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

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 03993)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "Board") of China Molybdenum Co., Ltd. (the "Company") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2010.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2010*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| Revenue | 3 | **2,067,270** | 1,315,766 |
| Cost of sales | | **(1,372,424)** | (1,008,373) |
| Gross profit | | **694,846** | 307,393 |
| Other income and gains | 4 | **46,086** | 88,702 |
| Gain on disposal of a subsidiary | 20 | **8,010** | — |
| Selling and distribution expenses | | **(6,742)** | (6,259) |
| Administrative expenses | | **(108,417)** | (98,601) |
| Other expenses and losses | 5 | **(11,697)** | (7,000) |
| Finance costs | 6 | **(21,326)** | (15,000) |
| Share of results of associates | | **16,392** | 3,381 |
| Share of results of jointly controlled entities | | **(3,377)** | — |
| Profit before taxation | | **613,775** | 272,616 |
| Taxation | 7 | **(168,458)** | (73,668) |
| Profit for the period | 8 | **445,317** | 198,948 |
| Other comprehensive income: | | | |
| Exchange differences arising on translation of foreign operations | | **1,250** | 260 |
| Other comprehensive income for the period | | **1,250** | 260 |
| Total comprehensive income for the period | | **446,567** | 199,208 |

| | | | |
|---|---|---|---|
| Profit for the period attributable to: | | | |
| Owners of the Company | | **418,467** | 196,593 |
| Non-controlling interests | | **26,850** | 2,355 |
| | | **445,317** | 198,948 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **419,717** | 196,853 |
| Non-controlling interests | | **26,850** | 2,355 |
| | | **446,567** | 199,208 |
| Earnings per share - Basic | 10 | **RMB0.086** | RMB0.040 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2010*

| | *NOTES* | **30.6.2010**<br>***RMB'000***<br>**(unaudited)** | 31.12.2009<br>*RMB'000*<br>(audited) |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **4,247,536** | 4,304,002 |
| Land use rights - non-current portion | | **379,310** | 401,252 |
| Mining rights | | **296,979** | 310,590 |
| Trademarks | | **638** | 656 |
| Interests in associates | | **54,157** | 52,765 |
| Interests in jointly controlled entities | 11 | **1,355,449** | — |
| Investments in debt securities | 13 | **255,177** | 80,000 |
| Available-for-sale investments | | **204,827** | 2,300 |
| Deferred tax assets | | **179,212** | 181,412 |
| Long term deposits paid | 14 | **415,224** | 159,600 |
| | | **7,388,509** | 5,492,577 |

| | | | |
|---|---|---|---|
| Current assets | | | |
| Inventories | | **1,079,487** | 849,011 |
| Trade and other receivables | 12 | **1,494,113** | 821,537 |
| Amount due from an associate | | **60,344** | 48,616 |
| Amount due from a jointly controlled entity | | **29,056** | — |
| Land use rights - current portion | | **8,076** | 10,217 |
| Investments in debt securities | 13 | **1,216,000** | 1,230,000 |
| Held-for-trading investments | | **160,979** | 108,606 |
| Loan receivables | 15 | **20,000** | 1,092,824 |
| Restricted bank deposits | | **606,711** | 43,952 |
| Bank balances and cash | | **1,967,885** | 2,775,207 |
| | | **6,642,651** | 6,979,970 |
| Asset classified as held for sale | | **—** | 211,850 |
| | | **6,642,651** | 7,191,820 |
| Current liabilities | | | |
| Trade and other payables | 16 | **(719,534)** | (866,151) |
| Dividend payables | | **(61,813)** | (62,218) |
| Tax payable | | **(94,863)** | (100,977) |
| Bank borrowings - due within one year | 17 | **(1,754,000)** | (231,242) |
| | | **(2,630,210)** | (1,260,588) |
| Liabilities directly associated with assets classified as held for sale | | **—** | (13,562) |
| | | **(2,630,210)** | (1,274,150) |
| Net current assets | | **4,012,441** | 5,917,670 |
| Total assets less current liabilities | | **11,400,950** | 11,410,247 |

| | Note | | |
|---|---|---|---|
| Non-current liabilities | | | |
| Bank borrowings - due after one year | 17 | **(35,000)** | (50,000) |
| Provision | | **(41,600)** | (40,586) |
| Long term payable | | **—** | (1,540) |
| Deferred income | | **(27,288)** | (27,347) |
| | | **(103,888)** | (119,473) |
| | | **11,297,062** | 11,290,774 |
| Capital and reserves | | | |
| Share capital | 18 | **975,234** | 975,234 |
| Reserves | | **10,024,891** | 9,995,268 |
| Equity attributable to owners of the Company | | **11,000,125** | 10,970,502 |
| Non-controlling interests | | **296,937** | 320,272 |
| Total equity | | **11,297,062** | 11,290,774 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 30 JUNE 2010*

| | Share capital | Share premium | Capital reserve | Statutory surplus reserve | Translation reserve | Retained profits | Attributable to owners of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2009 | 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 differences arising on translation of foreign operations | — | — | — | — | 494 | — | 494 | — | 494 |
| Total comprehensive income for the year | — | — | — | — | 494 | 503,315 | 503,809 | 31,295 | 535,104 |
| Capital injection from non-controlling shareholders of subsidiaries | — | — | — | — | — | — | — | 22,000 | 22,000 |
| Dividends | — | — | — | — | — | (770,435) | (770,435) | (140,980) | (911,415) |
| Transfer of reserves | — | — | — | 68,028 | — | (68,028) | — | — | — |
| Transfer | — | — | 308,954 | — | — | (308,954) | — | — | — |
| Transfer upon utilisation | — | — | (344,985) | — | — | 344,985 | — | — | — |
| At 31 December 2009 (audited) and at 1 January 2010 | 975,234 | 7,346,260 | 388,722 | 610,981 | (1,740) | 1,651,045 | 10,970,502 | 320,272 | 11,290,774 |
| Profit for the period | — | — | — | — | — | 418,467 | 418,467 | 26,850 | 445,317 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | 1,250 | — | 1,250 | — | 1,250 |
| Total comprehensive income for the period | — | — | — | — | 1,250 | 418,467 | 419,717 | 26,850 | 446,567 |

