洛陽欒川鉬業集團股份有限公司

China Molybdenum Co., Ltd. *

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

(Stock Code: 03993)

Annual Results Announcement
For the Year Ended 31 December 2010

I. FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of China Molybdenum Co., Ltd.* (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010 together with the comparative figures for 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	2	**4,396,369**	3,045,649
Cost of sales		**(2,798,971)**	(2,215,680)
Gross profit		**1,597,398**	829,969
Other income and gains	4	**140,655**	182,974
Selling and distribution expenses		**(15,107)**	(13,992)
Administrative expenses		**(337,520)**	(248,617)
Other expenses and losses		**(23,854)**	(22,346)
Finance costs	5	**(41,786)**	(21,363)
Share of results of associates		**32,574**	16,561
Share of results of jointly controlled entities		**(6,742)**	—
Profit before taxation		**1,345,618**	723,186
Taxation	6	**(343,926)**	(188,576)
Profit for the year	7	**1,001,692**	534,610
Other comprehensive (expenses) income:			
Exchange differences arising on translation of foreign operations and other comprehensive (expenses) income for the year		**(2,001)**	494
Total comprehensive income for the year		**999,691**	535,104
Profit for the year attributable to:			
Owners of the Company		**965,549**	503,315
Non-controlling interests		**36,143**	31,295
		1,001,692	534,610
Total comprehensive income attributable to:			
Owners of the Company		**963,548**	503,809
Non-controlling interests		**36,143**	31,295
		999,691	535,104
Earnings per share — Basic	9	**RMB0.20**	RMB0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**4,547,601**	4,304,002
Land use rights — non-current portion		**550,408**	401,252
Mining rights		**347,507**	310,590
Trademarks		**635**	656
Interests in associates		**78,541**	52,765
Interests in jointly controlled entities	10	**1,533,653**	—
Investments in debt securities		**83,072**	80,000
Available-for-sale investments		**2,300**	2,300
Deferred tax assets		**125,070**	181,412
Long term deposits paid		**534,271**	159,600
		7,803,058	5,492,577
Current assets			
Inventories		**1,442,875**	849,011
Trade and other receivables	11	**1,755,892**	821,537
Amounts due from associates		**47,936**	48,616
Amounts due from jointly controlled entities		**45,936**	—
Land use rights — current portion		**8,437**	10,217
Investments in debt securities		**89,793**	1,230,000
Held-for-trading investments		**64,099**	108,606
Loan receivables		**—**	1,092,824
Restricted bank deposits		**23,947**	43,952
Bank balances and cash		**2,839,449**	2,775,207
		6,318,364	6,979,970
Assets classified as held for sale		**—**	211,850
		6,318,364	7,191,820

	NOTE	2010 RMB'000	2009 RMB'000
Current liabilities			
Trade and other payables	12	**(1,101,820)**	(866,151)
Dividend payables		**(103,644)**	(62,218)
Tax payable		**(62,975)**	(100,977)
Bank borrowings — due within one year		**(786,650)**	(231,242)
		(2,055,089)	(1,260,588)
Liabilities directly associated with assets classified as held for sale		**—**	(13,562)
		(2,055,089)	(1,274,150)
Net current assets		**4,263,275**	5,917,670
Total assets less current liabilities		**12,066,333**	11,410,247
Non-current liabilities			
Bank borrowings — due after one year		**(10,000)**	(50,000)
Provision		**(42,615)**	(40,586)
Long term payable		**—**	(1,540)
Deferred income		**(24,879)**	(27,347)
		(77,494)	(119,473)
		11,988,839	11,290,774
Capital and reserves			
Share capital		**975,234**	975,234
Reserves		**10,568,722**	9,995,268
Equity attributable to owners of the Company		**11,543,956**	10,970,502
Non-controlling interests		**444,883**	320,272
Total equity		**11,988,839**	11,290,774

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised IFRSs") issued by the International Accounting Standards Board (the "IASB") and IFRS Interpretation Committee (formerly known as the International Financial Reporting Interpretations Committee) (the "IFRIC") of the IASB that are effective for the Group's financial year beginning 1 January 2010.

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

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 in the current year.

- IFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- IFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliable; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- IFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

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"

The revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

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 "Interests in Joint Ventures" for the acquisitions of jointly controlled entities in the current year. The adoption of the consequential amendments had no material impact on the consolidated financial statements.

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 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 consolidated financial statements.

2. REVENUE

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

	2010	2009
	RMB'000	*RMB'000*
Sales of goods		
— molybdenum concentrate	**361,540**	357,312
— molybdenum oxide	**358,708**	187,393
— ferromolybdenum	**2,912,980**	1,821,583
— molybdenum plate	**—**	360
— tungsten concentrate	**304,668**	188,736
— gold and silver	**224,552**	185,226
— sulfuric acid	**8,288**	1,902
— others	**225,633**	303,137
	4,396,369	3,045,649

3. SEGMENT INFORMATION

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

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

(a) Molybdenum related products — domestic

(b) Molybdenum related products — international

(c) Processed molybdenum and tungsten products — domestic

(d) Processed molybdenum and tungsten products — international

(e) Tungsten products

(f) Gold and silver

In addition, other reportable segments (sulfuric acid and other by-products) are aggregated and presented as "Others".

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

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

Information regarding the above segments is reported below.

