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洛陽欒川鉬業集團股份有限公司

China Molybdenum Co., Ltd.*

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

(Stock Code: 03993)

Annual Results Announcement For the Year Ended 31 December 2011

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 2011 together with the comparative figures for 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2	6,001,706	4,396,369
Cost of sales		<u>(4,073,880)</u>	<u>(2,798,971)</u>

		2011	2010
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross profit		1,927,826	1,597,398
Other income and gains	4	66,774	140,655
Selling and distribution expenses		(24,626)	(15,107)
Administrative expenses		(271,830)	(220,657)
Other expenses and losses		(178,768)	(140,717)
Finance costs	5	(95,511)	(41,786)
Share of results of associates		117,933	32,574
Share of results of jointly controlled entities		(8,690)	(6,742)
Profit before taxation		1,533,108	1,345,618
Taxation	6	(372,282)	(343,926)
Profit for the year	7	1,160,826	1,001,692
Other comprehensive income (expenses):			
Exchange differences arising on translation of foreign operations and other comprehensive income (expenses) for the year		1,898	(2,001)
Total comprehensive income for the year		1,162,724	999,691
Profit for the year attributable to:			
Owners of the Company		1,122,840	965,549
Non-controlling interests		37,986	36,143
		1,160,826	1,001,692
Total comprehensive income attributable to:			
Owners of the Company		1,124,738	963,548
Non-controlling interests		37,986	36,143
		1,162,724	999,691
Earnings per share — Basic	9	RMB0.23	RMB0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

		2011	2010
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		4,410,935	4,547,601
Land use rights — non-current portion		670,027	550,408
Mining rights		319,121	347,507
Exploration assets		1,065,053	—
Trademarks		378	635
Interests in associates		156,474	78,541
Interests in jointly controlled entities	10	1,524,963	1,533,653
Investments in debt securities		—	83,072
Available-for-sale investments		2,300	2,300
Deferred tax assets		120,937	125,070
Long term deposits paid		124,271	534,271
		<hr/> 8,394,459	<hr/> 7,803,058
Current assets			
Inventories		1,617,136	1,442,875
Trade and other receivables	11	2,239,140	1,755,892
Amount due from an associate		75,879	47,936
Amounts due from jointly controlled entities		44,706	45,936
Land use rights — current portion		16,531	8,437
Investments in debt securities		87,181	89,793
Held-for-trading investments		61,634	64,099
Restricted bank deposits		80,869	23,947
Bank balances and cash		2,779,197	2,839,449
		<hr/> 7,002,273	<hr/> 6,318,364

	<i>NOTES</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Current liabilities			
Trade and other payables	12	(1,018,774)	(1,101,820)
Short-term financing bonds		(2,054,717)	—
Dividend payables		(40,846)	(103,644)
Tax payable		(30,208)	(62,975)
Bank borrowings — due within one year		(364,275)	(786,650)
		<u>(3,508,820)</u>	<u>(2,055,089)</u>
Net current assets		<u>3,493,453</u>	<u>4,263,275</u>
Total assets less current liabilities		<u>11,887,912</u>	<u>12,066,333</u>
Non-current liabilities			
Bank borrowings — due after one year		—	(10,000)
Provision		(44,746)	(42,615)
Deferred income		(29,591)	(24,879)
Long term payable		(246,000)	—
		<u>(320,337)</u>	<u>(77,494)</u>
		<u>11,567,575</u>	<u>11,988,839</u>
Capital and reserves			
Share capital		975,234	975,234
Reserves		9,723,487	10,568,722
Equity attributable to owners of the Company		10,698,721	11,543,956
Non-controlling interests		868,854	444,883
Total equity		<u>11,567,575</u>	<u>11,988,839</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011.

The adoption of the new and revised IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these 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:

	2011	2010
	<i>RMB’000</i>	<i>RMB’000</i>
Sales of goods		
— ferromolybdenum	3,307,452	2,912,980
— molybdenum concentrate	30,104	204,080
— molybdenum oxide	78,868	358,708
— molybdenum ores	140,480	76,067
— processed molybdenum and tungsten products	156,122	157,460
— tungsten concentrate	626,552	304,668
— gold, silver and related products	638,563	224,552
— electrolytic lead	401,694	—
— sulfuric acid	26,029	8,288
— others	595,842	149,566
	<u>6,001,706</u>	<u>4,396,369</u>

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors that are used to make business 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 operating segments are as follows:

- (a) Molybdenum related products — domestic
- (b) Molybdenum related products — international
- (c) Processed molybdenum and tungsten products — domestic
- (d) Processed molybdenum and tungsten products — international
- (e) Tungsten products
- (f) Gold, silver and related products
- (g) Electrolytic lead

Electrolytic lead segment is a new reportable segment of the Group for the year ended 31 December 2011.