| | Share capital | Share premium | Capital reserve | Statutory surplus reserve | Translation reserve | Retained profits | Attributable to owners of the Company | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Dividends | — | — | — | — | — | (390,094) | (390,094) | (50,185) | (440,279) |
| Transfer of reserves | — | — | — | 630 | — | (630) | — | — | — |
| Transfer | — | — | 184,352 | — | — | (184,352) | — | — | — |
| Transfer upon utilisation | — | — | (176,849) | — | — | 176,849 | — | — | — |
| At 30 June 2010 (unaudited) | 975,234 | 7,346,260 | 396,225 | 611,611 | (490) | 1,671,285 | 11,000,125 | 296,937 | 11,297,062 |
| At 1 January 2009 | 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 period | — | — | — | — | — | 196,593 | 196,593 | 2,355 | 198,948 |
| Exchange differences arising on translation of foreign operations | — | — | — | — | 260 | — | 260 | — | 260 |
| Total comprehensive income for the period | — | — | — | — | 260 | 196,593 | 196,853 | 2,355 | 199,208 |
| Transfer of reserves | — | — | — | 586 | — | (586) | — | — | — |
| Transfer | — | — | 183,016 | — | — | (183,016) | — | — | — |
| Transfer upon utilisation | — | — | (363,725) | — | — | 363,725 | — | — | — |
| Dividends | — | — | — | — | — | (770,435) | (770,435) | (140,075) | (910,510) |
| Capital injection from non-controlling shareholders | — | — | — | — | — | — | — | 10,000 | 10,000 |
| At 30 June 2009 (unaudited) | 975,234 | 7,346,260 | 244,044 | 543,539 | (1,974) | 1,556,443 | 10,663,546 | 280,237 | 10,943,783 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 30 JUNE 2010*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2010** | 2009 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES | | **(633,463)** | 477,877 |
| Investing activities | | | |
| Interest received | | **39,950** | 56,774 |
| Acquisition of subsidiaries | 19 | **(272,686)** | — |
| Proceeds on disposal of a subsidiary | 20 | **95,346** | — |
| Dividend received from an associate | | **15,000** | — |
| Dividend received from equity securities | | **—** | 260 |
| Long term deposits paid | | **(255,624)** | (36,290) |
| Purchases of property, plant and equipment | | **(129,088)** | (311,532) |
| Purchases of land use rights | | **(10,728)** | (12,507) |
| Purchase of investments in debt securities | | **(958,020)** | (392,000) |
| Purchase of trademark | | **(77)** | — |
| Proceeds from investments in debt securities upon maturity | | **796,843** | 2,369,000 |
| Proceeds from disposal of property, plant and equipment | | **367** | 130 |
| Proceeds from disposal of land use rights | | **5,937** | — |
| Government grants received | | **—** | 6,000 |
| Advance of loan receivables | | **(75,000)** | — |
| Repayment of loan receivables | | **42,824** | — |
| Increase in restricted bank deposits | | **(562,759)** | (1,618,702) |
| NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES | | **(1,267,715)** | 61,133 |

| | | |
|---|---|---|
| FINANCING ACTIVITIES | | |
| Interest paid | **(22,762)** | (18,831) |
| Dividends paid to shareholders | **(390,094)** | (770,435) |
| Dividends paid to non-controlling shareholders of subsidiaries | **(50,590)** | (89,452) |
| New bank borrowings raised | **1,657,000** | 2,340,444 |
| Repayment of bank borrowings | **(149,242)** | (178,000) |
| Capital contribution by non-controlling shareholders of subsidiaries | **—** | 10,000 |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | **1,044,312** | 1,293,726 |
| Net (decrease) increase in cash and cash equivalents | **(856,866)** | 1,832,736 |
| Cash and cash equivalents at 1 January | **2,824,751** | 2,547,624 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | **1,967,885** | 4,380,360 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| BANK BALANCES AND CASH | **1,967,885** | 4,380,360 |

## 1. BASIS OF PREPARATION

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2009, included in the annual report of the Group for the year ended 31 December 2009, except described below.

**Interests in jointly controlled entities**

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interest that, if any and in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Besides, in the current interim period, the Group had applied, for the first time, a number of new and revised standards, amendments or interpretations ("new and revised IFRSs") which have become effective during the current period.

The adoption of the new and revised IFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

**IFRS 3 (Revised 2008) "Business combinations"**

IFRS 3 (Revised 2008) "Business combinations" has been applied prospectively from 1 January 2010. Its application has affected the accounting for the acquisition as disclosed in note 19 in the current period.

The impact of adoption of IFRS 3 (Revised 2008) on the acquisition during the current period has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised these costs as an expense in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition. The acquisition costs in the current period were insignificant.

**IAS 27 (Revised 2008) "Consolidated and separate financial statements"**

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds and these adjustments, if any. The adoption of IAS 27 (Revised 2008) had no material impact in the current period.

In addition, the Group also applied the consequential amendments of the other IFRSs resulting from the issuance of IFRS 3 (Revised 2008) and IFRS 27 (Revised 2008), particularly IAS 31 "Interest in joint ventures" for the acquisition of jointly controlled entities in the current period. The adoption of the consequential amendments had no material impact on the condensed consolidated financial statements.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

**Amendment to IAS 17 "Leases"**

As part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The adoption of Amendment to IAS 17 "Leases" had no material impact on the condensed consolidated financial statements.