Segment revenue and results

For the year ended 31 December 2010

	Molybdenum related products		Processed molybdenum and tungsten products		Tungsten products	Gold and silver	Segment total	Others	Eliminations	Consolidated
	Domestic	International	Domestic	International						
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue										
Sales to external customers	3,119,363	356,406	124,826	32,633	304,668	224,552	4,162,448	233,921	—	4,396,369
Intersegment sales	161,978	—	27,531	—	—	—	189,509	—	(189,509)	—
Total	3,281,341	356,406	152,357	32,633	304,668	224,552	4,351,957	233,921	(189,509)	4,396,369
Segment results	1,198,693	149,753	6,098	1,594	182,119	58,881	1,597,138	260	—	1,597,398
Other income										140,655
Unallocated expenses										(418,267)
Share of results of associates										32,574
Share of results of jointly controlled entities										(6,742)
Profit before taxation										1,345,618
Other segment information included in segment results:										
Depreciation and amortisation	221,864	—	17,512	—	15,104	5,923	260,403	19,079	—	279,482
Unallocated amounts										31,104
										310,586
Reversal of allowance for inventories	(10,305)	—	—	—	—	—	(10,305)	—	—	(10,305)

For the year ended 31 December 2009

	Molybdenum related products		Processed molybdenum and tungsten products							
	Domestic	**International**	**Domestic**	**International**	**Tungsten products**	**Gold and silver**	**Segment total**	**Others**	**Eliminations**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue										
Sales to external customers	2,272,149	94,139	177,541	4,984	188,736	185,226	2,922,775	122,874	—	3,045,649
Intersegment sales	158,546	—	17,632	—	—	—	176,178	—	(176,178)	—
Total	2,430,695	94,139	195,173	4,984	188,736	185,226	3,098,953	122,874	(176,178)	3,045,649
Segment results	697,381	34,220	8,201	230	64,092	33,863	837,987	(8,018)	—	829,969
Other income										182,974
Unallocated expenses										(306,318)
Share of results of associates										16,561
Profit before taxation										723,186
Other segment information included in segment results:										
Depreciation and amortisation	229,631	—	17,512	—	15,104	5,923	268,170	626	—	268,796
Unallocated amounts										24,547
										293,343
Reversal of allowance for inventories	(12,305)	—	—	—	—	—	(12,305)	—	—	(12,305)

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

Information about major customers

No revenue from customers contributing over 10% of the total sales of the Group for both years.

Geographical information

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

	2010	2009
	RMB'000	*RMB'000*
PRC	**4,007,330**	2,946,526
Overseas		
Korea	**3,292**	5,599
United Kingdom	**152,595**	32,783
United States	**40,348**	34,722
Germany	**53,839**	5,100
Luxemburg	**44,178**	—
Australia	**26,648**	—
Sweden	**16,894**	—
Switzerland	**17,514**	—
Estonia	**16,410**	—
Others	**17,321**	20,919
Subtotal	**389,039**	99,123
	4,396,369	3,045,649

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

4. OTHER INCOME AND GAINS

	2010	2009
	RMB'000	*RMB'000*
Interest income on		
— bank deposits	**51,691**	78,242
— investments in debt securities	**59,413**	71,597
— debentures classified as financial assets at FVTPL	**4,728**	2,039
— loan receivables	**753**	1,084
Total interest income	**116,585**	152,962
Net gain on fair value change of financial assets classified as held-for-trading	**—**	8,342
Release of deferred income	**2,468**	3,033
Net gain on sales of scrap materials	**705**	399
Gain on disposal of subsidiary	**8,010**	—
Government grants recognised *(Note)*	**5,511**	13,530
Others	**7,376**	4,708
	140,655	182,974

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

5. FINANCE COSTS

	2010 *RMB'000*	2009 *RMB'000*
Interests on bank borrowings wholly repayable within five years	**17,703**	9,670
Interests on bills discounted with recourse	**31,142**	16,760
Other interest expenses — unwinding discounts on provision	**2,029**	1,933
Less: Amount included in the cost of qualifying assets	**(9,088)**	(7,000)
	41,786	21,363

Borrowing costs included in the cost of qualifying assets on the general borrowing pool and are calculated by applying a capitalisation rate of 5.6% per annum for the year ended 31 December 2010 (2009: 6.2% per annum), to expenditure on such assets for the year.

6. TAXATION

	2010 *RMB'000*	2009 *RMB'000*
The charge comprises PRC Enterprise Income Tax:		
Current taxation		
— current year	**285,274**	238,701
— underprovision in prior year	**6,588**	4,659
	291,862	243,360
Deferred taxation charge (credit)		
— current year	**52,064**	(54,784)
	343,926	188,576

The Group was subject to PRC Enterprise Income Tax levied at a rate of 25% (2009: 25%) on its taxable income determined in accordance with the relevant laws and regulations in the PRC.

7. PROFIT FOR THE YEAR

	2010	2009
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**271,633**	257,196
Amortisation of land use rights	**9,096**	8,743
Amortisation of mining rights (included in cost of sales)	**29,759**	27,225
Amortisation of trademarks (included in cost of sales)	**98**	179
Loss on disposal of property, plant and equipment	**186**	13,738
Impairment loss of goodwill	**3,934**	—
Net loss (gain) on fair value change of financial assets classified as held for trading	**4,561**	(8,342)

8. DIVIDENDS

Dividends recognised as distribution during the year:

	2010	2009
	RMB'000	*RMB'000*
Final dividend paid - for the year 2009 of RMB0.08 per share (2009: for the year 2008 of RMB0.158 per share)	**390,094**	770,435

On 6 June 2010, dividend of RMB0.08 per share totalling RMB390,094,000 were paid to shareholders as the final dividend for 2009.

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

The final dividend of RMB0.404 per share (2009: final dividend of RMB0.08 per share) totalling RMB1,969,973,000 (2009: final dividend of RMB390,094,000) has been proposed by the directors. The proposal is subject to approval by the shareholders at the forthcoming general meeting.

