



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

Stock Code ■ 3993



2010
Interim Report

* For identification purposes only

CORPORATE INFORMATION

Directors

Executive Directors

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

Non-executive Directors

Zhang Yufeng
Shu Hedong

Independent Non-executive Directors

Gao Dezhu
Zeng Shaojin
Gu Desheng
Ng Ming Wah, Charles

Supervisors

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

Joint Company Secretaries

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

Board Secretary

He Feng

Authorized Representatives

Li Chaochun
Ho Siu Pik (*ACS, ACIS*)

Alternate Authorized Representative

Lai Sharon Magdalene (*ACS, ACIS*)

Audit Committee

Ng Ming Wah, Charles
(*Chairman of Audit Committee*)
Zeng Shaojin
Zhang Yufeng

Auditor

Messrs. Deloitte Touche Tohmatsu

Legal Advisors

Hogan Lovells
Llinks Law Offices

Principal Bankers

1. Industrial and Commercial Bank of China Limited,
Luanchuan County Sub-Branch
2. Agricultural Bank of China,
Luanchuan County Sub-Branch
3. China Construction Bank Corporation,
Luanchuan County Sub-Branch
4. Bank of China Limited,
Luanchuan County Sub-Branch
5. Bank of Communications,
Luoyang Branch, Kaixi Sub-Branch
6. China CITIC Bank, Luoyang Branch
7. Industrial Bank Co., Ltd, Luoyang Branch

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

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



Principal Place of Business in Hong Kong

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

Share Information

Stock code : 03993
Listing date : 26 April 2007
Number of H shares : 1,311,156,000 H shares (as at 30 June 2010)
Nominal value : RMB0.20 per share
Stock name : CMOC

Financial Calendar

Interim results announcement : 16 August 2010
Closure of register of members : N/A
Payment of interim dividend : N/A

Investor Relations

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

Telephone : (86-379) 6681 9810
Facsimile : (86-379) 6682 4500
Email : hefeng@chinamoly.com

Financial Public Relation : Wonderful Sky Financial Group Limited
Consultant and : Unit 3102-3105, 31/F
Media Enquiry : Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Telephone : (852) 2851 1038
Facsimile : (852) 2815 1352

Company's Website

www.chinamoly.com

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. (豫鹭矿业有限公司) ("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	924.9	525.2	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	131.8	3.3	2.4%	56.6	56.1	0.5	0.9%
Sub-total	1,824.4	1,211.8	612.5	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%	0.4	0.4	0.0	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	694.8	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 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.

SELLING AND DISTRIBUTION EXPENSES

For the six months ended 30 June 2010, the selling and distribution expenses of the Group amounted to RMB6.7 million, representing an increase of RMB0.4 million or 6.3% from RMB6.3 million in the same period last year. Such increase was mainly attributable to a year-on-year increase in the sales volume of the Group's products during the period.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2010, the administrative expenses of the Group was RMB108.4 million, representing an increase of RMB9.8 million or 9.9% from RMB98.6 million in the same period last year. Such increase was mainly attributable to 1) increase of RMB3.4 million in afforestation fees as a result of improvement in environmental protection; 2) a year-on-year increase of RMB4.8 million in the performance bonus for administrative and management staff and the total payment to social insurance schemes, as a result of the increased operating efficiency of the Group.

OTHER EXPENSES AND LOSSES

For the six months ended 30 June 2010, other expenses and losses of the Group amounted to RMB11.7 million, representing an increase of RMB4.7 million or 67.1% from RMB7.0 million in the same period last year. Such increase was mainly attributable to an increase of RMB3.1 million in exchange loss due to a relatively substantial growth in exports and the considerable increase in Renminbi exchange rate against US dollars during the period.

FINANCE COSTS

For the six months ended 30 June 2010, the finance costs of the Group amounted to RMB21.3 million, representing an increase of RMB6.3 million or 42.0% from RMB15.0 million in the same period last year. Such increase was mainly attributable to an increase of RMB5.2 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 first half of the year.

SHARE OF RESULTS OF ASSOCIATES

For the six months ended 30 June 2010, the results of associated companies attributable to the Group amounted to RMB16.4 million, representing an increase of RMB13 million or 382.4% over RMB3.4 million in the same period last year. Such increase was mainly attributable to the significant increase in results of the associated company Yulu Company for the first half of the year as compared with the same period last year.