In addition, other unreportable segments (sulfuric acid, copper, lead 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 2011

	Molybdenum		Processed molybdenum		Tungsten	Gold, silver and		Reportable segment	Others	Eliminations	Consolidated
	related products	International	Domestic	International		related	Electrolytic				
	Domestic	International	Domestic	International	products	products	lead				
	RMB'000	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	3,367,349	49,076	144,946	16,782	626,552	638,563	401,694	5,244,962	756,744	—	6,001,706
Intersegment sales	111,888	—	51,839	—	—	—	—	163,727	—	(163,727)	—
Total	3,479,237	49,076	196,785	16,782	626,552	638,563	401,694	5,408,609	756,744	(163,727)	6,001,706
Segment results	1,258,790	2,236	9,155	471	466,046	186,459	(31,711)	1,891,446	36,380	—	1,927,826
Other income											66,774
Unallocated expenses											(570,735)
Share of results of associates											117,933
Share of results of jointly controlled entities											(8,690)
Profit before taxation											1,533,108
Other segment information included in segment results:											
Allowance for inventories	10,972	—	—	—	—	—	—	15,823	—	—	26,795
Depreciation and amortisation	278,401	—	24,473	—	19,047	44,342	23,857	390,120	32,057	—	422,177
Unallocated amounts											8,089
											430,266

For the year ended 31 December 2010

	Molybdenum		Processed molybdenum		Tungsten products	Gold, silver and related		Electrolytic lead	Reportable		Others	Eliminations	Consolidated						
	related products		and tungsten products			segment total	segment		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			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:																			
Reversal of allowance for inventories	(10,305)	—	—	—	—	—	—	(10,305)	—	—	—	—	(10,305)						
Depreciation and amortisation	221,864	—	17,512	—	15,104	5,923	—	260,403	19,079	—	—	—	279,482						
Unallocated amounts													31,104						
													310,586						

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

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Customer A ¹	<u>620,750</u>	<u>N/A</u> ²

¹ Revenue from Molybdenum related products.

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

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:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
PRC	5,932,510	4,007,330
Overseas		
United Kingdom	37,823	152,595
Germany	11,424	53,839
Luxemburg	2,995	44,178
United States	2,341	40,348
Austria	—	26,648
Sweden	—	16,894
Switzerland	—	17,514
Estonia	—	16,410
Others	14,613	20,613
Subtotal	<u>69,196</u>	<u>389,039</u>
	<u>6,001,706</u>	<u>4,396,369</u>

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

4. OTHER INCOME AND GAINS

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on		
— bank deposits	31,961	51,691
— investments in debt securities	13,277	59,413
— debentures classified as held-for-trading investments	4,521	4,728
— loan receivables	—	753
	<hr/>	<hr/>
Total interest income	49,759	116,585
Release of deferred income	5,317	2,468
Gain on disposal of a subsidiary	—	8,010
Gain on disposal of land use rights	1,268	—
Government grants recognised (<i>Note</i>)	2,629	5,511
Others	7,801	8,081
	<hr/>	<hr/>
	<u>66,774</u>	<u>140,655</u>

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

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Interests on bank borrowings		
wholly repayable within five years	31,073	17,703
Interest on short-term financing bonds	54,717	—
Interests on bills discounted with recourse	—	31,142
Other interest expenses		
— unwinding discounts on provision	2,131	2,029
Other financing charges	7,590	—
Less: Amount included in the cost of qualifying assets	—	(9,088)
	<u>95,511</u>	<u>41,786</u>

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, to expenditure on such assets for the year. No borrowing costs are included in the cost of qualifying assets on the general borrowing pool is noted for the year 2011.

6. TAXATION

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
The charge comprises PRC Enterprise Income Tax:		
Current taxation		
— current year	363,524	285,274
— underprovision in prior year	4,625	6,588
	368,149	291,862
Deferred taxation charge		
— current year	4,133	52,064
	372,282	343,926

The Group was subject to PRC Enterprise Income Tax levied at a rate of 25% (2010: 25%) on its taxable income determined in accordance with the relevant laws and regulations in the PRC.