9. EARNINGS PER SHARE

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

	2010	2009
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per share *(RMB'000)*	**965,549**	503,315
Number of shares for the purpose of basic earnings per share	**4,876,170,525**	4,876,170,525

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

10. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2010 *RMB'000*
Cost of unlisted investments in jointly controlled entities	1,540,395
Share of post-acquisition losses	(6,742)
	1,533,653

As at 31 December 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%	Investment holding
Luoyang High-Tech Metals Co., Ltd. (洛陽高科鉬鎢材料有限公司) ("Luoyang High-Tech")	14 January 2005	PRC	RMB530,000,000	50% *(Note 1)*	Manufacturing of molybdenum powder, tungsten powder and related products
Luoyang Fuchuan Mining Co., Ltd. (洛陽富川礦業有限公司) ("Luoyang Fuchuan")	29 September 2003	PRC	RMB50,000,000	55% *(Note 2)*	Holding of mining right and related assets

Note:

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

(2) The Company acquired 100% equity interest 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 (欒川縣滬七礦業有限公司) ("Huqi Mining") during the year. Luoyang Construction holds 50% equity interest of Xuzhou Huanyu. Xuzhou Huanyu holds 90% equity interest in Luoyang Fuchuan. The remaining 10% equity interest in Luoyang Fuchuan was held by Huqi Mining. After the acquisition, the Group is ultimate holding 55% equity interest of Luoyang Fuchuan.

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables (net of allowances)	**535,823**	259,128
Bills receivable	**851,479**	404,786
	1,387,302	663,914
Advances to suppliers	**123,507**	13,913
Other tax recoverable	**125,827**	110,465
Other receivables and prepayments	**119,256**	33,245
	1,755,892	821,537
Breakdown of advances to suppliers		
Third parties	**45,842**	13,913
Advances to a jointly controlled entity	**77,665**	—
	123,507	13,913

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

	2010	2009
	RMB'000	*RMB'000*
Trade and bills receivables	**1,397,489**	676,550
Less: Allowance for doubtful debts	**(10,187)**	(12,636)
	1,387,302	663,914

The Group normally allows credit period of no longer than 90 days to its trade customers, but a longer credit period will be allowed for major customers. The aged analysis of trade receivables (presented based on the invoice date) and bills receivable (presented based on the issuance date of relevant bills) is as follows:

	2010	2009
	RMB'000	*RMB'000*
0–90 days	**984,077**	463,540
91–180 days	**383,391**	191,033
181–365 days	**18,878**	7,445
1–2 years	**956**	1,896
	1,387,302	663,914

12. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**414,760**	158,321
Bills payable	**100,000**	73,795
	514,760	232,116
Other payables and accruals	**587,060**	634,035
	1,101,820	866,151
Breakdown of trade payables		
Third parties	**414,667**	158,321
Trade payable due to a jointly controlled entity	**93**	—
	414,760	158,321

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

	2010	2009
	RMB'000	*RMB'000*
0–90 days	**371,607**	216,968
91–180 days	**129,396**	3,247
181–365 days	**8,012**	4,951
1–2 years	**2,270**	4,105
Over 2 years	**3,475**	2,845
	514,760	232,116

II. FINANCIAL REVIEW

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

OVERVIEW

For the year ended 31 December 2010, profit before taxation was RMB1,345.6 million, representing an increase of RMB622.4 million or 86.1% from RMB723.2 million for the year ended 31 December 2009. For the year ended 31 December 2010, total comprehensive income attributable to the owners of the Company was RMB963.6 million, representing an increase of RMB459.8 million or 91.3% from RMB503.8 million for the year ended 31 December 2009.

The comparative analysis for the year ended 31 December 2010 and the year ended 31 December 2009 is as follows:

OPERATING RESULTS

For the year ended 31 December 2010, the Group recorded a turnover of RMB4,396.4 million, representing an increase of RMB1,350.8 million or 44.4% from RMB3,045.6 million for the year ended 31 December 2009. For the year ended 31 December 2010, the Group achieved a gross profit of RMB1,597.4 million, representing an increase of RMB767.4 million or 92.5% from RMB830.0 million for the year ended 31 December 2009.

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 2010 and 2009:

	For the year ended 31 December							
	2010				2009			
Product Name	Turnover	Operating cost	Gross profit	Gross profit margin	Turnover	Operating cost	Gross profit	Gross profit margin
	(RMB million)	*(RMB million)*	*(RMB million)*	*(%)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(%)*
Domestic market								
— Molybdenum additive materials	**3,119.4**	**1,920.7**	**1,198.7**	**38.4%**	2,272.1	1,574.8	697.4	30.7%
— Tungsten concentrate (containing 65% $W0_3$)	**304.7**	**122.5**	**182.1**	**59.8%**	188.7	124.6	64.1	34.0%
— Processed Tungsten & Molybdenum products	**124.8**	**118.7**	**6.1**	**4.9%**	177.5	169.3	8.2	4.6%
— Gold and silver	**224.6**	**165.7**	**58.9**	**26.2%**	185.2	151.4	33.9	18.3%
— Sulfuric acid (92.5% concentration)	**8.3**	**22.5**	**-14.2**	**-171.0%**	1.9	14.0	-12.1	-635.4%
— Other	**225.6**	**211.2**	**14.4**	**6.4%**	121.0	116.9	4.1	3.4%
Sub-total	**4,007.3**	**2,561.3**	**1,446.1**	**36.1%**	2,946.5	2,151.0	795.5	27.0%
International market								
— Molybdenum additive materials	**356.4**	**206.7**	**149.8**	**42.0%**	94.1	59.9	34.2	36.3%
— Processed Tungsten & Molybdenum products	**32.6**	**31.0**	**1.6**	**4.9%**	5.0	4.8	0.2	4.6%
— Other								
Sub-total	**389.0**	**237.7**	**151.3**	**38.9%**	99.1	64.7	34.4	34.8%
Total	**4,396.4**	**2,799.0**	**1,597.4**	**36.3%**	3,045.6	2,215.7	830.0	27.3%

Turnover increased by RMB1,350.8 million or 44.4% to RMB4,396.4 million in 2010 from RMB3,045.6 million in 2009, mainly attributable to: 1) an approximately 13.7% increase in unit average selling prices of major molybdenum products for 2010 as compared with 2009; 2) a significant increase in sales volume given a production and sales rate as high as 108.1% for molybdenum products during 2010; and 3) a year-on-year increase of RMB155.3 million in the turnover for 2010 driven by the surging prices of tungsten concentrates, gold and silver products during the year.