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) | Improvements to IFRSs issued in 2010 [1] |
| IAS 32 (Amendment) | Classification of rights issues [2] |
| IFRS 1 (Amendments) | Limited exemption from comparative IFRS 7 disclosures for first-time adopter [3] |
| IFRS 9 | Financial instruments [5] |
| IFRIC - INT 14 (Amendment) | Prepayments of a minimum funding requirement [4] |
| IFRIC - INT 19 | Extinguishing financial liabilities with equity instruments [3] |

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 February 2010.

[3] Effective for annual periods beginning on or after 1 July 2010.

[4] Effective for annual periods beginning on or after 1 January 2011.

[5] Effective for annual periods beginning on or after 1 January 2013.

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. 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 results and the financial position of the Group.

## 3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments for the period ended 30 June 2010 and 2009.

### For the six months ended 30 June 2010

| | Molybdenum related products | | Processed molybdenum and tungsten products | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic | International | Domestic | International | Tungsten products | Gold and silver | Others | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| SEGMENT REVENUE | | | | | | | | |
| Sales to external customers | 1,450,119 | 216,917 | 42,219 | 25,996 | 110,982 | 85,936 | 135,101 | 2,067,270 |
| Intersegment sales | 1,296,077 | — | 20,963 | — | — | — | — | 1,317,040 |
| | 2,746,196 | 216,917 | 63,182 | 25,996 | 110,982 | 85,936 | 135,101 | 3,384,310 |
| Eliminations | (1,296,077) | — | (20,963) | — | — | — | — | (1,317,040) |
| Group's Revenue | 1,450,119 | 216,917 | 42,219 | 25,996 | 110,982 | 85,936 | 135,101 | 2,067,270 |
| Segment result | 525,226 | 81,537 | 1,521 | 796 | 63,804 | 18,691 | 3,271 | 694,846 |
| Other income and gains | | | | | | | | 46,086 |
| Gain on disposal of a subsidiary | | | | | | | | 8,010 |
| Unallocated expenses | | | | | | | | (148,182) |
| Share of results of associates | | | | | | | | 16,392 |
| Share of results of jointly controlled entities | | | | | | | | (3,377) |
| Profit before taxation | | | | | | | | 613,775 |

**For the six months ended 30 June 2009**

| | Molybdenum related products | | Processed molybdenum and tungsten products | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic | International | Domestic | International | Tungsten products | Gold and silver | Others | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| SEGMENT REVENUE | | | | | | | | |
| Sales to external customers | 1,001,307 | 22,590 | 91,422 | 385 | 67,752 | 75,652 | 56,658 | 1,315,766 |
| Intersegment sales | 1,779,665 | — | 33,123 | — | 35 | — | 169,160 | 1,981,983 |
| | 2,780,972 | 22,590 | 124,545 | 385 | 67,787 | 75,652 | 225,818 | 3,297,749 |
| Eliminations | (1,779,665) | — | (33,123) | — | (35) | — | (169,160) | (1,981,983) |
| Group's Revenue | 1,001,307 | 22,590 | 91,422 | 385 | 67,752 | 75,652 | 56,658 | 1,315,766 |
| Segment results | 265,249 | 7,918 | 2,396 | 52 | 15,825 | 15,444 | 509 | 307,393 |
| Other income and gains | | | | | | | | 88,702 |
| Unallocated expenses | | | | | | | | (126,860) |
| Share of results of associates | | | | | | | | 3,381 |
| Profit before taxation | | | | | | | | 272,616 |

Segment results represent the gross profit for the period in each operating segment. This is the measure reported to the Group'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 and gains, gain on disposal of a subsidiary and unallocated corporate 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.

## 4. OTHER INCOME AND GAINS

| | Six months ended 30 June | |
|---|---:|---:|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Interest income | | |
| — bank deposits | **14,749** | 31,283 |
| — debentures classified as financial assets at fair value through profit or loss | **1,494** | 250 |
| — investments in debt securities | **23,707** | 32,853 |
| Total interest income | **39,950** | 64,386 |
| Gain on fair value change of financial assets classified as held-for-trading | **—** | 10,885 |
| Dividend from equity securities | **1,485** | 260 |
| Net gain on sales of scrap materials | **—** | 2,625 |
| Government grants recognised | **100** | 7,820 |
| Gain on disposal of property, plant and equipment | **135** | — |
| Others | **4,416** | 2,726 |
| | **46,086** | 88,702 |

## 5. OTHER EXPENSES AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Loss on disposal of property, plant and equipment | **—** | 2,566 |
| Loss on fair value change of financial assets classified as held-for-trading | **4,053** | — |
| Net foreign exchange losses | **3,875** | 758 |
| Penalty expenses | **118** | 572 |
| Donations | **1,011** | 536 |
| Others | **2,640** | 2,568 |
| | **11,697** | 7,000 |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Interests on bank borrowings wholly repayable within five years | **4,248** | 5,199 |
| Interests on bills discounted with recourse | **18,864** | 13,632 |
| Other interest expenses - unwinding discounts on provision | **1,014** | 966 |
| Less: Amount included in the cost of qualifying assets | **(2,800)** | (4,797) |
| | **21,326** | 15,000 |

## 7. TAXATION

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| The charge (credit) comprises People's Republic of China ("PRC") Enterprise Income Tax: | | |
| Current taxation | | |
| — current period | **163,961** | 81,233 |
| — underprovision in prior years | **6,575** | — |
| | **170,536** | 81,233 |
| Deferred taxation | | |
| — current period | **(2,078)** | (7,565) |
| | **168,458** | 73,668 |

The Group is subject to PRC Enterprise Income Tax levied at a rate of 25% (six months ended 30 June 2009: 25%) of taxable income determined in accordance with the relevant laws and regulations in the PRC.