7. PROFIT FOR THE YEAR

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	383,361	271,633
Amortisation of land use rights	13,896	9,096
Amortisation of mining rights (included in cost of sales)	32,716	29,759
Amortisation of trademarks (included in cost of sales)	293	98
Loss on disposal of property, plant and equipment	15,095	186
Impairment loss of goodwill	—	3,934
Net loss on fair value change of financial assets classified as held-for-trading	2,407	4,561

8. DIVIDENDS

Dividends recognised as distribution during the year:

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Final dividend paid — for the year 2010 of RMB0.404 per share (2010: for the year 2009 of RMB0.08 per share)	<u>1,969,973</u>	<u>390,094</u>

During the year ended 31 December 2011, dividend of RMB0.404 per share totalling RMB1,969,973,000 were paid to shareholders as the final dividend for 2010.

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

The Directors do not recommend the payment of a dividend for the year ended 31 December 2011.

9. EARNINGS PER SHARE

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

	2011	2010
Profit for the year attributable to owners of the Company and earnings for the purpose of basic earnings per share (<i>RMB'000</i>)	<u>1,122,840</u>	<u>965,549</u>
Number of shares for the purpose of basic earnings per share	<u>4,876,170,525</u>	<u>4,876,170,525</u>

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

10. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Cost of unlisted investments in jointly controlled entities	1,540,395	1,540,395
Share of post-acquisition losses	<u>(15,432)</u>	<u>(6,742)</u>
	<u>1,524,963</u>	<u>1,533,653</u>

As at 31 December 2011, the Group had interests in the following significant jointly controlled entities:

Name of company	Date of establishment	Place of establishment and operation	Registered capital	Equity interest attributable to the Group		Principal activity
				2011	2010	
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%	50%	Investment holding
Luoyang High-Tech Metals Co., Ltd. (洛陽高科鉬鎢材料有限公司) ("Luoyang High-Tech") (Note 1)	14 January 2005	PRC	RMB530,000,000	50%	50%	Manufacturing of molybdenum powder, tungsten powder and related products
Luoyan Fuchuan Mining Co., Ltd. (洛陽富川礦業有限公司) ("Luoyang Fuchuan") (Note 2)	29 September 2003	PRC	RMB50,000,000	55%	55%	Holding of mining right and related assets and manufacturing of molybdenum powder, tungsten powder and related products

Notes:

- (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 2010. 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 2010. 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 acquisitions, the Group’s attributable interest in Louyang Fuchuan is 55%.

11. TRADE AND OTHER RECEIVABLES

	2011	2010
	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables (net of allowances)	702,267	535,823
Bills receivable	984,534	851,479
	1,686,801	1,387,302
Advances to suppliers	356,449	123,507
Other tax recoverable	145,745	125,827
Other receivables and prepayments	50,145	119,256
	<u>2,239,140</u>	<u>1,755,892</u>
Breakdown of advances to suppliers		
Third parties	263,537	45,842
Advance to a jointly controlled entity	92,912	77,665
	<u>356,449</u>	<u>123,507</u>

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

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	1,695,675	1,397,489
Less: Allowance for doubtful debts	(8,874)	(10,187)
	<u>1,686,801</u>	<u>1,387,302</u>

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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
0-90 days	1,042,997	984,077
91-180 days	594,012	383,391
181-365 days	48,230	18,878
1-2 years	1,562	956
	<u>1,686,801</u>	<u>1,387,302</u>

12. TRADE AND OTHER PAYABLES

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Trade payables (<i>Note a</i>)	445,063	414,760
Bills payable (<i>Note a</i>)	73,817	100,000
	<u>518,880</u>	<u>514,760</u>
Other payables and accruals (<i>Note b</i>)	499,894	587,060
	<u>1,018,774</u>	<u>1,101,820</u>
Breakdown of trade payables		
Third parties	439,167	414,667
Trade payable due to a jointly controlled entity	5,896	93
	<u>445,063</u>	<u>414,760</u>

Notes:

(a) Trade and bills payables

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
0-90 days	362,235	371,607
91-180 days	139,816	129,396
181-365 days	11,440	8,012
1-2 years	4,298	2,270
Over 2 years	1,091	3,475
	<u>518,880</u>	<u>514,760</u>

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

(b) **Other payables and accruals**

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from customers	96,939	50,078
Accrued wages	83,062	75,036
Payables in respect of purchase of property, plant and equipment and construction materials	149,192	310,624
Resources compensation fees payable	23,202	24,262
Other tax payables	13,572	28,452
Others	133,927	98,608
	499,894	587,060

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 2011, profit before taxation was RMB1,533.1 million, representing an increase of RMB187.5 million or 13.9% from RMB1,345.6 million for the year ended 31 December 2010. For the year ended 31 December 2011, total comprehensive income attributable to the owners of the Group was RMB1,124.7 million, representing an increase of RMB161.2 million or 16.7% from RMB963.5 million for the year ended 31 December 2010.