INCOME TAX EXPENSE

For the six months ended 30 June 2010, the income tax expense of the Group amounted to RMB168.5 million, representing an increase of RMB94.8 million or 128.6% from RMB73.7 million in the same period last year. Such increase was mainly attributable to the substantial increase in profits during the period.

NON-CONTROLLING INTERESTS

For the six months ended 30 June 2010, the non-controlling interests of the Group amounted to RMB26.9 million, representing an increase of RMB24.5 million or 1,020.8% from RMB2.4 million in the same period last year. Such increase was mainly attributable to the substantial increase in profits from the three holding subsidiaries of the Group, namely Luanchuan County Jiuyang Mining Co., Ltd. (樂川縣九揚礦業有限公司) (“Jiuyang Company”), Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd. (樂川縣三強鉬鎢有限公司) (“Sanqiang Company”) and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. (樂川縣大東坡鉬鎢礦業有限公司) (“Dadongpo Company”) during the period in light of the increase in prices of molybdenum products during the first half of the year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the six months ended 30 June 2010, the net profit attributable to owners of the Company amounted to 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, mainly due to the increase in profit for the period.

FINANCIAL POSITION

For the six months ended 30 June 2010, the total assets of the Group amounted to approximately RMB14,031.2 million, comprising non-current assets of approximately RMB7,388.5 million and current assets of approximately RMB6,642.7 million. Equity attributable to owners of the Company for the six months ended 30 June 2010 increased by RMB29.6 million or 0.27% to RMB11,000.1 million from RMB10,970.5 million for the year ended 31 December 2009. Such increase was mainly due to: 1) an increase of RMB418.5 million in profit attributable to owners of the Company during the period; 2) a payment of RMB390.1 million of dividend for 2009.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 30 June 2010, property, plant and equipment decreased by RMB56.5 million or 1.3% to RMB4,247.5 million from RMB4,304.0 million for the year ended 31 December 2009. The decrease was mainly attributable to a decrease of RMB61.9 million in property, plant and equipment upon the disposal of 50% equity interest in Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. (洛陽高科鉬鎢材料有限公司) ("Luoyang High Tech") by the Company during the period.

DEBT TO TOTAL ASSETS RATIO

The debt to total assets ratio of the Group rose from 11.0% as of 31 December 2009 to 19.5% as of 30 June 2010. Debt to total assets ratio is equivalent to total liabilities divided by total assets. The increase was mainly attributable to: an increase of RMB1,522.8 million in bank loans due within one year as compared to the same period last year.

CASH FLOW

For the six months ended 30 June 2010, the Group had cash and cash equivalents of RMB1,967.8 million, representing a decrease of RMB856.9 million or 30.3% from RMB2,824.7 million for the year ended 31 December 2009, including: 1) payment of RMB390.1 million of dividend for 2009; 2) payment of RMB276.3 million for the acquisition of Luoyang Construction Investment and Mining Co., Ltd. (洛陽建投礦業有限公司) ("Luoyang Construction") and Luanchuan Huqi Mining Company Limited (樂川縣滬七礦業有限公司) ("Huqi Mining"); 3) payment of RMB139.8 million for properties, plants, equipment and land use rights.

For the six months ended 30 June 2010, net cash inflow generated from operating activities was RMB-633.4 million, mainly attributable to an increase of RMB725.2 million in trade receivables and bills receivable as compared to the same period last year, a year-on-year increase of RMB241.9 million in inventories and a year-on-year decrease of RMB146.6 million in payables during the period; net cash inflow generated from investment activities was RMB-1,267.7 million, mainly attributable to an increase of RMB562.7 million in pledged bank deposits, payment of RMB272.6 million for acquisitions of subsidiaries, an increase of RMB255.6 million in long term deposits paid and an increase of RMB129.1 million in expenses on purchase of property, plant and equipment during the period; net cash outflow generated from financing activities was RMB1,044.7 million, including the payment of RMB390.1 million of dividend for 2009.