## 8. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Profit for the period has been arrived at after charging: | | |
| Cost of inventories recognised as an expense (included amount of write down of inventories of RMB31,420,000 for 2010, amount of reversal to net realisable value of write down of inventories of RMB6,005,000 for 2009 in cost of sales) | **1,372,424** | 1,008,373 |
| Depreciation of property, plant and equipment | **146,567** | 121,453 |
| Amortisation of land use rights (included in administrative expenses) | **4,698** | 4,752 |
| Amortisation of mining rights (included in cost of sales) | **13,611** | 13,610 |
| Amortisation of trademarks (included in cost of sales) | **95** | 89 |
| Share of tax of associates (included in share of results of associates) | **5,492** | 1,237 |
| Resources compensation fee *(Note)* | **25,000** | 21,000 |

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

## 9. DIVIDENDS

| | Six months ended 30 June | |
|---|---:|---:|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Dividend recognised as distribution during the period: | | |
| Final - for year 2009 of RMB0.08 (30.6.2009: for year 2008 of RMB0.158) per share | **390,094** | 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 6 June 2010, dividend of RMB0.08 per share totalling RMB390,094,000 was paid to shareholders as final dividend for 2009.

The Board resolved not to distribute an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

## 10. EARNINGS PER SHARE - BASIC

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

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(unaudited)** | (unaudited) |
| Profit for the period attributable to owners of the Company and earnings for the purpose of basic earnings per share *(RMB'000)* | **418,467** | 196,593 |
| Number of shares for the purpose of basic earnings per share | **4,876,170,525** | 4,876,170,525 |

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

## 11. INTERESTS IN JOINTLY CONTROLLED ENTITIES

| | **30.6.2010** |
|---|---|
| | ***RMB'000*** |
| | **(unaudited)** |
| Cost of unlisted investments in jointly controlled entities | 1,358,826 |
| Share of post-acquisition losses | (3,377) |
| | 1,355,449 |

As at 30 June 2010, the Group had interests in the following significant jointly controlled entities:

| Name of company | Date of establishment | Place of establishment and operation | Registered capital | Proportion of equity held by the Group | Principal activity |
|---|---|---|---|---|---|
| Xuzhou Huanyu Molybdenum Co., Ltd. (徐州環宇鉬業有限公司) ("Xuzhou Huanyu") | 19 June 1995 | PRC | RMB50,446,614 | 50% (31.12.2009: N/A) | Investment holding |
| Luoyang High-Tech Metals Co., Ltd*. (洛陽高科鉬鎢材料有限公司) ("Luoyang High-Tech") | 11 May 2010 | PRC | RMB265,000,000 | 50%* | Manufacturing of molybdenum powder, tungsten powder and related products |

* Formerly known as Luoyang High Tech Molybdenum & Tungsten Co., Ltd. It was a subsidiary of the Company and became a jointly controlled entity upon disposal in the current period (note 20). Luoyang High-Tech was transformed into a sino-foreign equity joint venture on 11 May 2010.

## 12. TRADE AND OTHER RECEIVABLES

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade receivables (net of allowances) | **571,319** | 259,128 |
| Bills receivable | **682,433** | 404,786 |
| | **1,253,752** | 663,914 |
| Advance to suppliers | **113,010** | 13,913 |
| Other tax recoverable | **72,969** | 110,465 |
| Other receivables and prepayments | **54,382** | 33,245 |
| | **1,494,113** | 821,537 |

The Group normally allows credit period of no longer than 90 days to its trade customers, a longer credit period may 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:

| | 30.6.2010 | 31.12.2009 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) |
| 0 - 90 days | **937,526** | 463,540 |
| 91 - 180 days | **281,992** | 191,033 |
| 181 - 365 days | **31,906** | 7,445 |
| 1 - 2 years | **2,328** | 1,896 |
| | **1,253,752** | 663,914 |

## 13. INVESTMENTS IN DEBT SECURITIES

| | 30.6.2010 | 31.12.2009 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) |
| Investments in debt securities represented: | | |
| Investment plans arranged by banks | **1,471,177** | 1,310,000 |
| Analysed for reporting purposes as: | | |
| Current assets | **1,216,000** | 1,230,000 |
| Non-current assets | **255,177** | 80,000 |
| | **1,471,177** | 1,310,000 |

As at 30 June 2010, 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:

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Unlisted corporate entities' debts | **1,216,000** | 450,000 |
| Debentures and bills issued by central government and banks | **255,177** | 860,000 |
| | **1,471,177** | 1,310,000 |

The Group is entitled to a 100% principal protection clause for the investments in 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 bank commission.

The investment plans were stated at amortised cost less any impairment loss. They will mature from November 2010 to February 2016 (2009: from February 2010 to August 2012) with effective interest rate ranged from 1.3% to 4.6% (2009: 2.4% to 6.9%) per annum.

## 14. LONG TERM DEPOSITS PAID

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Advance to a non-controlling shareholder of a subsidiary *(note 1)* | **160,160** | 159,600 |
| Deposits paid for acquisition of land use rights *(note 2)* | **178,359** | — |
| Deposits paid for acquisition of exploration right and mining right *(note 3)* | **58,000** | — |
| Deposits paid for acquisition of property, plant and equipment | **18,705** | — |
| | **415,224** | 159,600 |

*Notes:*

(1) On 16 January 2008, the Group entered into a legally binding framework agreement with the People's Government of Luoning County and Luoning County Funiu Mining Development Center ("Funiu Mining") - a non-controlling 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 Group's 2007 annual report. The Proposed Acquisition is expected to be completed in 2010.

(2) Pursuant to the Proposed Acquisition, the Group further entered into a supplement agreement with the People's Government of Luoning County for acquisition of the above land use rights. Amount of RMB148,000,000 was paid and the acquisition is also expected to be completed in 2010.

(3) The amount included RMB50,000,000 which represented advance to 河南省地質礦產勘查開發局 (Henan Mineral Exploration Research Centre) for the acquisition of potential molybdenum reserves in certain areas of Xinjiang. The remaining amount represented deposit paid to an independent third party for the proposed acquisition of a mining right in Henan.