The comparative analysis for the year ended 31 December 2011 and the year ended 31 December 2010 is as follows:

OPERATING RESULTS

For the year ended 31 December 2011, the Group recorded a turnover of RMB6,001.7 million, representing an increase of RMB1,605.3 million or 36.5% from RMB4,396.4 million for the year ended 31 December 2010. For the year ended 31 December 2011, the Group achieved a gross profit of RMB1,927.8 million, representing an increase of RMB330.4 million or 20.7% from RMB1,597.4 million for the year ended 31 December 2010. The increase in gross profit for the period was mainly attributable to a surge in the selling price of tungsten products during the period as compared with the previous year, coupled with an increase of 25.6% in the sales volume thereof as compared with the previous year, leading to an increase of RMB283.9 million in gross profit.

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

The table below sets out the turnover, cost of sales, gross profit and gross profit margin of our products in 2011 and 2010:

Product Name	For the year ended 31 December							
	2011				2010			
	Turnover	Cost of sales	Gross profit (loss)	Gross profit margin	Turnover	Cost of sales	Gross profit (loss)	Gross profit margin
(RMB million)	(RMB million)	(RMB million)	(%)	(RMB million)	(RMB million)	(RMB million)	(%)	
Domestic market								
— Molybdenum additive								
materials	3,367.3	2,108.5	1,258.8	37.4%	3,119.4	1,920.7	1,198.7	38.4%
— Tungsten concentrate								
(containing 65% WO ₃)	626.6	160.6	466.0	74.4%	304.7	122.6	182.1	59.8%
— Processed tungsten &								
molybdenum products	144.9	135.7	9.2	6.3%	124.8	118.7	6.1	4.9%
— Gold and silver and								
relevant products	638.6	452.1	186.5	29.2%	224.6	165.7	58.9	26.2%
— Electrolytic lead	401.7	433.4	(31.7)	(7.9%)	—	—	—	—
— Sulfuric acid								
(92.5% concentration)	26.0	36.2	(10.2)	(39.2%)	8.3	22.5	(14.2)	(171.0%)
— Others	730.7	684.2	46.5	6.4%	225.6	211.2	14.4	6.4%
Sub-total	<u>5,935.8</u>	<u>4,010.7</u>	<u>1,925.1</u>	<u>32.4%</u>	<u>4,007.4</u>	<u>2,561.4</u>	<u>1,446.0</u>	<u>36.1%</u>
International market								
— Molybdenum additive								
materials	49.1	46.9	2.2	4.5%	356.4	206.6	149.8	42.0%
— Processed tungsten &								
molybdenum products	16.8	16.3	0.5	3.0%	32.6	31.0	1.6	4.9%
Sub-total	<u>65.9</u>	<u>63.2</u>	<u>2.7</u>	<u>4.1%</u>	<u>389.0</u>	<u>237.6</u>	<u>151.4</u>	<u>38.9%</u>
Total	<u><u>6,001.7</u></u>	<u><u>4,073.9</u></u>	<u><u>1,927.8</u></u>	<u><u>32.1%</u></u>	<u><u>4,396.4</u></u>	<u><u>2,799.0</u></u>	<u><u>1,597.4</u></u>	<u><u>36.3%</u></u>

Turnover increased by RMB1,605.3 million or 36.5% to RMB6,001.7 million in 2011 from RMB4,396.4 million in 2010, mainly attributable to: 1) an increase in the turnover of molybdenum products and tungsten concentrate as compared with that of 2010, respectively following the surge in the sales volume and the prices of molybdenum products and tungsten concentrate, respectively in 2011; 2) an increase in turnover following the additional contribution of products such as electrolytic lead, anode slime and raw lead to sales in 2011; 3) an increase in the sales from trade in 2011 as compared with that of 2010; and 4) a decrease in sales from the international market in 2011 as compared that of 2010 under the influence of international market price.