As the economic crisis simmered down during the period, the market prices of molybdenum products was picking up. During the period, the Group implemented strict internal management, saved energy and reduced consumption, thus maintaining sound operation status and healthy financial position. As of the interim period in 2010, the Company 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 in the PRC. As the production capacity of the Group increases along with the expansion of market and recovery of the overseas molybdenum market, export sales to different countries by the Group or its subsidiary established in Hong Kong are expected to increase. We mainly settle transactions of export sales in US dollars. Due to periodicity in calculating the amount of export income, the foreign currency risks of the Group are primarily generated from the sales of products in foreign currencies.

Currently, the Group has no formal hedging policies in place. The Group has not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

EXPOSURE TO THE PRICE FLUCTUATION OF MOLYBDENUM PRODUCTS

As the trading price of the Group's molybdenum products is calculated based on international and domestic prices, the Group has been exposed to the price fluctuations of molybdenum products. In the long run, the international and domestic prices of molybdenum products mainly depend on market demand and supply. These factors are beyond our control. Further, the prices of molybdenum products are also susceptible to the global and PRC economic cycles, taxation policies as well as variations in the global currency market. The Group has not entered into any trading contracts and has not made any pricing arrangement to hedge against the risk arising from fluctuations in the price of nonferrous products.

EXPOSURE TO INTEREST RATE

The exposure to interest rate of the Group is mainly related to our short-term and long-term borrowings and deposits. The interest rate of outstanding liabilities of the Group is calculated based on the base rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. As of to date, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

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 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.

MATERIAL EVENTS

Construction of tailing storage of No. 1 Ore Processing Branch

Feasibility study report for the project was prepared and works including land acquisitions are processing.

The Group was honoured as “Top 10 Leading Enterprise on Pollutants Emission Reduction in Henan Province” and “Excellent Enterprise on Pollutants Emission Reduction in Henan Province”

In March 2010, the Group was acclaimed as “Top 10 Leading Enterprise on Pollutants Emission Reduction in Henan Province” and “Excellent Enterprise on Pollutants Emission Reduction in Henan Province” at the award presentation ceremony organized by Henan Environment Federation and Henan Daily Press Group.

Our General Manager Mr Wu Wenjun was elected as the vice president of Luoyang Association of Science and Technology

In March 2010, our general manager Mr Wu Wenjun was elected as the vice president of Luoyang Association of Science and Technology at the sixth representatives meeting of Luoyang Association of Science and Technology and Luoyang City science and technology award presentation ceremony.

The Group’s “Research on Key Technologies and Industrialization of Molybdenum and Tungsten Processing” project was approved

On 19 March 2010, the “Research on Key Technologies and Industrialization of Molybdenum and Tungsten Processing” project undertaken by the Group successfully passed the review, examination and approval by relevant experts of Henan Science and Technology Department.

The Group and Molymet entered into a joint venture contract and established a Sino-foreign equity joint venture

On 22 March 2010, the Group and Molymet signed a joint venture contract at Luoyang Mudu-Lee Royal International Hotel; On 11 May 2010, the Sino-foreign equity joint venture (Luoyang High-tech Metals Co., Ltd. 洛陽高科鉬鎢材料有限公司) was established by the Group and ESM (a subsidiary wholly-owned by Molymet).

The Group was honoured as “Top 10 Local Tax Payer in Henan Province”

On 30 March 2010, the Group was acclaimed as “Top 10 Local Tax Payer in Henan Province” by Henan Province Local Taxation Bureau.

The Group won designation of “Enterprise with Grade A Taxation Credit”

On 1 April 2010, the Group won designation of “Enterprise with Grade A Taxation Credit” by Local Taxation Bureau of Luoyang City.

The Group acquired 100% equity interest in Luoyang Construction and Huqi Mining

On 19 April 2010, Luoyang Arbitration Commission granted the arbitration award in favour of the Group, pursuant to which the Group and Luoyang Mining Group Co., Ltd.* (洛陽礦業集團有限公司) (“LMG”) are obliged to complete the acquisition of 100% equity interest in Luoyang Construction and Huqi Mining within 30 days of receipt of the arbitration award. In order to comply with the arbitration award, the Group has acquired 100% equity interest in Luoyang Construction and 100% equity interest in Huqi Mining on 22 April 2010 and 5 May 2010 respectively. The Group is preparing a circular to shareholders in accordance with the Listing Rules and convening an extraordinary general meeting to seek independent shareholders’ confirmation, approval and ratification of the acquisition. For details, please refer to the Company’s announcements dated 14 April 2010, 20 April 2010 and 17 May 2010.

