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洛陽欒川鉬業集團股份有限公司

China Molybdenum Co., Ltd.*

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

(Stock Code: 03993)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

FINANCIAL HIGHLIGHTS

The board of directors (the “**Board**”) of China Molybdenum Co., Ltd.* (the “**Company**”) hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2012, which have been prepared under International Accounting Standards (“**IAS**”).

The condensed consolidated financial statements for the six months ended 30 June 2012 prepared in accordance with IAS 34 “Interim Financial Reporting” have been reviewed in accordance with applicable Hong Kong Standard on Review Engagements. In the preparation of application for the proposed A share issue, the directors of the Company (the “**Directors**”) also prepared consolidated financial statements of the Company for the six months ended 30 June 2012 in accordance with the People's Republic of China (the “**PRC**”) Accounting Standards for Business Enterprises which have been audited in accordance with China Standards on Auditing.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	2,992,474	3,141,723
Cost of sales		<u>(2,098,245)</u>	<u>(2,135,067)</u>
Gross profit		894,229	1,006,656
Other income	4	53,885	29,415
Other gains and losses	5	(213)	(1,459)
Selling and distribution expenses		(12,411)	(12,063)
Administrative expenses		(193,170)	(208,314)
Other expenses	6	(1,697)	(2,119)
Finance costs	7	(49,569)	(36,471)
Share of results of associates		74,691	41,551
Share of results of jointly controlled entities		<u>(7,919)</u>	<u>(995)</u>
Profit before taxation		757,826	816,201
Taxation	8	<u>(23,106)</u>	<u>(195,032)</u>
Profit for the period	9	<u>734,720</u>	<u>621,169</u>
Other comprehensive expense			
Exchange differences arising on translation of foreign operations		<u>(281)</u>	<u>(659)</u>
Total comprehensive income for the period		<u><u>734,439</u></u>	<u><u>620,510</u></u>

Profit for the period attributable to:			
Owners of the Company		739,549	586,052
Non-controlling interests		(4,829)	35,117
		<u>734,720</u>	<u>621,169</u>
Total comprehensive income attributable to:			
Owners of the Company		739,268	585,393
Non-controlling interests		(4,829)	35,117
		<u>734,439</u>	<u>620,510</u>
Earnings per share - Basic	11	<u>RMB0.152</u>	<u>RMB0.120</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

		30.6.2012	31.12.2011
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		4,417,543	4,410,935
Land use rights - non-current portion		678,267	670,027
Mining rights		322,614	319,121
Exploration assets		1,065,053	1,065,053
Trademarks		261	378
Interests in associates		111,165	156,474
Interests in jointly controlled entities	12	1,517,044	1,524,963
Available-for-sale investments		2,200	2,300
Deferred tax assets		78,897	120,937
Long term deposits paid		124,271	124,271
		8,317,315	8,394,459
Current assets			
Inventories		1,552,692	1,617,136
Trade and other receivables	13	2,241,051	2,239,140
Tax recoverable		121,487	—
Amounts due from an associate		44,981	75,879
Amounts due from jointly controlled entities		17,200	44,706
Land use rights - current portion		9,170	16,531
Investments in debt securities		32,673	87,181
Held-for-trading investments		60,860	61,634
Restricted bank deposits		45,300	80,869
Bank balances and cash		1,462,863	2,779,197
		5,588,277	7,002,273

		30.6.2012	31.12.2011
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
Current liabilities			
Trade and other payables	14	(1,094,164)	(1,018,774)
Short-term financing bonds		—	(2,054,717)
Dividend payables		(30,846)	(40,846)
Tax payable		—	(30,208)
Bank borrowings - due within one year		(400,600)	(364,275)
		(1,525,610)	(3,508,820)
Net current assets		4,062,667	3,493,453
Total assets less current liabilities		12,379,982	11,887,912
Non-current liabilities			
Provision		(45,864)	(44,746)
Deferred income		(37,170)	(29,591)
Long term payable		—	(246,000)
		(83,034)	(320,337)
		12,296,948	11,567,575
Capital and reserves			
Share capital		975,234	975,234
Reserves		10,462,755	9,723,487
Equity attributable to owners of the Company		11,437,989	10,698,721
Non-controlling interests		858,959	868,854
Total equity		12,296,948	11,567,575