For the year ended 31 December 2011, the operating cost (exclusive of the cost of sales after tax in the sales item) of the Group was RMB4,073.9 million, representing an increase of RMB1,274.9 million or 45.5% from RMB2,799.0 million for the same period in 2010. The main reasons for the increase in the operating cost are as follows: 1) an increase in the cost of sales of molybdenum products and tungsten concentrate as compared with that of 2010, respectively following the growth in the sales volume of molybdenum products and tungsten concentrate in 2011 as compared with 2010; 2) an increase in the cost of sales following the additional contribution of products such as electrolytic lead, anode slime and raw lead to sales in 2011; and 3) the increase in costs due to the increase in sales from trade in 2011.

For the year ended 31 December 2011, the average gross profit margin of the Group was 32.1%, representing a decrease of 4 percentage points as compared with 36.3% for the same period in 2010. The main reasons for the decrease in the average gross profit margin are as follows: 1) a decrease in the average gross profit margin for the year as compared with that of 2010, which was due to an increase in the cost of sales of ferromolybdenum as compared with last year given an increase in purchase of molybdenum concentrate, being raw materials for production of ferromolybdenum, from external sources in 2011; 2) a decrease in the average gross profit margin for the year as compared with that of last year, which was due to RMB31.7 million of gross loss from additional sales of electrolytic lead in 2011 following a decrease in market price; and 3) an increase in the average gross profit margin for the year as compared with that of 2010, which was due to an increase in the gross profit margin of tungsten concentrate, gold and silver in 2011 as compared with that of 2010, given an increase of market price.

OTHER INCOME AND GAINS

For the year ended 31 December 2011, other income of the Group amounted to RMB66.8 million, representing a decrease of RMB73.9 million or 52.5% from RMB140.7 million for the same period last year. Such decrease was mainly due to a decrease of RMB19.7 million and RMB48.5 million in interest income from deposit and income from investment in debt securities for the year, respectively, as compared with that for last year.

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2011, the selling and distribution expenses of the Group amounted to RMB24.6 million, representing an increase of RMB9.5 million or 62.9% from RMB15.1 million as compared with the same period in 2010. Such increase was mainly attributable to the increase in the sales volume of the relevant products.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2011, the administrative expenses of the Group was RMB271.8 million, representing an increase of RMB51.1 million or 23.2% from RMB220.7 million for the same period in 2010. Such increase in administrative expenses was mainly attributable to an increase of RMB23.8 million in all kinds of additional salary and social insurance as compared with last year following an increase of RMB23.9 million in salary as part of administrative expenses as compared with last year as a result of an increase in salary and wages of the Group for the year as compared with last year.

OTHER EXPENSES AND LOSSES

For the year ended 31 December 2011, other expenses of the Group amounted to RMB178.8 million, representing an increase of RMB38.1 million or 27.1% from RMB140.7 million for the same period in 2010. Such increase in other expenses and losses was mainly attributable to 1) a year-on-year increase of RMB37.4 million in expenses for technological research and development of new techniques of mining, processing, smelting and deep processing; and 2) the net losses arising from the disposal of non-functional fixed assets during the period.

FINANCE COSTS

For the year ended 31 December 2011, the finance costs of the Group amounted to RMB95.5 million, representing an increase of RMB53.7 million or 128.5% from RMB41.8 million for the same period in 2010. Such increase was mainly attributable to an increase in finance costs as a result of a net increase of RMB1,567.6 million borrowings of the Group in 2011.

SHARE OF RESULTS OF ASSOCIATES

For the year ended 31 December 2011, the results of associated companies attributable to the Group amounted to RMB117.9 million, representing an increase of RMB85.3 million or 261.7% over RMB32.6 million for the same period in 2010. Such increase was mainly attributable to the increase in results of associated companies for the year as compared with that for the same period in 2010.

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

For the year ended 31 December 2011, the results of jointly controlled entities attributable to the Group amounted to RMB-8.7 million, representing a decrease of RMB2 million or 29.9% from RMB-6.7 million for the same period in 2010. This was mainly attributable to the operating loss incurred by a jointly controlled entity during the period.

INCOME TAX EXPENSE

For the year ended 31 December 2011, the income tax expense of the Group amounted to RMB372.3 million, representing an increase of RMB28.4 million or 8.3% from RMB343.9 million for the same period in 2010. Such increase was mainly attributable to the increase in profits during the period.