The Group was honoured as “Leading Enterprise on Energy Saving and Emission Reduction in China 2009”

On 15 May 2010, the Group was honoured as “Leading Enterprise on Energy Saving and Emission Reduction in China 2009” at the “2nd Chinese Green Industry Economic Forum” and “Award Presentation Ceremony for Outstanding Persons, Outstanding Enterprises and Leaders, Leading Enterprises on Energy Saving and Emission Reduction in China 2009” jointly organized by All-China Environment Federation and China Enterprise News Agency in Beijing.

PROSPECTS FOR THE SECOND HALF OF 2010

For the molybdenum market in the second half of 2010, in respect of supply, as there is a general tendency for domestic and overseas molybdenum mines to suspend, partially suspend operations and produce below full capacity, along with the fact that construction of certain projects have been suspended awaiting the recovery of the molybdenum market, raw materials supply is not likely to see a significant increase in the second half of the year. In respect of demand, the production volume of stainless and crude steel in 2010 is expected to increase significantly over the 2009 level. Given the aforesaid situation, the overall molybdenum market in the second half of the year is likely to be more promising than 2009 and may fluctuate upward on steady momentum in the second half of the year.

On the tungsten market, in respect of supply, the Ministry of Land and Resources implemented specific management on mining of rare metals such as tungsten to prevent oversupply in a disorderly manner. In respect of demand, the demand for tungsten was facilitated as a result of the demand for cemented carbides, iron and steel products driven by the recovery of the manufacturing industry. With the support from both demand and supply, the inventory of tungsten will gradually decrease in 2010. As the market is in the process of reducing inventories, the price of tungsten is unlikely to rise substantially in 2010 and may fall slightly in the second half of the year, however, the average price may be higher than that in the first half of the year.

In the second half of 2010, the production volume of major products will remain virtually the same as that in the first half of 2010, subject to market conditions. Also, in the second half of 2010, the gold-lead-silver smelting plant project of 80,000 tonnes per year in Yongning will be put into operation.

In the second half of 2010, in view of the favorable continued consolidation of molybdenum resources in Henan province, the management of the Company will seize the advantageous opportunities in molybdenum market, further enhancing production and operation to meet the targets set for the year. In addition, the Company will expedite the construction of key projects to ensure their completion as scheduled. By aggressively boosting resource consolidation and overseas acquisitions in strict adherence to our corporate development strategies, we expect to enhance our comprehensive strengths and profitability for better returns to shareholders.

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

By Order of the Board
Duan Yuxian
Chairman

Luoyang, the PRC, 16 August 2010

2010 Interim Report

DIRECTORS AND SUPERVISORS

As at 16 August 2010, our Board consists of the following 11 directors, pursuant to the Articles of Association, our directors have a term of three years, renewable upon re-election.

Executive Directors:	Duan Yuxian, Li Chaochun, Wu Wenjun, Li Faben, Wang 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, Yin Dongfang, Deng Jiaoyun

EMPLOYEES

The Group had approximately 7,909 employees as at 30 June 2010. The remuneration package of the employees includes salary, bonuses and allowances. Employees also receive welfare benefits including medical care, housing subsidies, child care and education, retirement and other miscellaneous items.

SHARE CAPITAL

	As at 30 June 2010 Number of shares	Amount RMB
Domestic shares at a nominal value of RMB0.20 per share	3,565,014,525	713,002,905
H shares at a nominal value of RMB0.20 per share	1,311,156,000	262,231,200
Total	4,876,170,525	975,234,105

SHARE CAPITAL STRUCTURE

As at 30 June 2010, the share capital structure of the Company was as follows:

	As at 30 June 2010	
Holders of domestic shares or H shares	No. of shares	Approximate percentage of total share capital
Holders of domestic shares Luoyang Mining Group Co., Ltd.	1,796,593,475	36.84%
Cathay Fortune Corporation	1,736,706,322	35.62%
Other shareholders	31,714,728	0.65%
Holders of H shares Total	1,311,156,000	26.89%
	4,876,170,525	100%