For the year ended 31 December 2010, the operating cost (exclusive of the cost of sales after tax in the sales item) of the Group was RMB2,609.7 million, representing an increase of RMB569.7 million or 27.9% from RMB2,040.0 million for the same period in 2009. The main reasons for the increase in the operating cost are as follows: 1) a significant year-on-year increase in the sales volume of our products; and 2) increase in the sale of non-principal products from the sales and trading company of the Group.

For the year ended 31 December 2010, the average gross profit margin of the Group was 36.3%, representing an increase of 9 percentage points as compared with 27.3% for the same period in 2009. The increase in average gross profit margin was mainly attributable to the increase in the selling price which led to an increase in the overall gross profit margin of molybdenum products. In addition, tungsten products and gold and silver products also contributed to the increase in the gross profit of the Group for the year.

OTHER INCOME AND GAINS

For the year ended 31 December 2010, other income of the Group amounted to RMB140.7 million, representing a decrease of RMB42.3 million or 23.1% from RMB183.0 million in the same period last year. Such decrease was mainly due to: 1) a decrease of RMB36.4 million in the Group's investment in securities and interest income from deposit for the year as compared with the same period in 2009; and 2) a decrease of RMB8.0 million in subsidy income including tungsten and molybdenum key technology research subsidy and waste water treatment subsidy received by the Group as compared with the same period in 2009.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2010, the selling and distribution expenses of the Group amounted to RMB15.1 million, representing an increase of RMB1.1 million or 7.9% from RMB14.0 million as compared with the same period in 2009. Such increase was mainly attributable to the significant increase in the sales volume of the relevant products.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2010, the administrative expenses of the Group was RMB337.5 million, representing an increase of RMB88.9 million or 35.8% from RMB248.6 million for the same period in 2009. Such increase in administrative expenses was mainly attributable to a year-on-year increase of RMB88.4 million in expenses for technological research and development as a result of the Group's technological research and development of new materials and new techniques such as the research and application of techniques for exploitation of hostile formations in mines (礦山複雜地層勘探技術研究與應用), the technical research on safe mining in open-pit, large and difficult mined-out areas (露天礦大型難處理空區條件下安全開採技術研究) and the technology of integrated use of residual heat recycled from rotary kilns and resources from roasting of molybdenum oxide (回轉窯餘熱利用氧化鉬焙燒資源綜合利用技術) during the year.

OTHER EXPENSES AND LOSSES

For the year ended 31 December 2010, other expenses of the Group amounted to RMB23.9 million, representing an increase of RMB1.6 million or 7.2% from RMB22.3 million for the same period in 2009. Such increase in other expenses and losses was mainly attributable to the increase of RMB10 million in donations for the severe flooding in Luanchuan on 24 July 2010. Increase in other expenses and losses was partially offset by the decrease of losses from fixed assets in 2010. In 2009, a sum of RMB6.7 million was recorded under other expenses and losses due to the costs involved in carrying out the demolition of a factory building located behind an old office building in compliance with city planning.

FINANCE COSTS

For the year ended 31 December 2010, the finance costs of the Group amounted to RMB41.8 million, representing an increase of RMB20.4 million or 95.3% from RMB21.4 million for the same period in 2009. Such increase was mainly attributable to an increase in bill handling charges and discount interest as the Group increased the settlement of its sales and purchase businesses in bank acceptance bills in 2010.

SHARE OF RESULTS OF ASSOCIATES

For the year ended 31 December 2010, the results of associated companies attributable to the Group amounted to RMB32.6 million, representing an increase of RMB16.0 million or 96.4% over RMB16.6 million for the same period in 2009. Such increase was mainly attributable to the increase in results of an associated company, Yulu Mining Co., Ltd.*（豫鷺礦業有限公司）("Yulu Company") for the year as compared with the corresponding period in 2009.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

For the year ended 31 December 2010, the results of jointly controlled entities attributable to the Group amounted to RMB6.7 million as compared to nil for the same period in 2009. This is mainly attributable to the operating loss incurred by Luoyang High-Tech, a joint venture recently established in 2010.

INCOME TAX EXPENSE

For the year ended 31 December 2010, the income tax expense of the Group amounted to RMB343.9 million, representing an increase of RMB155.3 million or 82.3% from RMB188.6 million for the same period in 2009. Such increase was mainly attributable to the substantial increase in profits during the period.

NON-CONTROLLING INTERESTS

For the year ended 31 December 2010, the non-controlling interests of the Group amounted to RMB36.1 million, representing an increase of RMB4.8 million or 15.3% from RMB31.3 million for the same period last year. Such increase was mainly attributable to the substantial increase in profits from three holding subsidiaries of the Group, namely Luanchuan County Jiuyang Mining Co., Ltd*（欒川縣九揚礦業有限公司）, Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.*（欒川縣三強鉬鎢有限公司）and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.* (欒川縣大東坡鉬鎢礦業有限公司).

PROFIT OR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2010, the total comprehensive income attributable to owners of the Company amounted to RMB963.5 million, representing an increase of RMB459.7 million or 91.2% from RMB503.8 million for the year ended 31 December 2009. This was mainly due to the increase in profit for the year ended 31 December 2010.

FINANCIAL POSITION

For the year ended 31 December 2010, the total assets of the Group amounted to approximately RMB14,121.4 million, comprising non-current assets of approximately RMB7,803.1 million and current assets of approximately RMB6,318.4 million. Equity attributable to owners of the Company for the year ended 31 December 2010 increased by RMB573.5 million or 5.2% to RMB11,544.0 million from RMB10,970.5 million for the year ended 31 December 2009. Such increase was mainly due to the amount of profit distributed during the period not exceeding the earnings.