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and with IAS 34.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“**IFRSs**”):

Amendments to IFRS 7	Disclosures - Transfers of financial assets
Amendments to IAS 12	Deferred tax: Recovery of underlying assets

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

Amendments to IFRSs	Annual improvements to IFRSs 2009-2011 cycle ¹
Amendments to IFRS 7	Disclosures - Offsetting financial assets and financial liabilities ¹
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
IFRS 9	Financial instruments ²
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures ²
IFRS 10	Consolidated financial statements ¹
IFRS 11	Joint arrangements ¹
IFRS 12	Disclosure of interests in other entities ¹
IFRS 13	Fair value measurement ¹
Amendments to IAS 1	Presentation of items of other comprehensive income ³
IAS 19 (Revised 2011)	Employee benefits ¹
IAS 27 (Revised 2011)	Separate financial statements ¹
IAS 28 (Revised 2011)	Investments in associates and joint ventures ¹
Amendments to IAS 32	Offsetting financial assets and financial liabilities ⁴
IFRIC 20	Stripping costs in the production phase of a surface mine ¹

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

² Effective for annual periods beginning on or after 1 January 2015.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2014.

The Directors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

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 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 related products
- (f) Gold, silver and related products
- (g) Electrolytic lead

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

The following is an analysis of the Group's revenue and results by operating segments for the periods ended 30 June 2012 and 2011.

For the six months ended 30 June 2012

	Molybdenum related products		Processed molybdenum and tungsten products		Tungsten related products	Gold, silver and related products	Electrolytic lead	Reportable segment total	Others	Eliminations	Consolidated
	Domestic	International	Domestic	International							
	RMB'000	RMB'000	RMB'000	RMB'000							
SEGMENT REVENUE											
Sales to external customers	1,450,196	21,728	73,782	6,015	515,755	404,501	299,259	2,771,236	221,238	—	2,992,474
Intersegment sales	35,006	—	6,052	—	—	—	—	41,058	—	(41,058)	—
Total	1,485,202	21,728	79,834	6,015	515,755	404,501	299,259	2,812,294	221,238	(41,058)	2,992,474
Segment result	402,570	3,355	3,112	86	393,858	89,616	(19,265)	873,332	20,897	—	894,229
Other income											53,885
Unallocated expenses											(257,060)
Share of results of associates											74,691
Share of results of jointly controlled entities											(7,919)
Profit before taxation											757,826

For the six months ended 30 June 2011

	Molybdenum		Processed molybdenum and tungsten products		Tungsten related products	Gold, silver and related products	Electrolytic lead	Reportable segment total	Others	Eliminations	Consolidated
	related products										
	Domestic	International	Domestic	International							
	RMB'000	RMB'000	RMB'000	RMB'000							
SEGMENT REVENUE											
Sales to external customers	1,840,313	47,391	94,239	5,386	246,057	349,096	192,430	2,774,912	366,811	—	3,141,723
Intersegment sales	<u>58,659</u>	<u>—</u>	<u>8,119</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>66,778</u>	<u>—</u>	<u>(66,778)</u>	<u>—</u>
Total	<u>1,898,972</u>	<u>47,391</u>	<u>102,358</u>	<u>5,386</u>	<u>246,057</u>	<u>349,096</u>	<u>192,430</u>	<u>2,841,690</u>	<u>366,811</u>	<u>(66,778)</u>	<u>3,141,723</u>
Segment result	<u>662,350</u>	<u>28,630</u>	<u>3,489</u>	<u>(1,165)</u>	<u>187,353</u>	<u>118,726</u>	<u>(6,834)</u>	<u>992,549</u>	<u>14,107</u>	<u>—</u>	1,006,656
Other income											29,415
Unallocated expenses											(260,426)
Share of results of associates											41,551
Share of results of jointly controlled entities											<u>(995)</u>
Profit before taxation											<u>816,201</u>

Segment results represent the gross profit for the period 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.

4. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest income		
— bank deposits	20,097	17,401
— debentures classified as held-for-trading investments	8,163	2,699
— investments in debt securities	1,226	4,324
	<hr/>	<hr/>
Total interest income	29,486	24,424
Dividend from equity securities	8	192
Government grants recognised	23,231	215
Others	1,160	4,584
	<hr/>	<hr/>
	53,885	29,415
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net loss on fair value change of financial assets classified as held-for-trading	(774)	(906)
Net gain on sales of scrap materials	545	283
(Loss) gain on disposal of property, plant and equipment	(33)	4
Net foreign exchange gain (loss)	49	(840)
	<hr/>	<hr/>
	(213)	(1,459)
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER EXPENSES

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Penalty expenses	1	60
Donations	1,534	855
Others	162	1,204
	<u>1,697</u>	<u>2,119</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interests on bank borrowings wholly repayable within five years	9,043	21,039
Interest on short-term financing bonds	38,827	7,035
Interests on bills discounted with recourse	581	324
Other financing charges	—	7,008
Other interest expenses - unwinding discounts on provision	1,118	1,065
	<u>49,569</u>	<u>36,471</u>

8. TAXATION

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
The charge (credit) comprises the PRC Enterprise Income Tax:		
Current taxation		
— current period	100,088	174,939
— (over)underprovision in prior years	(119,022)	5,091
	<u>(18,934)</u>	<u>180,030</u>
Deferred taxation		
— current period	29,997	15,002
— attributable to change of tax rate	12,043	—
	<u>23,106</u>	<u>195,032</u>

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for each group entity and at its applicable tax rate determined in accordance with the relevant laws and regulations in the PRC. The PRC Enterprise Income Tax rate applicable to all group entities, except for the Company, is 25% for both reporting periods.

In March 2012, the Company has been awarded the Foreign Invested Advanced-technology Enterprise Certificate. As a result, the Company is entitled to a concessionary income tax rate at 15% for the years ended 31 December 2011 to 2013. The tax expense overcharged for the year 2011 of approximately RMB126,955,000 was reversed to profit or loss in current period.

9. PROFIT FOR THE PERIOD

Six months ended 30 June
2012 2011
RMB'000 *RMB'000*
(unaudited) (unaudited)

Profit for the period has been arrived
at after charging:

Depreciation of property, plant and equipment	202,395	193,042
Amortisation of land use rights	9,240	7,351
Amortisation of mining rights (included in cost of sales)	17,808	16,778
Amortisation of trademarks (included in cost of sales)	81	137
(Reversal of) allowance for doubtful debts	(279)	659
Allowance for inventories (included in cost of sales)	11,653	26,795
Share of tax of associates (included in share of results of associates)	25,386	13,968
Resources compensation fee (<i>Note</i>)	38,082	37,304
	<u> </u>	<u> </u>

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

10. DIVIDENDS

Six months ended 30 June	
2012	2011
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Dividend recognised as distribution
during the period:

Final - for year 2011 of nil (30 June 2011: for
year 2010 of RMB0.404) per share

—	1,969,973
<u> </u>	<u> </u>

During the six months ended 30 June 2012, no dividend was paid to shareholders as final dividend for 2011. The Directors did not recommend the payment of final dividend for the year 2011.

During the six months ended 30 June 2011, dividend of RMB0.404 per share totalling RMB1,969,973,000 was paid to shareholders as final dividend for 2010.

The Board has resolved not to distribute an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: nil).