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

SUBSTANTIAL SHAREHOLDERS

So far as the directors are aware, as at 30 June 2010, the interests and short positions of substantial shareholders (other than directors, supervisors and the chief executives of the Company) of the Company which would be required, pursuant to Section 336 of the Securities and Futures Ordinance ("SFO"), to be entered into the register of interest and short positions referred to therein, or holding 5% or above in the issued share capital of the Company which would be required to be notified to the Company are as follows:

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

Holder of H shares	Capacity	No. of shares	Approximate percentage of total issued H share capital
National Council for Social Security Fund (中國全國社會保障基金理事會)	Beneficial owner	119,196,000 (L)	9.09%

Note: (L) — Long position

Save as disclosed above and to the knowledge of directors, as at 30 June 2010, there are no interest and short position of other parties (excluding directors, supervisors and chief executives or senior management staff of the Company) in the shares or related securities of the Company, which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, and which would be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or parties who are the substantial shareholders (as defined in the Listing Rules) of the Company.

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 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.

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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 and products of retained business which constitute competition in accordance with the Non-competition Agreement. The Non-competition Agreement took effect on 26 April 2007.

Deloitte.

德勤

**INDEPENDENT REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
洛陽樂川鋇業集團股份有限公司
CHINA MOLYBDENUM CO., LTD.**

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

Introduction

We have reviewed the interim financial information set out on pages 16 to 39, which comprises the condensed consolidated statement of financial position of 洛陽樂川鋇業集團股份有限公司 China Molybdenum Co., Ltd. and its subsidiaries as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standards ("IAS") 34 "Interim Financial Reporting". The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

16 August 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Six months ended 30 June	
		2010 RMB'000 (unaudited)	2009 RMB'000 (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	24	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 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	4,247,536	4,304,002
Land use rights - non-current portion	12	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	13	1,355,449	—
Investments in debt securities	16	255,177	80,000
Available-for-sale investments		204,827	2,300
Deferred tax assets	14	179,212	181,412
Long term deposits paid	17	415,224	159,600
		7,388,509	5,492,577
Current assets			
Inventories		1,079,487	849,011
Trade and other receivables	15	1,494,113	821,537
Amount due from an associate	25(i)	60,344	48,616
Amount due from a jointly controlled entity	25(ii)	29,056	—
Land use rights — current portion	12	8,076	10,217
Investments in debt securities	16	1,216,000	1,230,000
Held-for-trading investments		160,979	108,606
Loan receivables	18	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	19	—	211,850
		6,642,651	7,191,820

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	NOTES	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Current liabilities			
Trade and other payables	20	(719,534)	(866,151)
Dividend payables		(61,813)	(62,218)
Tax payable		(94,863)	(100,977)
Bank borrowings — due within one year	21	(1,754,000)	(231,242)
		(2,630,210)	(1,260,588)
Liabilities directly associated with assets classified as held for sale			
	19	—	(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
Non-current liabilities			
Bank borrowings — due after one year	21	(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	22	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

The condensed consolidated financial statements on pages 16 to 39 were approved and authorised for issue by the Board of Directors on 16 August 2010 and are signed on its behalf by:

DUAN YUXIAN
DIRECTOR

WU WENJUN
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non- controlling interests RMB'000	Total 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
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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTES	Six months ended 30 June	
		2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(633,463)	477,877
INVESTING ACTIVITIES			
Interest received		39,950	56,774
Acquisition of subsidiaries	23	(272,686)	—
Proceeds on disposal of a subsidiary	24	95,346	—
Dividend received from an associate		15,000	—
Dividend received from equity securities		—	260
Long term deposits paid		(255,624)	(36,290)
Purchase of property, plant and equipment		(129,088)	(311,532)
Purchase 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 23 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		Tungsten products	Gold and silver	Others	Total
	Domestic RMB'000	International RMB'000	Domestic RMB'000	International 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		Tungsten products	Gold and silver	Others	Total
	Domestic RMB'000	International RMB'000	Domestic RMB'000	International 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 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (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
Net 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 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (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 <i>RMB'000</i> (unaudited)	2009 <i>RMB'000</i> (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 (<i>Note</i>)	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
	<i>RMB'000</i>	<i>RMB'000</i>
	(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 (<i>RMB'000</i>)	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. PROPERTY, PLANT AND EQUIPMENT