CURRENT ASSETS

For the year ended 31 December 2010, the inventory of the Group increased by RMB593.9 million or 70% to RMB1,442.9 million from RMB849.0 million for the year ended 31 December 2009. Such increase was mainly attributable to the increase in raw materials such as lead concentrate and gold concentrate gathered by Luoyang Yongning Gold & Lead Refining Co., Ltd.*（洛陽永寧金鉛冶煉有限公司）("Yongning Gold & Lead") in anticipation of its production in 2011.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2010, property, plant and equipment increased by RMB243.6 million or 5.7% to RMB4,547.6 million from RMB4,304.0 million for the year ended 31 December 2009. The increase was mainly attributable to the greater efforts put into the following projects by the Company:

(1) construction project of No.4 Crushing Station of Mining Branch (礦山公司);

(2) renovation project for the mining branches and expansion project of tailing storage;

(3) successful acquisition of the assets of three bankrupt gold mines located at Luoning County by Luoyang Kunyu Mining Co., Ltd.*（洛陽坤宇礦業有限公司）(“Kunyu Company”) (坤宇公司); and

(4) construction project of a smelting plant of Yongning Gold & Lead with a consolidated capacity of 80,000 tonnes per year.

DEBT TO TOTAL ASSETS RATIO

The debt to total assets ratio of the Group rose from 11.0% as of 31 December 2009 to 15.1% as of 31 December 2010. Debt to total assets ratio is equivalent to total liabilities divided by total assets.

CASH FLOW

For the year ended 31 December 2010, the Group had cash and cash equivalents of RMB2,839.4 million, representing an increase of RMB14.6 million or 0.5% from RMB2,824.8 million for the year ended 31 December 2009.

For the year ended 31 December 2010, net cash outflow generated from operating activities was RMB13.9 million; net cash outflow generated from investment activities was RMB124.6 million; net cash inflow generated from financing activities was RMB153.2 million, including the payment of dividend in the sum of RMB440.7 million in 2009.

During the period, there was a modest increase in the market prices of molybdenum products at home and abroad as a result of a weakening greenback as affected by the monetary policy of Quantitative Easing in the United States and the implementation of management on total mining since molybdenum being shortlisted as a protective mining mineral starting from 2011. During 2010, the Group implemented strict internal management and energy saving measures, thus maintaining sound operation status and healthy financial position. As at the end of 2010, the Company had sufficient capital which enabled it to operate smoothly or satisfied the liquidity needed for production capacity expansion. It also ensured funding support for any possible mergers 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 market expansion and recovery in 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 the date of this announcement, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

EMPLOYEES

As at 31 December 2010, the Group had approximately 8,083 full time employees, classified as follows by function and department:

Department	Employees	Proportion
Management & administration	966	12%
Quality control, research and development	521	6%
Production	5,577	69%
Repair and maintenance, safety inspection and environmental protection	1,019	12%
Total	8,083	100%

The remuneration portfolio of the Group's employees comprises salary, bonus and allowances. The Group has participated in the social insurance contribution plans introduced by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. Pursuant to the current applicable PRC local regulations, the percentage of certain insurance polices are as follows: the pension insurance, medical insurance, unemployment insurance and housing reserve fund of our PRC employees represent 20%, 6%, 3% and 5% to 12% of his or her total basic monthly salary respectively.

USE OF PROCEEDS

As at 31 December 2010, the Company applied an aggregate of approximately RMB7,147 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 RMB550.3 million for the expansion of Mining Branches, Sanqiang Company and construction of scheelite recovery plant;
- approximately RMB1,586 million for the construction of the smelting plant of Yongning Gold & Lead and merger and acquisition project of precious metals;
- approximately RMB744 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 RMB1,481 million for the acquisition of Shangfanggou Mine;

- approximately RMB106 million for carrying out preliminary exploitation in the mine located in Hami, Xinjiang;
- approximately RMB105 million for the extension construction of tailing storage;
- approximately RMB150 million for financing the plants selection, technological improvement and research and development for the purpose of mining; and
- approximately RMB60 million for the construction of Tungsten and Molybdenum High-tech Industrial Park (鎢鉬高新技術工業園).

III. MARKET REVIEW

In 2009, with stimulus policies gradually put in place worldwide, market demand for molybdenum increased and the global average molybdenum price increased by approximately 1.3 times after bottoming out. In 2010, economies including the United States, Europe and Japan registered positive quarter-on-quarter growth for four consecutive quarters, signaling the end of a recession and the beginning of a recovery. However, due to the slow recovery of real economies in most the developed countries, the molybdenum products prices are basically undergoing stable corrections without much fluctuation.

The price of molybdenum products in 2010 remained largely as it was in 2009 by fluctuating within a narrow range at the lower end, with an ongoing hike in the first quarter of 2010, followed by a slump to the bottom from mid-March to mid-July in 2010, then a modest rise from mid-July and another fall after mid-August in 2010, mainly attributable to the decline of demand from the iron and steel industry, as a result of the bold rectifications on the iron and steel industry in terms of energy saving and emission reduction by the country. Driven by a mix of reasons, the molybdenum price saw signs of rebound in mid-October 2010, mainly due to the supply shortage from molybdenum manufacturers in Henan given the energy saving, emission reduction and power rationing within the province, and partially due to the temperature plunge in northeast regions which put stress on transportation and production.

The domestic molybdenum market price was basically in line with the international price. In the first half of 2010, the average price of domestic molybdenum concentrates was approximately RMB2,200/metric tonne unit, which bottomed at less than RMB2,000/metric tonne unit at the beginning of the year and the end of June; it dropped further to RMB1,950/metric tonne unit at the end of June and peaked at RMB2,400/metric tonne unit at the end of February and the beginning of March. In the second half of 2010, the average price of domestic molybdenum concentrates was approximately RMB2,000/metric tonne unit, with its lowest at RMB1,900/metric tonne unit and RMB1,920/metric tonne unit in July and September, respectively. In the second half of 2010, the market performed relatively better in August and November, during which the price stabilized at RMB2,050/metric tonne unit (in August) and above RMB2,150/metric tonne unit (in November) respectively, and posted a record high at RMB2,170/metric tonne unit for the period. Excluding the value-added tax on imports, the international and domestic prices were almost on par. Provided a value-added tax rate of 17%, however, the international price was slightly higher than the domestic price. As opposed to the volatile fluctuations in 2008 and 2009, the molybdenum price in 2010 was generally stable with modest price changes and proper self-adjustments corresponding to the demands from home and abroad.