## 15. LOAN RECEIVABLES

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Loan receivable from 洛陽建投礦業有限公司 *(note 1)* | **—** | 1,050,000 |
| Loan receivable from supplier *(note 2)* | **20,000** | 42,824 |
| | **20,000** | 1,092,824 |

*Notes:*

(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") to advance the loan in the aggregate amount of RMB1,150,000,000 to Luoyang Construction of which RMB1,050,000,000 had been drawn down as at 31 December 2009. Luoyang Construction will use the loan to finance the possible acquisition (the "Intended Acquisition") of all or any part of the equity interest in Xuzhou Huanyu or Luoyang Fuchuan Mining Co., Ltd. (洛陽富川礦業有限公司) ("Luoyang Fuchuan"). Luoyang Fuchuan owns and operates the Shangfanggou molybdenum mine located in Luanchuan County, Luoyang City, PRC. Xuzhou Huanyu owns 90% equity interest in Luoyang Fuchuan.

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

Under the Loan Agreement, Luoyang Construction granted an option to the Company to acquire (but is not obligated to acquire) Luoyang Construction's interest in Xuzhou Huanyu or Luoyang Fuchuan.

Details of the loan have been disclosed in the Group's 2009 annual report.

During the six months ended 30 June 2010, additional loan amount of RMB55,000,000 has been drawn down. Subsequent to the drawn down, the Intended Acquisition had been completed by Luoyang Construction and the Company subsequently holds the entire equity interest of Luoyang Construction with effective from 22 April 2010. Details are disclosed in note 19.

(2) The amount represents advance to a supplier with a term commencing from 18 May 2010 to 17 November 2010 (2009: from 1 July 2009 to 30 June 2010) which bears interest at 5.04% (2009: 5.31%) per annum and is secured by inventories of the supplier.

## 16. TRADE AND OTHER PAYABLES

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade payables | **167,555** | 158,321 |
| Bills payable | **41,280** | 73,795 |
| | **208,835** | 232,116 |
| Other payables and accruals | **510,699** | 634,035 |
| | **719,534** | 866,151 |

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

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| 0 - 90 days | **187,061** | 216,968 |
| 91 - 180 days | **8,125** | 3,247 |
| 181 - 365 days | **2,662** | 4,951 |
| 1 - 2 years | **8,067** | 4,105 |
| Over 2 years | **2,920** | 2,845 |
| | **208,835** | 232,116 |

## 17. BANK BORROWINGS

| | 30.6.2010 | 31.12.2009 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | **(unaudited)** | (audited) |
| Fixed-rate bank loans - unsecured | **100,000** | 100,000 |
| Variable-rate bank loan - unsecured | **132,000** | 181,242 |
| Advances drawn on intra group bills receivables discounted with recourse *(note)* | **1,557,000** | — |
| | **1,789,000** | 281,242 |
| The maturity profile of the above borrowings is as follows: | | |
| Within one year | **1,754,000** | 231,242 |
| More than one year but not exceeding two years | **35,000** | 50,000 |
| | **1,789,000** | 281,242 |
| Less: Amounts due within one year shown under current liabilities | **(1,754,000)** | (231,242) |
| | **35,000** | 50,000 |

*Note:* During the period, the Group drawn advances from several banks with full recourse in total amount of RMB1,557,000,000 (six months ended 30 June 2009: RMB2,109,196,000) in respect of intra group company bills receivable arising from intra group transactions between the Company and its subsidiaries. The advances carried market interest rate and were secured by bank deposits of the Group amounting to RMB606,711,000 (31 December 2009: nil). The advances will be repayable before December 2010 and were classified as current liabilities.

During the period, the Group obtained new bank loans amounting to RMB100,000,000 (six months ended 30 June 2009: RMB231,248,000). The loans carry fixed interest at 5.04% and 90% to 100% of benchmark interest rate in People's Bank of China (six months ended 30 June 2009: market rates ranging from 2.35% to 5.31% and London Interbank Offer Rate plus 0.6%) per annum and repayable on instalment over a period of one to two years (six months ended 30 June 2009: one to two years). The proceeds were used to finance the purchase of materials and for the expansion of its existing manufacturing capacity on molybdenum related products.

As at 30 June 2010, bank loan of RMB35,000,000 (2009: RMB98,000,000) was guaranteed by Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) ("LMG"), a controlling shareholder of the Company.

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

| | **30.6.2010** | 31.12.2009 |
|---|---|---|
| | ***HK$*** | *HK$* |
| | **(unaudited)** | (audited) |
| Bank deposits | **606,711** | 43,952 |

## 18 . SHARE CAPITAL

| | **Number of shares** | | |
|---|---|---|---|
| | **Domestic shares** | **H shares** | **Amount** |
| | | | *RMB'000* |
| At 1 January 2009, 30 June 2009, 31 December 2009 and at 30 June 2010 | 3,565,014,525 | 1,311,156,000 | 975,234 |

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 19. ACQUISITION OF SUBSIDIARIES

As disclosed in note 15, the Company had advanced the loan to Luoyang Construction pursuant to the Loan Agreement. Prior to the acquisition by the Group, Luoyang Construction acquired 50% equity interest in Xuzhou Huanyu. Xuzhou Huanyu holds 90% equity interest in Luoyang Fuchuan. The remaining 10% equity interest in Luoyang Fuchuan was held by Luanchuan Huqi Mining Company Limited (欒川縣滬七礦業有限公司) ("Huqi Mining") as an available for-sale investment. Huqi Mining was wholly-owned by LMG. In addition, all the equity interests in Luoyang Construction were transferred to LMG during the current period pursuant to the administrative direction by the State-owned Assets Supervision and Administrative Commission of the People's Government of Luoyang City.