NON-CONTROLLING INTERESTS

For the year ended 31 December 2011, the non-controlling interests of the Group amounted to RMB38.0 million, representing an increase of RMB1.9 million or 5.3% from RMB36.1 million for the same period last year. Such increase was mainly attributable to the increase in profits from four holding subsidiaries of the Group.

PROFIT OR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2011, the total comprehensive income attributable to owners of the Company amounted to RMB1,124.7 million, representing an increase of RMB161.2 million or 16.7% from RMB963.5 million for the year ended 31 December 2010. This was mainly due to the increase in profit for the year ended 31 December 2011.

FINANCIAL POSITION

For the year ended 31 December 2011, the total assets of the Group amounted to approximately RMB15,396.7 million, comprising non-current assets of approximately RMB8,394.5 million and current assets of approximately RMB7,002.2 million. Equity attributable to owners of the Company for the year ended 31 December 2011 decreased by RMB845.3 million or 7.3% to RMB10,698.7 million from RMB11,544.0 million for the year ended 31 December 2010. Such decrease was mainly due to the distribution of profit for 2010 and previous years during the period.

CURRENT ASSETS

For the year ended 31 December 2011, current assets increased by RMB683.8 million or 10.8% to RMB7,002.2 million from RMB6,318.4 million for the year ended 31 December 2010. Such increase was mainly attributable to the increase in sales for the year and the increase in trade receivables and inventories following the commencement of production of electrolytic lead projects.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the year ended 31 December 2011, property, plant and equipment decreased by RMB136.7 million or 3.0% to RMB4,410.9 million from RMB4,547.6 million for the year ended 31 December 2010, mainly attributable to provisions made for asset depreciation.

DEBT TO TOTAL ASSETS RATIO

The debt to total assets ratio of the Group rose from 15.1% as of 31 December 2010 to 24.9% as of 31 December 2011. Such increase in debt to total assets ratio was mainly attributable to RMB1,563 million additional borrowings of the Group in 2011.

CASH FLOW

For the year ended 31 December 2011, the Group had cash and cash equivalents of RMB2,779.2 million, representing a decrease of RMB60.2 million or 2.1% from RMB2,839.4 million for the year ended 31 December 2010.

For the year ended 31 December 2011, net cash inflow generated from operating activities was RMB975.4 million; net cash outflow generated from investment activities was RMB527.9 million; net cash outflow generated from financing activities was RMB507.8 million.

During the period, there was a modest increase in the market price 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 2011, the Group implemented strict internal management and energy saving measures, thus maintaining sound operation status and healthy financial position. As at the end of 2011, the Company had sufficient capital which enabled it to operate in a virtuous circle or satisfy the liquidity requirement for coping with the variations in the production capacity. 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 will 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 PRICE FLUCTUATIONS 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 fluctuation risk 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 fluctuations 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 benchmark interest 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 2011, the Group had approximately 8,094 full time employees, classified as follows by function and department:

Department	Employees	Proportion
Management & administration	1,057	13%
Quality control, research and development	563	7%
Production	5,629	70%
Repair and maintenance, safety inspection and environmental protection	845	10%
Total	<u>8,094</u>	<u>100%</u>

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 policies 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 2011, the Company applied an aggregate of approximately RMB7,694 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 RMB1,481 million for the acquisition of Shangfanggou Mine;
- approximately RMB560 million for acquiring Luoning Gold Mine (洛寧金礦) and mining projects;
- approximately RMB431 million for acquiring mining rights and preliminary exploitation projects in Hami, Xinjiang;
- approximately RMB338 million for an increase of processing capacity of 5,000 tonnes per day for Mining Branch No. 3 (選三公司);
- approximately RMB338 million for technological improvement at Luoyang High-Tech;
- approximately RMB744 million for the construction of a 40,000-tonne molybdenum smelting project;
- approximately RMB105 million for the extension construction of tailing storage;
- approximately RMB150 million for financing the plants selection for mines, technological improvement and research and development for the purpose of mining;
- approximately RMB223 million for the construction of a 3,000-tonne and 6,000-tonne scheelite recovery plants;
- approximately RMB16 million for the expansion of the scheelite recovery projects;
- approximately RMB58 million for the technological improvement of Luoyang High-Tech;

- approximately RMB1,050 million for the construction of the smelting plant of Yongning Gold & Lead;
- approximately RMB85 million for the research and trial run of ammonium paratungstate projects; and
- approximately RMB147 million for the construction of Tungsten and Molybdenum High-tech Industrial Park (鎢鉬高新技術工業園).

