMBER 2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	2009	2008
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**2,532,198**	2,458,434
Land use rights - non-current portion	**243,863**	248,089
Mining rights	**310,590**	337,815
Trademarks	**656**	835
Investments in subsidiaries	**4,914,048**	5,148,277
Interests in associates	**52,765**	46,204
Investments in debt securities	**30,000**	—
Available-for-sale investments	**2,200**	2,200
Deferred tax assets	**29,341**	27,550
	8,115,661	8,269,404
Current assets		
Inventories	**128,867**	307,671
Trade and other receivables	**656,649**	397,779
Amounts due from subsidiaries	**1,242,655**	887,665
Amounts due from associates	**48,616**	105,856
Land use rights — current portion	**5,913**	6,042
Investments in debt securities	**450,000**	726,000
Held-for-trading investments	**83,177**	223,010
Loan receivables	**1,050,000**	—
Restricted bank deposits	**42,189**	—
Bank balances and cash	**498,723**	1,140,309
	4,206,789	3,794,332
Assets classified as held for sale	**265,000**	—
	4,471,789	3,794,332
Current liabilities		
Trade and other payables	**(647,971)**	(501,632)
Amounts due to subsidiaries	**(554,872)**	(72,846)
Tax payable	**(82,011)**	(44,077)
Bank borrowings — due within one year	**(150,000)**	(228,000)
	(1,434,854)	(846,555)
Non-current liabilities		
Provision	**(40,586)**	(38,653)
Long term payable	**(1,540)**	(5,286)
Deferred income	**(21,618)**	(18,444)
	(63,744)	(62,383)
	11,088,852	11,154,798
Capital and reserves		
Share capital	**975,234**	975,234
Reserves	**10,113,618**	10,179,564
Total equity	**11,088,852**	11,154,798

FINANCIAL SUMMARY

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CONSOLIDATED RESULTS					
Revenue	**3,045,649**	5,563,275	5,897,806	3,826,221	2,300,527
Cost of sales	**(2,215,680)**	(2,843,575)	(2,277,920)	(1,218,789)	(530,863)
Gross profit	**829,969**	2,719,700	3,619,886	2,607,432	1,769,664
Other income and gains	**182,974**	137,507	446,265	25,502	13,558
Selling and distribution expenses	**(13,992)**	(25,019)	(21,344)	(20,408)	(10,314)
Administrative expenses	**(248,617)**	(253,494)	(208,622)	(95,646)	(78,935)
Restructuring expenses	**—**	—	—	—	(15,000)
Other expenses and losses	**(22,346)**	(85,547)	(268,886)	(21,367)	(35,873)
Finance costs	**(21,363)**	(2,939)	(19,871)	(48,275)	(14,312)
Share of results of associates	**16,561**	14,792	12,827	7,048	11,048
Profit before taxation	**723,186**	2,505,000	3,560,255	2,454,286	1,639,836
Taxation	**(188,576)**	(656,187)	(1,053,333)	(739,821)	(482,509)
Profit for the year	**534,610**	1,848,813	2,506,922	1,714,465	1,157,327
Attributable to:					
Owners of the Company	**503,315**	1,640,902	2,240,834	1,515,263	1,157,327
Minority interests	**31,295**	207,911	266,088	199,202	—
	534,610	1,848,813	2,506,922	1,714,465	1,157,327
Earnings per share — basic *(note)*	**RMB0.10**	RMB0.34	RMB0.50	RMB0.43	RMB0.33

Note: The calculation of basic earnings per share for the year ended 31 December 2005 to 2007 was based on the profit attributable to owners of the Company for each of the year and the weighted average number of shares had been determined taking into consideration the 700,000,000 shares issued upon the Company's transformation into a joint stock limited company on 25 August 2006 and had been adjusted for the share split which becomes effective on 13 April 2007.

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
STATEMENT OF FINANCIAL POSITION					
Total assets	**12,684,397**	12,736,260	11,867,327	4,525,579	2,394,535
Total liabilities	**(1,393,623)**	(1,091,175)	(1,160,458)	(2,386,723)	(1,343,776)
Minority interests	**(320,272)**	(407,957)	(337,602)	(279,368)	(140)
Equity attributable to owners of the Company	**10,970,502**	11,237,128	10,369,267	1,859,488	1,050,619

The results of the Group for the two years ended 31 December 2006 and the assets and liabilities of the Group as at 31 December 2005 and 2006 were extracted from the Company's prospectus dated 13 April 2007.

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China Molybdenum Co., Ltd.*