A supplemental agreement dated 25 February 2010 (“Supplemental Agreement”) was entered into by LMG, the Company and Luoyang Construction. Pursuant to the Supplemental Agreement, LMG agreed, among other things, that LMG shall acquire from an independent third party the remaining 50% equity interest in Xuzhou Huanyu by 1 April 2010 so as to hold effectively 100% equity interest in Luoyang Fuchuan, and that LMG shall transfer 100% equity interest in Luoyang Fuchuan to the Company by 10 April 2010. If LMG fails to fulfil its obligations under the Supplemental Agreement by 10 April 2010, LMG agreed that it shall transfer its 100% equity interest in Luoyang Construction and Huqi Mining to the Company for a consideration of RMB260 million. It is also provided in the Supplemental Agreement that LMG shall arrange for appraisal of all its equity interest in Luoyang Construction and Huqi Mining as at 31 March 2010. If the appraised value is higher than the consideration stated above, the Company shall pay the excess to LMG.

As at 10 April 2010, LMG eventually failed to fulfil its obligations under the Supplemental Agreement. On 12 April 2010, the Company presented the case to the Luoyang Arbitration Commission for arbitration in accordance with the terms of the Supplemental Agreement.

On 19 April 2010, the Luoyang Arbitration Commission granted an award in favour of the Company (the “Arbitration Award”). Pursuant to which LMG shall, among other things, transfer 100% equity interests in Luoyang Construction and Huqi Mining to the Company for a consideration of approximately RMB276.3 million (the “Consideration”) within 30 days of LMG’s receipt of the Arbitration Award (that is on or before 18 May 2010). The Consideration is determined based on the appraised value of the equity interest in Luoyang Construction and Huqi Mining as at 31 March 2010 in accordance with the terms of the Supplemental Agreement and confirmed by the Luoyang Arbitration Commission. Accordingly, LMG completed the transfer to the Company of 100% equity interests in Luoyang Construction and Huqi Mining in April 2010 and May 2010 respectively. In the opinion of the directors, the Company gains control of Luoyang Construction and Huqi Mining since then.

**Consideration transferred**

| | *RMB'000* |
|---|---|
| Cash | 276,295 |

Acquisition-related costs have been excluded from the cost of acquisition. The costs were insignificant and recognised as an expense in the period, within the administrative expenses in the condensed consolidated statement of comprehensive income.

Assets acquired and liabilities:

| | *RMB'000* |
|---|---|
| Non-current assets: | |
| Property, plant and equipment | 20,439 |
| Interest in a jointly controlled entity *(note 1)* | 1,105,000 |
| Available-for-sale investment | 202,527 |
| Current assets: | |
| Inventories | 26,658 |
| Trade and other receivables | 74,156 |
| Bank balances and cash | 3,609 |
| Current liabilities: | |
| Amount due to the Company *(note 2)* | (1,105,000) |
| Trade and other payables | (51,094) |
| | 276,295 |

*Notes:*

(1) The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. In particular, the preparation of the valuation report in accordance with International Valuation Standard by an independent international valuer of the mining right held by Luoyang Fuchuan has not yet been completed. At the date of issue of these condensed consolidated financial statements, the necessary market valuation and other calculations had not been finalised and they have therefore only been provisionally determined based on the directors' best estimate of the likely fair value. In the opinion of the directors, no recognition of goodwill or impairment or gain on a bargain purchase as of the acquisition date has been made in the condensed consolidated financial statements for the current period. Upon the valuation report of the mining rights being produced at later stage, its related fair value can be reliably ascertained. An impairment or gain on a bargain purchase may result.

(2) The amount was utilised by Luoyang Construction for the Intended Acquisition (note 15(1)).

The fair value of receivables acquired, which principally comprised prepayments and other receivables approximated the gross contractual amounts. There are no contractual cash flows not expected to be collected.

**Net cash outflow arising on acquisition**

| | *RMB'000* |
|---|---|
| Consideration paid in cash | 276,295 |
| Less: Cash and cash equivalent balances acquired | (3,609) |
| | 272,686 |

**Impact of the acquisition on the results of the Group**

The amounts of revenue and profit of Luoyang Construction and Huqi Mining since the date of the acquisition included in the condensed consolidated statement of comprehensive income for the current period is insignificant.

Had the acquisition of Luoyang Construction and Huqi Mining been effected at 1 January 2010, the financial impact to the revenue and profit for the period of the Group is insignificant. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2010, nor is intended to be a projection of future results.

## 20. DISPOSAL OF A SUBSIDIARY

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, a wholly owned subsidiary of the Company. Luoyang High-Tech became 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 disposal of the 50% equity interest in Luoyang High-Tech was completed on 11 May 2010 and gain on disposal RMB8,010,000 was recognised during the six months ended 30 June 2010.

Net assets disposed of:

| | May 2010 |
|---|---|
| | *RMB'000* |
| Property, plant and equipment | 128,651 |
| Land use rights | 48,647 |
| Deferred tax assets | 8,371 |
| Inventories | 50,392 |
| Trade and other receivables | 116,402 |
| Held-for-trading investments | 7,678 |
| Tax recoverable | 1,162 |
| Bank balances and cash | 166,490 |
| Trade and other payables | (20,141) |
| | 507,652 |
| Transferred to interests in jointly controlled entities at fair value *(note)* | (253,826) |
| | 253,826 |
| Gain on disposal | 8,010 |
| Total consideration | 261,836 |
| Satisfied by: | |
| Cash | 261,836 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 261,836 |
| Bank balances and cash disposed of | (166,490) |
| | 95,346 |

*Note:* In the opinion of the directors, the interests in jointly controlled entities retained by the Group at the date of disposal approximate the fair value of the 50% interest in that jointly controlled entity. Also, the carrying amount of the assets and liabilities held by the jointly controlled entity at the date of disposal approximate its fair value.

## 21. LITIGATION

During the year ended 31 December 2009, 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 the area for an amount of approximately RMB135 million.

During the period ended 30 June 2010, the plaintiff increased the claim by RMB95 million to approximately RMB230 million. The Group has lodged objections for the additional claim as the claim is submitted after the permission period.

The directors of the Company 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 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 condensed consolidated financial statements. Such civil litigation is still in progress up to the date of this announcement.