	30.6.2010 RMB'000 (unaudited)
<hr/>	
CARRYING VALUES	
At 1 January 2010	4,304,002
Additions	131,888
Acquired on acquisition of subsidiaries	20,439
Disposal of a subsidiary	(61,994)
Disposals	(232)
Depreciation	(146,567)
	<hr/>
At 30 June 2010	4,247,536
	<hr/> <hr/>

12. LAND USE RIGHTS

	30.6.2010 RMB'000 (unaudited)
<hr/>	
CARRYING VALUES	
At 1 January 2010	411,469
Additions	10,728
Disposal of a subsidiary	(24,176)
Disposals	(5,937)
Amortisation	(4,698)
	<hr/>
At 30 June 2010	387,386
	<hr/> <hr/>

13. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

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. (徐州環宇鎢業有限公司) ("Xuzhou Huanyu")	19 June 1995	PRC	RMB50,446,614	50% (31.12.2009: N/A)	Investment holding
Luoyang High-Tech Metals Co., Ltd*. (洛陽高科技鎢鎢材料有限公司) ("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 24). Luoyang High-Tech was transformed into a sino-foreign equity joint venture on 11 May 2010.

14. DEFERRED TAX ASSETS

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

	Impairment of property, plant and equipment	Allowance for inventories	Allowance for receivable	Tax losses	Deferred income	Accrued expense	Unrealised profit	Held-for-trading investments	Undistributed earning of a subsidiary outside PRC	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009 (audited)	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 (audited)	44	183	4,039	30,834	6,933	22,265	119,663	1,544	—	185,505
Disposal of a subsidiary	—	—	115	(5,671)	—	(1,315)	(986)	(514)	—	(8,371)
(Charge) credit to profit or loss	—	(86)	(524)	8,603	(1,432)	5,097	(9,292)	(288)	—	2,078
At 30 June 2010 (unaudited)	44	97	3,630	33,766	5,501	26,047	109,385	742	—	179,212

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

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

	30.6.2010 RMB'000 (unaudited)	31.12.2009 <i>RMB'000</i> (audited)
Deferred tax assets	179,212	181,412
Deferred tax assets associated with assets held for sale	—	4,093
	179,212	185,505

15. TRADE AND OTHER RECEIVABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 <i>RMB'000</i> (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 RMB'000 (unaudited)	31.12.2009 <i>RMB'000</i> (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

16. INVESTMENTS IN DEBT SECURITIES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 <i>RMB'000</i> (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 RMB'000 (unaudited)	31.12.2009 <i>RMB'000</i> (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.

17. LONG TERM DEPOSITS PAID

	30.6.2010 RMB'000 (unaudited)	31.12.2009 <i>RMB'000</i> (audited)
Advance to a non-controlling shareholder of a subsidiary (<i>note 1</i>)	160,160	159,600
Deposits paid for acquisition of land use rights (<i>note 2</i>)	178,359	—
Deposits paid for acquisition of exploration right and mining right (<i>note 3</i>)	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.

18. LOAN RECEIVABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 <i>RMB'000</i> <i>(audited)</i>
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 23.

- (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.

19. ASSETS CLASSIFIED AS HELD FOR SALE

The assets and liabilities attributable to a subsidiary, Luoyang High-Tech, which was sold and became a jointly controlled entity during the current interim period as described in note 24, have been classified as assets classified as held for sale and liabilities classified as held for sale as at 31 December 2009.

The carrying amounts of the major classes of assets and liabilities of Luoyang High Tech as at 31 December 2009 are as follows:

	31.12.2009 <i>RMB'000</i> (audited)
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

20. TRADE AND OTHER PAYABLES

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

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

	30.6.2010 <i>RMB'000</i> (unaudited)	31.12.2009 <i>RMB'000</i> (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

21. BANK BORROWINGS

	30.6.2010 <i>RMB'000</i> (unaudited)	31.12.2009 <i>RMB'000</i> (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 (<i>note</i>)	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 substantial 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

22. SHARE CAPITAL

	Number of shares		Amount
	Domestic shares	H shares	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.