IV. BUSINESS REVIEW

During the year 2010, with the benefits of efficient management, detailed organization and continued commitment of our staffs, the Group fully capitalized on its resources and vertically integrated industry chain and industry scale to overcome adverse factors such as hiking raw material price and shortage of power supply, achieving a steady increase in the production volume of molybdenum and tungsten products. In 2010, the production volume of molybdenum concentrates (including 47% Mo), molybdenum oxides (including 51% Mo), ferromolybdenum (including 60% Mo) and tungsten concentrates (including 65% WO_3) of the Group (including Yulu Mining Co., Ltd., "Yulu Company") amounted to 31,881 tonnes, 34,040 tonnes, 26,599 tonnes and 8,354 tonnes, respectively, representing a decrease of 2.8% and an increase of 62.9%, 55.1% and 25% over 2009, respectively.

Statistics from China Non-ferrous Metals Industry Association showed that the production of molybdenum concentrates in China (including 47% Mo) in 2010 was 166,884 tonnes. The Group's production volume of molybdenum concentrates accounted for approximately 21.1% of the total amount produced in China in 2010. According to an international research institution, the world's molybdenum production volume was estimated to be approximately 510 million pounds for the year 2010, of which approximately 36.50 million pounds were produced by the Group, representing approximately 7.2% of the total production volume of the world.

Great efforts were put in the development of technology and innovation which led to much stronger technological advancement of the Group. The research result of "Research on key technologies of open-pit intensified mining in multi-layer high-risk mined-out areas underground" (多層大型高危地下空區條件下露天強化開採關鍵技術研究) earned us the award of the first prize in technology development in Henan Province. We were also awarded the first prize in technology development in Luoyang City and the second prize in technology development in Henan Province for our "Development and application of localization of wear-resistant lining plates for C160 large jaw crushers" (C160大型顎式破碎機耐磨襯板國產化開發與應用). Besides, the project of "Extraction and preparation of ferromolybdenum samples" (鉬鐵試樣的採取和制備方法) was presented with the third prize in technology development of China's non-ferrous metal industry (中國有色金屬工業科學技術進步獎三等獎); and the "Research on Key Technologies and Industrialization of Molybdenum and Tungsten Processing" project (鉬鎢選礦關鍵技術研究及產業化) successfully passed the review, examination and approval by the relevant experts of Henan Science and Technology Department and was awarded the 2010 Innovation Prize in China Industry-University-Research Institute Collaboration (二零一零年度中國產學研合作創新獎) by China Industry-University-Research Institute Collaboration Association (中國產學研合作促進會). Upon the approval of the Ministry of Human Resources and Social Security of China and the National Postdoctoral Management Committee (中國博士後管理委員會), the Group had established a post-doctoral research center. During the year, we applied for 38 invention patents and utility model patents.

The Group has proactively promoted standardized operations and significantly lifted corporate management standards. In 2010, the Group further amended and improved various management systems, and put additional efforts in financial, sales and investment management system. A series of rules and regulations such as "Rules for External Investment Management" which aimed at optimising the Group's management had been refined, which put the Group in a stronger position to cope with the changing environment and the complicated economic situation.

The Group has quickened its pace of acquisitions and cooperation and made new progress in the consolidation, acquisition and sharing of resources. On 11 May 2010, the sino-foreign equity joint venture, Luoyang High-Tech was established by the Company and Eastern Special Metals Hong Kong Limited (a subsidiary wholly-owned by Molibdenos y Metales S.A.("Molymet")). In addition, the Group acquired 100% equity interest of Luoyang Construction and 100% equity interest of Huqi Mining on 22 April 2010 and 5 May 2010, respectively, as a result, the Company is indirectly interested in 55% equity interest in Shangfangou molybdenum mine. On 16 August 2010, Xinjiang Luomu Mining Co., Ltd.* (新疆洛鉬礦業有限公司) was jointly incorporated by the Company and Henan Yukuang Xinyuan Mining Co., Ltd.* (河南豫礦鑫源礦業有限公司), an institution under the administration of Henan Provincial Bureau of Geo-exploration and Mineral Development. On 12 November 2010, the Company, No.2 Geological Institution of Henan Provincial Bureau of Geo-exploration and Mineral Development and other parties executed a transfer agreement of a molybdenum mine located in East Gobi, Hami, Xinjiang (for details, please refer to the Company's announcement dated 15 November 2010). On 22 November 2010, the Company, Henan Yukuang Xinyuan Mining Co., Ltd.* (河南豫礦鑫源礦業有限公司), State-owned Assets Investment and Operation Company Limited of Hami District (哈密地區國有資產投資經營有限公司) and Xinjiang Luomu Mining Co., Ltd.* jointly entered into a co-operation agreement in relation to the development of the molybdenum mine located in East Gobi, Hami, Xinjiang.

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

Apart from accelerating the Group's business development, we also took further steps to cultivate corporate culture by highlighting practical and innovative management skills which led to more efficient corporate operational procedures.

V. PROSPECT

In 2011, the world's economy is still in recovery. According to the "World Economic Situation and Prospects 2011" released by the United Nations Department of Economic and Social Affairs in its headquarters in New York on 1 December, developing countries will continue to contribute to the global economic recovery in the next two years. China, in particular, is expected to see 8.9% economic growth in 2011 and the world's economy will improve at an average growth rate of 3% within the two years ahead. In spite of the tortuous road ahead to recovery, the global economic outlook is positive. With the inauguration of China's Twelfth Five-year Plan and growing investment in infrastructural construction across all sectors, the domestic market is to be driven and China's share and prominence in the world's economy are to be strengthened. According to an authoritative media report as of late October 2010, the Ministry of Land and Resources was preparing to shortlist molybdenum as one of the minerals subject to protective mining and intended to commence management on the total mining volume from 2011 onwards. For the same period, relevant PRC authorities have been researching on the strategic collection and reservation of ten kinds of metals, including molybdenum. Such shift of policies on molybdenum resources and the industry by the State will strongly favour a stable domestic molybdenum price in 2011 and the years to come. According to the estimate of Roskill from U.K., with the world's economy gradually picking up since 2010, the global production volume of stainless steel is expected to increase by approximately 8% and the annual average growth rate of global molybdenum consumption is expected to reach 4% in the years ahead. In the next 5 years, China will become the fastest-growing country in terms of global molybdenum consumption, posting an average growth rate of 9% per annum. The molybdenum consumption in well-developed economies such as Europe, the United States and Japan will, however, grow at an average growth rate of 2% per annum.