## MARKET REVIEW

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

During the first half of 2010, both the international and domestic market saw unpredictable changes. Under such macro environment, the molybdenum market was also subject to uncertainties. As such, global molybdenum price faltered in the first half of the year, but was more steady and careful compared to the previous drastic ups and downs. In particular, average price of MW molybdenum oxide from January to June was US$16.19/lb Mo, reached the half-year-high of US$18/lb Mo in early March and the half-year-low of US$13.5/lb Mo in mid-June. Average price of western ferromolybdenum (65% - 70% Mo) for the same period was US$17.79/lb Mo, reached the half-year-high of US$19.73/lb Mo in early March and the half-year-low of US$16.33/lb Mo in mid-June. Average price of domestic ferromolybdenum (60% Mo) for the same period was RMB145,600/tonne, reached the half-year-high of RMB158,000/tonne in early March and the half-year-low of RMB130,000/tonne in mid-June. Average price of domestic molybdenum concentrate (45% Mo) for the same period was RMB2,212/metric tonne unit, reached the half-year-high of RMB2,400/metric tonne unit in early March and the half-year-low of RMB1,980/metric tonne unit in mid-June.

As regards the tungsten market, given a relatively large amount of inventories, the market was in the process of reducing inventories, therefore the price of tungsten increased moderately. From January to June, average price of domestic tungsten concentrates was RMB77,000-78,000/tonne, up by 28.6% year-on-year. Average price of APT was RMB118,900-121,000/tonne, up by 26.6% year-on-year; bottom was RMB107,000-110,000/tonne and ceiling was RMB130,000-135,000/tonne. Compared with the domestic market, increase in the international market is smaller. From January to June, ceiling of APT in European market was US$232-237/metric tonne unit; bottom was US$185-210/metric tonne unit; average was US$212.4-220.1/metric tonne unit, up by 6.7% year-on-year.

## DOMESTIC INDUSTRY POLICIES

1. *Export Quota*

   On 29 December 2009 and 8 July 2010, the Ministry of Commerce of the PRC promulgated two notifications on export quota (first batch and second batch for 2010) of ordinary trading industrial commodities respectively, which set out the quotas that the Company was entitled to. Under the notifications, the Company was entitled to export 4,877 tonnes and 3,310 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 46 tonnes and 35 tonnes of molybdenum chemical products and 88 tonnes and 52 tonnes of molybdenum products respectively. The quotas for molybdenum products of Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. were 97 tonnes and 66 tonnes.

2. *Adjustment on Implementation of Tariffs*

   On 22 June 2010, according to the notice jointly issued by the State Administration of Taxation and Ministry of Finance, as approved by the State Council, that starting from 15 July 2010, export rebates for molybdenum products, wrought molybdenum bars, wrought molybdenum rods and profile and other tungsten products were cancelled.

## BUSINESS REVIEW

During the first half of 2010, capitalizing on its abundant resources, scale of production and an integrated production chain, the Group overcame adverse market conditions, kept the production of its major products unchanged or increased the production to various degree as compared with the same period last year. From January to June, the Group's production of molybdenum concentrates (including 45% Mo) amounted to approximately 17,649.8 tonnes, representing an increase of 4.1% as compared with the same period last year. The production of scheelite concentrates (including 65% W) amounted to approximately 4,013.8 tonnes (including 1,598.7 tonnes from Yulu Mining Co., Ltd.(豫鷺礦業有限公司) ("Yulu Company")), representing an increase of 42.0% as compared to the same period last year. The Group produced approximately 15,451.1 tonnes of sulphuric acid (92.5% concentration), 359.9kg of gold and 10,840kg of silver. Under the market condition in the first half of the year, the Group concentrated its sales in domestic market. The top ten clients of the Company accounted for 33.5% of the domestic sales volume of the Company.

## MANAGEMENT 'S DISCUSSION AND ANALYSIS

### OVERVIEW

For the six months ended 30 June 2010, profit attributable to the owners of the Company was RMB418.5 million, representing an increase of RMB221.9 million or 112.9% from RMB196.6 million for the six months ended 30 June 2009.

The comparative analysis for the six months ended 30 June 2010 and the six months ended 30 June 2009 is as follows:

### OPERATING RESULTS

For the six months ended 30 June 2010, the Group recorded a turnover of RMB2,067.3 million, representing an increase of RMB751.5 million or 57.1% from RMB1,315.8 million for the six months ended 30 June 2009. For the six months ended 30 June 2010, the Group achieved a gross profit of RMB694.8 million, representing an increase of RMB387.4 million or 126% from RMB307.4 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 the first half of 2010 and in the first half of 2009:

| Product Name | **For the six months ended 30 June 2010** | | | | For the six months ended 30 June 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | **1,450.1** | **924.2** | **525.9** | **36.3%** | 1,001.3 | 736.1 | 265.2 | 26.5% |
| — Tungsten concentrate (65% $Wo_3$) | **111.0** | **47.2** | **63.8** | **57.5%** | 67.8 | 51.9 | 15.9 | 23.5% |
| — Processed Tungsten & Molybdenum products | **42.2** | **40.7** | **1.5** | **3.6%** | 91.4 | 89.0 | 2.4 | 2.6% |
| — Gold and silver | **85.9** | **67.2** | **18.7** | **21.8%** | 75.7 | 60.2 | 15.5 | 20.5% |
| — Other | **135.1** | **132.5** | **2.7** | **2.0%** | 56.6 | 56.1 | 0.5 | 0.9% |
| **Sub-total** | **1,824.4** | **1,211.8** | **612.6** | **33.6%** | **1,292.8** | **993.3** | **299.5** | **23.2%** |
| **International market** | | | | | | | | |
| — Molybdenum additive materials | **216.9** | **135.4** | **81.5** | **37.6%** | 22.6 | 14.7 | 7.9 | 35.0% |
| — Processed Tungsten & Molybdenum products | **26.0** | **25.2** | **0.8** | **3.1%** | 0.39 | 0.38 | 0.01 | 2.5% |
| **Sub-total** | **242.9** | **160.6** | **82.3** | **33.9%** | **23.0** | **15.1** | **7.9** | **34.4%** |
| **Total** | **2,067.3** | **1,372.4** | **694.9** | **33.6%** | **1,315.8** | **1,008.4** | **307.4** | **23.4%** |