III. MARKET REVIEW

Following the global financial crisis that took place between September and October of 2008, the molybdenum market slumped into a trough. Even though the market has almost bottomed out of the recession upon slow adjustments made in 2009, its recovery was relatively slow. Since the beginning of 2012, the instability in the world's economy and the impact of the European debt crisis, coupled with other problems in the molybdenum market have subjected the molybdenum industry to greater uncertainty.

The price of molybdenum products in the first half of 2011 remained largely as it was in 2010 by fluctuating within a narrow range at the lower end, with a further slump in the second half of the year to a new low as compared with that in 2010. This reflected the weakened demand and confidence in the market throughout the year. The domestic molybdenum market price was basically in line with the international price. In the first half of 2011, the average price of domestic molybdenum concentrates was approximately RMB2,130/metric tonne unit, which bottomed at approximately between RMB2,020/metric tonne unit and RMB2,050/metric tonne unit at the beginning of the year and the end of June, respectively. In the second half of 2011, the average price of domestic molybdenum concentrates was approximately RMB1,940/metric tonne unit, with a trough at RMB1,750/metric tonne unit. In spite of a few moderate rebounds and temporary steady momentums, the market declined over the first half of the year as a whole.

IV. BUSINESS REVIEW

During the year 2011, 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. The Group achieved a steady increase in the production volume of molybdenum and tungsten products. In 2011, 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 approximately 33,005 tonnes, 36,935 tonnes, 29,512 tonnes and 11,670 tonnes, respectively, representing an increase of 3.5%, 8.5%, 11% and 40% over 2010, respectively.

Statistics from China Non-ferrous Metals Industry Association showed that the production volume of molybdenum concentrates in China (including 47% Mo) in 2011 was 184,882 tonnes. The Group’s production volume of molybdenum concentrates accounted for approximately 17.9% of the total amount produced in China in 2011. According to an international research institution, the world’s molybdenum production volume was estimated to be approximately 520 million pounds for the year 2011, of which approximately 34.20 million pounds were produced by the Group, representing approximately 6.6% 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 Autogenous Roasting of Molybdenum Concentrates” (鉬精礦自熱式焙燒關鍵技術研究) earned us the award of “Eleventh Five-year” Significant Science and Technology Innovation Results of the Non-ferrous Metal Industry in Henan Province (河南省有色金屬工業「十一五」重大科技創新成果獎). We were also awarded the first prize in technology development of the gold industry in Henan Province for “Exploitation and Application of Ores in Corners and Low-grade Ores in Shanggong Gold Mine” (邊角礦、低品位礦在上宮金礦的探礦和利用) and “Improving the Operation Efficiency and Safety Performance Through Integration of Power Grids of Mines” (整合礦山電網提高運行效率和安全性). In addition, the Company, upon passing the inspection on national high-technology enterprises, was titled by the Ministry of Land Resources and the Ministry of Finance as the pilot base for the integrated use of tungsten, molybdenum and iron resources in Luanchuan, Henan (河南欒川鎢鉬鐵資源綜合利用示範基地) and became one of the 40 national pilot bases. During the year, we applied for 37 invention patents and utility model patents.

The Group has proactively promoted standardized operations and significantly lifted corporate management standards. In 2011, the Group pressed ahead with the construction of the information engineering project. In particular, the capital management system has been on the mend after one year’s operation, the material control system has commenced full operation across 13 branches and subsidiaries, and the office automation system is currently under trial run. As such, the integrated information management system over logistics, capital flows as well as production management has gradually come into being, which put the Group in a stronger position to cope with the complicated economic situation.

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

According to the “World Economic Situation and Prospects 2012” released by the United Nations Department of Economic and Social Affairs in its headquarters in New York on 1 December 2011, the world’s economy will continue to experience a slowdown in the next two years with the possibility of a renewed recession, which is due to the sluggish economic growth of developed countries, the sovereign debt crisis in the euro zone, the fiscal austerity measures as well as the lack of coordinated policy action among countries. In respect of the global demand for iron and steel, notwithstanding a slow recovery in the demand from developed countries, the demand for iron and steel from most emerging economies and developing countries will see robust growth. According to the estimate of Metal Bulletin from U.K., with increasing global demand for iron and steel in 2012, the global production volume of stainless steel is expected to increase by approximately 3.7% and the annual growth rate of global molybdenum consumption is expected to reach 8% in 2012. In respect of global molybdenum consumption, China will remain as the largest consumer in view of the remarkable increase in the demand for molybdenum in the next few years, when certain steel manufacturers upgrade their industrial structures and shift the focus from ordinary steel production to special steel production. As such, the growth rate of molybdenum consumption is expected to reach 11.4% in 2012.