In 2011, further recovery in the global economy and the acceleration of industrialization and urbanization in emerging countries have driven the iron and steel industry to experience a structural upgrade, with stainless steel and special steel gradually taking up a larger share in the market. Together with the growing applications of molybdenum in iron and steel, petrochemicals, new energy and new materials as well as the mining restrictions on molybdenum and other precious metals by countries principally engaged in molybdenum production, the molybdenum market for 2011 looks set to outperform that in 2010.

Year 2011 not only heralds the start of China's Twelfth Five-Year Plan but also the Twelfth Five-Year development plan of the Group. Based on the future economic and market dynamics, we will tenaciously adhere to the development strategies of the Group to make the third leap forward development in history. Particular efforts will be put into the following areas: 1) spare no efforts in the management over the Group's existing business segments, with plans to produce approximately 34,950 tonnes of molybdenum concentrates (containing 47% Mo), approximately 28,900 tonnes of molybdenum oxides (containing 51% Mo), approximately 26,000 tonnes of ferromolybdenum (containing 60% Mo), approximately 9,370 tonnes of tungsten concentrates (containing 65% of WO_3, including approximately 3,200 tonnes from Yulu Company, and 2.05 tonnes of gold. This will enhance management standards and operating efficiency, and thus maintain profitability of the Company's existing business segments; 2) adhere to its strategy of a molybdenum-led development supplemented by tungsten and precious metal business. In respect of its molybdenum business, the Company is to implement technology upgrade and renovation of open-pit mining equipment used in Sandaozhuang Mine. It will also develop Shangfanggou Property in Luanchuan as well as the molybdenum mine located in East Gobi, Hami, Xinjiang through rational planning, and in an orderly manner. Meanwhile, the project relating to an effective, energy-saving and automated production line of ammonium molybdate and research on new technology and new materials of nano molybdenum are also to be completed. As for its tungsten business, the Company is to accelerate the integrated use of clean and energy-efficient resources for its composite mine comprised of tungsten, molybdenum and phosphorous (鎢鉬磷複合礦清潔高效資源綜合利用項目), in a bid to develop tungsten as its principal business and establish an industry chain. For its precious metal business, the Company will step up efforts to explore and develop the gold industries and further integrate gold, silver and other precious metal resources; 3) alter its economic growth pattern by adjusting and optimising industrial institutions, increasing investment in scientific research and development and developing high-precision and hi-tech products and new energy products; 4) actively adjust marketing strategy and enhance market competitiveness to endeavor to capture market shares; 5) step up human resources management, optimise the Company's talent structure, strive to attract and cultivate talents, and strengthen technological innovation, in a bid to lay a solid talent base for future development of the Group; 6) persist on its "go global" strategy. By making the best use of opportunities in the current economic environment, the Company will identify potential targets for merger and acquisition domestically and internationally so as to achieve breakthroughs in overseas resource mergers and acquisitions. It plans to expand its business reach and profitability, with a view to maximising shareholders' value. During the Twelfth Five-Year Plan, the Group aims to seek rational planning and orderly development of the molybdenum mine located in Hami, Xinjiang and Shangfangou molybdenum mine, so as to establish itself as the world's largest molybdenum manufacturer with a 100,000-tonne daily mining and processing capacity. It is to optimize mining proposals so as to enhance the head grade of scheelite in the Sandaozhuang Mine, maintain stead-fast growth in its production of scheelite concentrates and develop it into a mine boasting the world's largest production volume of single scheelite. It also aspires to strengthen its cooperation with Molymet in the development of Luoyang Hi-Tech so as to be one of the world's top three molybdenum and metal product manufactures, and endeavours to leverage on the competitive edges of Luoning Kunyu (洛寧坤宇) in measured resources to expand its gold production, so as to become an emerging gold manufacturer in China. To achieve such ambitious blueprint and facilitate the completion of all key tasks, the Group has formulated plans for an initial public offering and listing of A Shares in the domestic market and relevant preparations are underway. The initial public offering and listing of A Shares will help further promote the Group's Twelfth Five-Year development plan and its development strategy to integrate resources and enhance competitiveness.

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

VII. CORPORATE GOVERNANCE OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the period from 1 January 2010 to 31 December 2010.

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

VIII. THE BOARD

During the year ended 31 December 2010, the Company held seven Board meetings in total for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, remuneration committee and strategic committee. The proposed establishment of a nomination committee of the Board was considered and approved at the extraordinary general meeting held on 26 January 2011 by the Group. The nomination committee comprises six Directors, namely Mr. Duan Yuxian (executive Director), Mr. Li Chaochun (executive Director), Mr. Gao Dezhu (independent non-executive Director), Mr. Zeng Shaojin (independent non-executive Director), Mr. Gu Desheng (independent non-executive Director) and Mr. Ng Ming Wah, Charles (independent non-executive Director), with Mr. Duan Yuxian and Mr. Gao Dezhu serving as the chairman and vice-chairman of the nomination committee, respectively.

AUDIT COMMITTEE

Written terms of reference of the audit committee based primarily on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board.

The audit committee provides an important link between the Board and the Company's auditor in matters falling within the Group's scope of the audit.