Turnover increased by RMB751.5 million or 57.1% to RMB2,067.3 million in the same period of 2010 from RMB1,315.8 million in the first half of 2009, mainly attributable to: 1) a nearly 40% increase in unit average selling price of major molybdenum products for 2010 as compared with the same period last year; 2) the Company's efforts in proactively tapping into the overseas market through increasing sales to existing overseas customers and actively identifying new overseas customers during the first half of the year, thus achieving over 9 times growth in the turnover of overseas market for the first half of the year; 3) a 63% increase in the turnover of tungsten products as a result of a growth of over 30% in the price of tungsten products for the first half of the year as compared with the same period last year and the further increased production capacity.

For the six months ended 30 June 2010, the operating cost of the Group amounted to RMB1,372.4 million, representing an increase of RMB364.0 million or 36.1% from RMB1,008.4 million in the same period last year, mainly attributable to: 1) the various increases in the sales volume of molybdenum oxides, ferromolybdenum, tungsten products and silver of the Group during the first half of the year as compared with the same period last year; 2) the price surge in silicon powder and aluminum particles, being the major materials of ferromolybdenum processing, leading to an increase in the cost of ferromolybdenum processing of the Group as compared with the same period last year.

For the six months ended 30 June 2010, the average gross profit margin of the Group was 33.6%, representing an increase of 10.2 percentage points as compared with 23.4% in the same period last year, mainly attributable to the increase in the selling prices of molybdenum products during the period, which had given rise to an increase in the overall gross profit margin of molybdenum products. Meanwhile, as market price recovered during the period, tungsten products and gold and silver products also contributed to the gross profit of the Group.

## OTHER INCOME AND GAINS

For the six months ended 30 June 2010, other income and gains of the Group amounted to RMB46.1 million, representing a decrease of RMB42.6 million or 48% from RMB88.7 million in the same period last year. Such decrease was mainly attributable to: 1) a year-on-year decrease of RMB24.4 million in the Group's total income from deposit interest for the first half of the year ; 2) a year-on-year decrease of RMB7.7 million in government subsidy received by the Group during the first half of the year.

## USE OF PROCEEDS

As at 30 June 2010, the Company applied an aggregate of approximately RMB5,528 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 RMB338 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 RMB713 million for the construction of the smelting plant of Yongning Gold & Lead Refining Co., Ltd. and merger and acquisition project of precious metals;
- approximately RMB568 million to construct a smelting plant of molybdenum with a capacity of 40,000 tonnes per year;
- approximately RMB58 million for technological improvement at Luoyang High Tech;
- approximately RMB1,381 million to acquire interest in Shangfanggou molybdenum mine and underlying debts.

## DIRECTORS' INTEREST

### DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 30 June 2010, none of the directors and supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the same period.

## DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2010, none of the directors, supervisors or their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time as at 30 June 2010 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors, supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire such rights in any other body corporate.

## DIVIDENDS

At the Board meeting held on 16 August 2010, the Board resolved not to distribute an interim dividend for the six months ended 30 June 2010.

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

The Company's H shares were listed on the Stock Exchange on 26 April 2007. The Company and its subsidiaries have not purchased, sold or redeemed any securities of the Company during the six months ended 30 June 2010.

## CORPORATE GOVERNANCE

The Company is committed to improving its corporate governance, and enhancing the transparency to shareholders. For the six months ended 30 June 2010, in the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules.

## BOARD OF DIRECTORS

The Board of the Company consists of 11 directors, namely 5 executive directors, 2 non-executive directors and 4 independent non-executive directors. For the six months ended 30 June 2010, the Board convened two meetings (with an attendance rate of 100%).

## SUPERVISORY COMMITTEE

The Company has a supervisory committee comprising 3 supervisors to exercise supervision over the Board, directors and members of the senior management; and to prevent them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. The supervisory committee convened one meeting during the six months ended 30 June 2010 (with an attendance rate of 100%).

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiries, the Board confirmed that all the directors complied with the required standard set out in the Model Code for the period ended 30 June 2010.

## AUDIT COMMITTEE

The terms of reference of the audit committee based 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 auditors in matters falling within the scope of the audit of the Company and the Group. The audit committee will review the effectiveness of the external audit and of internal controls, evaluate risks and will provide advice and guidance to the Board. The audit committee comprises two independent non-executive directors and one non-executive director, namely, Mr. Ng Ming Wah, Charles, Mr. Zeng Shaojin and Mr. Zhang Yufeng. The audit committee has reviewed the unaudited financial results of the Group for the six months ended 30 June 2010 and considered that the results complied with relevant accounting standards and that the Company has made appropriate disclosure.

## NON-COMPETITION AGREEMENT

As disclosed in the Prospectus of the Company dated 13 April 2007, an annual review would be conducted by our independent non-executive directors on such decisions to exercise or not to exercise the option and the right of first refusal to acquire retained businesses which constitute competition. The Non-competition Agreement took effect on 26 April 2007.

## PUBLICATION OF DETAILED RESULTS ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.chinamoly.com.

By Order of the Board
**China Molybdenum Co., Ltd.***
**Duan Yuxian**
*Chairman*

Luoyang, the People's Republic of China, 16 August 2010

*As at the date of this announcement, the executive Directors are Mr Duan Yuxian, Mr Li Chaochun, Mr Wu Wenjun, Mr Li Faben and Mr Wang Qinxi; the non-executive Directors are Mr Shu Hedong and Mr Zhang Yufeng; and the independent non-executive Directors are Mr Gao Dezhu, Mr Zeng Shaojin, Mr Gu Desheng and Mr Ng Ming Wah, Charles.*

* *For identification purposes only*