23. ACQUISITION OF SUBSIDIARIES

As disclosed in note 18, 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 (樂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. Luoyang Construction and Huqi Mining became subsidiaries of the Group at the date the control was passed to the Group. LMG completed the transfer to the Company of 100% equity interests in Luoyang Construction and Huqi Mining in April 2010 and May 2010 respectively.

Consideration transferred

	<i>RMB'000</i>
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 assumed:

	<i>RMB'000</i>
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 18(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

	<i>RMB'000</i>
Consideration paid in cash	276,295
Less: Cash and cash equivalent balances acquired	(3,609)
	<u>272,686</u>

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.

24. 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
	<i>RMB'000</i>
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)
	<u>507,652</u>
Transferred to interests in jointly controlled entities at fair value (<i>note</i>)	(253,826)
	<u>253,826</u>
Gain on disposal	8,010
	<u>261,836</u>

May 2010
RMB'000

Satisfied by:	
Cash	261,836
<hr/>	
Net cash inflow arising on disposal:	
Cash consideration received	261,836
Bank balances and cash disposed of	(166,490)
<hr/>	
	95,346
<hr/>	

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 amounts of the assets and liabilities held by the jointly controlled entity at the date of disposal approximate their fair value.

25. RELATED PARTY TRANSACTIONS

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

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

Nature of transactions	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods	109,266	151,138

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

As at 30 June 2010, trade receivable from Shanghai Yuhua Molybdenum Co., Ltd amounting to RMB60,344,000 (31 December 2009: RMB48,616,000) is unsecured, interest-free and aged within 90 days.

- (ii) Transaction with jointly controlled entities

As at 30 June 2010, amount due from a jointly controlled entity represents advance made to Xuzhou Huanyu with an amount of RMB29,056,000 (31 December 2009: Nil), which is unsecured, interest-free and repayable on demand. It is expected to recover within twelve months from the end of the reporting period.

- (iii) 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 period, except as disclosed below, the Group did not had any individually significant transactions with other 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 for a loan amount of RMB1,150,000,000 of which RMB1,050,000,000 has been drawn down as at 31 December 2009. During the current interim period, additional amount of RMB55,000,000 has been drawn down. Details of the loan has been disclosed in note 18.

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.

(iv) Transactions with a substantial shareholder

During the current period, LMG completed the transfer of 100% equity interest of Luoyang Construction and Huqi Mining to the Company. Details of which are disclosed in note 23.

As at 30 June 2010, bank loan of RMB35,000,000 (31 December 2009: RMB98,000,000) was guaranteed by LMG.

26. CAPITAL COMMITMENTS

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

	30.6.2010	31.12.2009
	RMB'000	RMB'000
	(unaudited)	(audited)
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	71,593	114,255

27. MAJOR NON-CASH TRANSACTIONS

As explained in note 18 and 23, during the current period, loan receivable amounting to RMB1,105,000,000 (2009: nil) has been utilised by Luoyang Construction for the Intended Acquisition. The Group has subsequently held the entire equity interest in Luoyang Construction. Accordingly, the loan receivable has been eliminated upon consolidation of Luoyang Construction in these condensed consolidated financial statements since acquisition.

28. 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 these condensed consolidated financial statements were authorised for issuance.

2010 Interim Report

FOR SHAREHOLDERS' INFORMATION

This 2010 interim report ("Interim Report") has been prepared in both English and Chinese. Shareholders who have received either the English version or Chinese version of the Interim Report may request a copy in the other language by writing to the Company through the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at chinamoly@computershare.com.hk.

The Interim Report (in both English and Chinese versions) has been posted on the Company's website at <http://www.chinamoly.com>. Shareholders who have chosen to read the Company's corporate communications published on the Company's website in place of receiving printed copies may request the printed copy of the Interim Report.

Shareholders who have chosen to receive the corporate communications using electronic means through the Company's website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on the Company's website will upon request in writing or by email at chinamoly@computershare.com.hk be promptly sent the Interim Report in printed form free of charge.

Shareholders may at any time choose to change your choice as to the means of receipt (i.e. in printed form or by electronic means through the Company's website) and/or the language of the Company's corporate communications by reasonable prior notice in writing to the Company through the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at chinamoly@computershare.com.hk.



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