11. EARNINGS PER SHARE - BASIC

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

	Six months ended 30 June	
	2012	2011
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company and earnings for the purpose of basic earnings per share (<i>RMB'000</i>)	<u>739,549</u>	<u>586,052</u>
Number of shares for the purpose of basic earnings per share	<u>4,876,170,525</u>	<u>4,876,170,525</u>

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

12. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	30.6.2012	31.12.2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Cost of unlisted investments in jointly controlled entities	1,540,395	1,540,395
Share of post-acquisition losses	<u>(23,351)</u>	<u>(15,432)</u>
	<u>1,517,044</u>	<u>1,524,963</u>

13. TRADE AND OTHER RECEIVABLES

	30.6.2012	31.12.2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade receivables (net of allowances)	577,913	702,267
Bills receivable	1,163,821	984,534
	1,741,734	1,686,801
Advances to suppliers	255,800	263,537
Other tax recoverable	111,339	145,745
Other receivables and prepayments	132,178	143,057
	2,241,051	2,239,140
Breakdown of advances to suppliers		
Third parties	203,013	170,625
Advance to a jointly controlled entity	52,787	92,912
	255,800	263,537

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 certain major customers. The aged analysis of trade receivables (presented based on the invoice date) and bills receivable (presented based on the issuance date of the relevant bills) is as follows:

	30.6.2012	31.12.2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
0 - 90 days	999,206	1,042,997
91 - 180 days	660,838	594,012
181 - 365 days	75,286	48,230
1 - 2 years	6,404	1,562
	1,741,734	1,686,801

14. TRADE AND OTHER PAYABLES

	30.6.2012	31.12.2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Trade payables	284,019	445,063
Bills payable	24,920	73,817
	308,939	518,880
Other payables and accruals (<i>note</i>)	785,225	499,894
	1,094,164	1,018,774
Breakdown of trade payables		
Third parties	284,019	439,167
Trade payable due to a jointly controlled entity	—	5,896
	284,019	445,063

Note: Amount included payable for acquisition of exploration assets of RMB246,000,000 which was classified under long term payable as at 31 December 2011.

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

	30.6.2012	31.12.2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
0 - 90 days	258,940	362,235
91 - 180 days	17,979	139,816
181 - 365 days	5,876	11,440
1 - 2 years	22,779	4,298
Over 2 years	3,365	1,091
	308,939	518,880

MARKET REVIEW

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

In the first half of 2012, the general trend of the domestic molybdenum price showed a steady and modest rise before going into a slow decline. The domestic molybdenum market remained basically stable in the first four months, with prices of molybdenum concentrates strongly hovering around RMB1,810 to RMB1,850/metric tonne unit until April 2012. This was primarily due to the followings: first, the resource tax on molybdenum ores of all grades in PRC had been adjusted to RMB4/tonne upward since February 2012, leading to a rise in production costs of most molybdenum mines which in turn propped up the domestic molybdenum price; second, regardless of the weak market, the general trend in demand remained stable and the small and medium-sized molybdenum mining enterprises were unwilling to sell at low prices. With mines voluntarily holding to their stocks for a period of time, the molybdenum prices were sustained. After that, these small and medium-sized molybdenum mining enterprises had to sell molybdenum concentrates at a low price due to capital crunch. Since then, the price of molybdenum concentrates started to decline and fell to around RMB1,600 to RMB1,660/metric tonne unit at the end of June 2012.

Since mid-May 2012, though most of the domestic iron and steel sector began to suffer losses and faced continuously tight supply of capital given the dampened international and domestic economies, the domestic demand for ferromolybdenum saw an increase rather than a decrease. Under such circumstances, steel plants began to push down the purchasing price of ferromolybdenum so as to reduce costs, and certain mining enterprises had to accept the low bid price offered by steel plants and started to sell at low prices due to capital and inventory pressure, leading to poor market confidence. In addition, the prolonged European debt crisis and the uncertainties hanging over the global economic landscape, together with price pressure from the domestic steel plants, made it impossible to prevent the market price of bulk ferromolybdenum from going down.

As compared with the domestic molybdenum market, the international molybdenum market was also bleak in the first half of 2012. From January to April, the international molybdenum market remained fairly stable with modest growth, primarily due to low inventories of molybdenum oxides and ferromolybdenum in the European market since January onwards. As a result, many traders were reluctant to sell at low prices. Low inventories and rigid demand caused the price of molybdenum oxides to rise continuously until it hit the year high of US\$14.6 to US\$14.8/lb Mo in mid-February. At the end of February, weak market demand resulted in zero procurement and a thin market, and the prices of molybdenum products in Europe began to see a slight decline. However, a modest increase was seen in April, mainly due to the fact that some molybdenum oxide enterprises in the international market were not going to sell at low prices as the costs were high and the demand for ferromolybdenum from some steel plants improved, which led to a slight increase in the prices of molybdenum oxides and ferromolybdenum. At the end of April, given a lack of demand of some European steel plants for ferromolybdenum, the transaction volume of molybdenum oxides was insignificant, thus dampened the international molybdenum market and drove prices of molybdenum products to notch down.