In 2012, 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. In addition, the applications of molybdenum in iron and steel, petrochemicals, catalysts, new energy and new materials were further broadened. Owing to the fact that the current price of molybdenum is lower than production cost of certain domestic suppliers, their suspension and reduction in production and reluctance to sell would help the price of molybdenum rise steadily. Taking into account the mining restrictions on molybdenum and other precious metals by countries principally engaged in molybdenum production, we are cautiously optimistic on the outlook for the molybdenum market in 2012. Meanwhile, compared with other molybdenum enterprises, our unique scheelite recovery business, precious metal business and principal molybdenum business may mutually reinforce each other, thus able to hedge against various potential market risks.

In 2012, 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 29,750 tonnes of molybdenum concentrates (containing 47% Mo), approximately 29,000 tonnes of molybdenum oxides (containing 51% Mo), approximately 25,200 tonnes of ferromolybdenum (containing 60% Mo), 11,700 tonnes of tungsten concentrates (containing 65% WO₃), including approximately 4,400 tonnes from Yulu Company and 1.6 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 develop the molybdenum mine located in East Gobi, Hami, Xinjiang through rational planning and in an orderly manner. It will also implement projects such as optimization of mining technology at Sandaozhuang Mine by taking advantage of the pilot base of the integrated use of tungsten, molybdenum and iron resources in Luanchuan, Henan. Meanwhile, the project relating to an effective, energy-saving and automated production line of ammonium molybdate is scheduled for completion. As for its tungsten business, the Company is to further facilitate 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) and implement the projects in relation to ammonium paratungstate and cemented carbides, and establish an industry chain of tungsten. For its precious metal business, the Company will step up efforts in the expansion project of Luoning Gold Mine (洛寧金礦) 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 focusing on the key technology research and development programs; 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; and 6) persist on its "go global" strategy. By making the best use of opportunities in the current economic environment, the Company will endeavor to identify potential targets for mergers and acquisitions domestically and internationally so as to expand its business, improve its profitability and maximise shareholders' value. To achieve such ambitious blueprint and facilitate the completion of all key tasks, the Group is pushing forward its initial public offering and listing of A Shares in the domestic market. 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 2011, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

VII. CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the period from 1 January 2011 to 31 December 2011.

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

VIII. THE BOARD

During the year ended 31 December 2011, the Company held nine 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 four standing committees. Except for the audit committee, the remuneration committee and the 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 2011, 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 (independent non-executive Director), Mr. Gu Desheng (independent non-executive Director) and Mr. Shu Hedong (non-executive Director), 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 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. 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 2011.

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 2011. The Company has also formulated written guidelines (the “**Employees Written Guidelines**”) on terms no less exacting than 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 (“AGM”) AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Company will arrange the time of convening the forthcoming annual general meeting as soon as possible, and the 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 and the articles of association of the Company. Once the date of the AGM is finalized, the Company will issue a separate announcement and publish in the notice of AGM the period of closure of register of members of H shares.

XI. FINAL DIVIDEND

References are made to (i) the announcements of the Company dated 10 January 2012, 22 November 2011, 7 May 2011, 18 March 2011, 26 January 2011 and 10 December 2010; and (ii) the circulars of the Company dated 25 November 2011, 22 March 2011 and 6 January 2011, in relation to, among other things, the proposed A share issue (“**A Share Issue**”). Following the passing of resolutions no. 1 and no. 4 at the extraordinary general meeting of the Company held on 26 January 2011 and resolution no. 1 at the extraordinary general meeting of the Company held on 10 January 2012, the balance of accumulated undistributed profits after any distribution up to and including 31 December 2010, and the distributable profits accrued from 1 January 2011 to the day immediately prior to the completion of the A Share Issue shall be shared by all new and existing shareholders of the Company after the A Share Issue in proportion to their respective shareholdings. At present, the A Share Issue is under progress, the Board does not propose to declare a dividend for the year ended 31 December 2011.

XII. 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
13 February 2012

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*