The audit committee will review the effectiveness of the external audit and internal controls and evaluate risks to provide comments and advice to the Board. As at the date of this announcement, the audit committee comprises two independent non-executive Directors of the Company, namely Mr. Ng Ming Wah, Charles and Mr. Zeng Shaojin, and one non-executive Director, namely Mr. Zhang Yufeng, with Mr. Ng Ming Wah, Charles as the chairman of the committee. The audit committee has reviewed with the management and external auditors, the audited consolidated results of the Group for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters.

REMUNERATION COMMITTEE

The Company has established a remuneration committee and set out its specific terms of reference. As at the date of this announcement, the remuneration committee comprises three members, namely Mr. Gao Dezhu, Mr. Gu Desheng and Mr. Shu Hedong, with Mr. Gao Dezhu as the chairman of the committee. The majority of committee members of the remuneration committee are independent non-executive Directors.

The roles and functions of the remuneration committee are set out in its terms of reference. Its primary functions include: making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management; establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration; and facilitating the determination of remuneration by reference to the performance of the individual and the Company as well as market practice and conditions.

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

The remuneration committee has formulated, implemented and reviewed the remuneration policy and structure of the Company, evaluated the performance of executive Directors and considered the remuneration packages for the Directors and the senior management and the terms of their service contracts for the year ended 31 December 2010.

STRATEGIC COMMITTEE

The strategic committee is responsible for formulating the overall development plans and investment decision-making procedures of the Group. The strategic committee comprises five executive Directors, namely Mr. Duan Yuxian, Mr. Li Chaochun, Mr. Wu Wenjun, Mr. Li Faben and Mr. Wang Qinxi; two non-executive Directors, namely Mr. Zhang Yufeng and Mr. Shu Hedong; four independent non-executive Directors, namely Mr. Gao Dezhu, Mr. Gu Desheng, Mr. Zeng Shaojin and Mr. Ng Ming Wah, Charles; and Mr. Yang Jianbo, Mr. Wang Bin and Mr. Zhang Bin, with Mr. Duan Yuxian serving as the chairman of the committee.

NOMINATION COMMITTEE

The nomination committee is responsible for advising the Board as to the scale, number of members and composition (in terms of skills, knowledge and experience) of the Board in light of the business activities, size of assets and shareholding structure of the Company, researching on the criteria and procedures for the selection and appointment of Directors, the general manager and other senior management members and making recommendations to the Board. It is also responsible for extensively seeking suitable candidates for Directors and general manager and making recommendations to the Board, advising the current session of the Board as to the candidates for the next session of the Board during elections of members for the next session of the Board, advising the Board as to the appointment of candidates electing for general manager upon expiry of the term of office of the general manager, evaluating the work progress of Directors, the general manager and other senior management members and providing advice or recommendations on the change of Directors, the general manager or other senior management members with reference to the results of evaluation as and when necessary, and assessing the independency of independent non-executive Directors.

IX. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules in respect of dealings in the Company's securities by Directors. Specific enquiry has been made on all Directors and they have confirmed that the Model Code has been complied with throughout the year ended 31 December 2010. The Company has also formulated written guidelines (the "Employees Written Guidelines") equally stringent to the Model Code for securities transactions by employees of the Company who are likely to be in possession of unpublished price or securities sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees has been noted by the Company.

X. ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Friday, 1 April 2011, notice of the annual general meeting will be published and dispatched to shareholders of the Company in accordance with the requirements of the Listing Rules.

XI. FINAL DIVIDEND

Following the passing of resolutions no.1 and no.4 at the extraordinary general meeting held on 26 January 2011, it was proposed by the Board that distributable profits up to and including 31 December 2010 be distributed to shareholders as final dividend, i.e. RMB0.404 per share (tax inclusive). The final dividend for the year ended 31 December 2010 is subject to shareholders' approval in the forthcoming annual general meeting. However, the Directors would not recommend distribution of dividend in such manner for subsequent years. The actual amount of dividend to be distributed for each financial year thereafter shall be subject to the earnings and financial conditions of the Group.

It is expected that the final dividend for the year ended 31 December 2010 will be paid on or around Tuesday, 26 April 2011 to the shareholders whose names appear on the register of members of the Company on Friday, 1 April 2011.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the H Share register of members of the Company on 1 April 2011.

In accordance with the PRC Tax Law, the Company has an obligation to withhold the corporate income tax for payment from the payment of the final dividend to non-resident enterprises whose names appear on the H Share register of members of the Company on 1 April 2011. A resident enterprise (such term shall have the meaning as defined under the PRC Tax Law) whose name appears on the H Share register of members of the Company who does not wish to have the corporate income tax withheld for payment should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that it is a resident enterprise, at or before 4:30 p.m. on Friday, 1 April 2011. The address of Computershare Hong Kong Investor Services Limited is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The Company will withhold for payment the corporate income tax strictly in accordance with the PRC Tax Law and the requirements of the relevant government authorities. The Company shall not be liable for any dispute relating to the withholding of corporate income tax which arises from any failure to lodge the relevant documents within the prescribed timeframe as mentioned above.

XII. CLOSURE OF REGISTER OF MEMBERS OF H SHARES

In order to determine the list of holders of H Shares who are entitled to attend the annual general meeting of the Company and to receive the final dividend for the year ended 31 December 2010, the H Share register of members will be closed from Wednesday, 2 March 2011 to Friday, 1 April 2011, both days inclusive, during which period no transfer of shares will be effected. In order to attend and vote at the annual general meeting and to be qualified for the final dividend, holders of H Shares of the Company whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Tuesday, 1 March 2011. The address of Computershare Hong Kong Investor Services Limited is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

XIII. PUBLICATION OF DETAILS OF FINAL RESULTS FOR THE YEAR

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
26 January 2011

As at the date of this announcement, the Directors of the Company are:

Executive Directors
Mr. Duan Yuxian, Mr. Li Chaochun, Mr. Wu Wenjun, Mr. Li Faben, Mr. Wang Qinxi

Non-executive Directors
Mr. Shu Hedong, Mr. Zhang Yufeng

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

* *For identification purposes only*