As regards the tungsten market, the domestic tungsten price had been relatively stable for the first half of 2012. The price of tungsten concentrates stayed at approximately RMB120,000/tonne during the first four months. The upward adjustment of the guiding price of wolframite concentrate (with a purity of 65%) to RMB127,000/tonne by China Minmetals Corporation and Ganzhou Tungsten Industry Association in May had a positive impact on the market price, triggering a rebound in the price of tungsten concentrates to RMB130,000/tonne at the end of May. As at the end of June, the price of tungsten concentrates receded to RMB121,000/tonne to RMB123,000/tonne. In general, the prices of other domestic tungsten products were in line with the ore price, while the APT price dropped to RMB191,000/tonne to RMB192,000/tonne and the price of tungsten carbide fell to RMB302/kg to RMB304/kg, respectively. For the international market, the APT price in Europe fell slightly as the market trading remained slack. It stood at approximately US\$430/metric tonne unit to US\$445/metric tonne unit at the beginning of the year, and then down to US\$428/metric tonne unit to US\$430/metric tonne unit by the end of March. After hitting its lowest price at US\$360/metric tonne unit to US\$395/metric tonne unit in line with the trend of the domestic price in mid-April, the APT price climbed up to US\$390/metric tonne unit to US\$415/metric tonne unit by the end of June.

DOMESTIC INDUSTRY POLICIES

Export Quotas

On 26 December 2011, the Ministry of Commerce of the PRC promulgated a notification on export quotas (the first batch for 2012) of ordinary trading industrial commodities. Under the notification, the Company was entitled to export 4,878 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 86 tonnes of molybdenum chemical products and 52 tonnes of molybdenum products. The quota for molybdenum products of Luoyang High-Tech Metals Co., Ltd. (“**Luoyang High-Tech**”), a joint venture of the Company, was 73 tonnes. On 19 July 2012, the Ministry of Commerce of the PRC promulgated a notification on export quotas (the second batch for 2012) of tungsten, antimony, silver, tin, indium and molybdenum. Under the notification, the Company was entitled to export 3,054 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 67 tonnes of molybdenum chemical products and 34 tonnes of molybdenum products. The quota for molybdenum products of Luoyang High-Tech, the joint venture of the Company, was 50 tonnes.

Resource Tax Rate Adjustments

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Applicable Resource Tax Rate Standard for Taxable Items such as Tin Ores (《財政部、國家稅務總局關於調整錫礦石等資源稅適用稅率標準的通知》) issued by the Ministry of Finance and the State Administration of Taxation on 1 February 2012, the tax rates for iron ores, tin ores, molybdenum ores, magnesite ores, talc ores and boron ores had been adjusted upwards since 1 February 2012. In particular, the adjusted applicable resource tax rate standards for molybdenum ores was RMB12/tonne for the first class, RMB11/tonne for the second class, RMB10/tonne for the third class, RMB9/tonne for the fourth class and RMB8/tonne for the fifth class, RMB4/tonne up from each of their original tax rates. The resource tax rate for the molybdenum ores of the Company increased from RMB8/tonne to RMB12/tonne.

BUSINESS REVIEW

During the first half of 2012, capitalising on its abundant resources, scale of production and an integrated production chain, the Group maintained the production volume of its major products or increased the production volume to various degree as compared with the same period last year. From January to June, the Group's production of molybdenum concentrates (including 47% Mo) amounted to approximately 16,314 tonnes, representing a decrease of 0.5% as compared with the same period last year. The production of scheelite concentrates (including 65% W) amounted to approximately 6,764 tonnes (including 2,570 tonnes from Luoyang Yulu Mining Co., Ltd.* (洛陽豫鷺礦業有限責任公司) (“**Yulu Company**”)), representing an increase of 16.1% as compared to the same period last year. The Group produced approximately 33,068.52 tonnes of sulphuric acid (98% concentration), 589 kg of gold and 8,120 kg of silver. Under the market condition in the first half of 2012, the Group concentrated its sales in the domestic market. The top ten clients of the Company accounted for 39.19% of its domestic sales volume.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 June 2012, profit attributable to owners of the Company was RMB739.5 million, representing an increase of RMB153.4 million or 26.2% from RMB586.1 million for the six months ended 30 June 2011.

The comparative analysis for the six months ended 30 June 2012 and the six months ended 30 June 2011 is as follows:

OPERATING RESULTS

For the six months ended 30 June 2012, the Group recorded a turnover of RMB2,992.5 million, representing a decrease of RMB149.2 million or 4.7% from RMB3,141.7 million for the six months ended 30 June 2011. For the six months ended 30 June 2012, the Group achieved a gross profit of RMB894.2 million, representing a decrease of RMB112.5 million or 11.2% from RMB1,006.7 million for the same period last year.

OPERATING RESULTS, OPERATING COST, GROSS PROFIT AND GROSS PROFIT MARGIN BY PRODUCTS

The table below sets out the turnover, operating cost, gross profit and gross profit margin of our products in the first half of 2012 and in the first half of 2011:

Product Name	First half of 2012				First half of 2011			
	Turnover (RMB million)	Operating cost (RMB million)	Gross profit (RMB million)	Gross profit margin (%)	Turnover (RMB million)	Operating cost (RMB million)	Gross profit (RMB million)	Gross profit margin (%)
Domestic market								
— Molybdenum additive materials	1,409.6	1,007.0	402.6	28.6%	1,840.3	1,177.9	662.40	36.0%
— Tungsten concentrate (65% Mo)	515.8	121.9	393.9	76.4%	246.1	58.7	187.40	76.1%
— Processed tungsten & molybdenum products	73.8	70.7	3.1	4.2%	94.2	90.8	3.40	3.6%
— Gold, silver and relevant products	404.5	314.9	89.6	22.2%	349.1	230.4	118.70	34.0%
— Electrolytic lead	299.3	318.5	-19.3	-6.4%	192.4	199.3	-6.90	-3.6%
— Other	261.9	241.0	20.9	8.0%	366.8	352.7	14.10	3.8%
Sub-total	2,964.7	2,073.9	890.8	30.0%	3,088.9	2,109.8	979.1	31.7%
International market								
— Molybdenum additive materials	21.7	18.4	3.4	15.4%	47.4	18.8	28.60	60.3%
— Processed tungsten & molybdenum products	6.0	5.9	0.1	1.4%	5.4	6.5	-1.10	-20.4%
Sub-total	27.7	24.3	3.4	12.4%	52.8	25.3	27.5	52.1%
Total	2,992.5	2,098.2	894.2	29.9%	3,141.7	2,135.1	1,006.6	32.0%

Turnover decreased by RMB149.2 million or 4.7% to RMB2,992.5 million in the same period of 2012 from RMB3,141.7 million in the first half of 2011, mainly attributable to: firstly, the decrease in turnover driven by a decrease in the selling prices of ferromolybdenum and tungsten concentrates which are major products of the Group as compared with the same period last year, given the overall economic environment; secondly, a significant decrease in the turnover of trading products for the period as compared with the same period last year; thirdly, the increase in turnover as compared with the same period last year following an increase in the sales volume of electrolytic lead as compared with the same period last year given the gradual improvement in production techniques of Yongning Gold & Lead; and fourthly the increase in sales volume of tungsten-related products as compared with the same period last year as a result of the Group's efforts in proactively tapping into the sale market through strengthened sales initiatives in the first half of the year, which partially offset the decrease in turnover.

For the six months ended 30 June 2012, the operating cost of the Group amounted to RMB2,098.2 million, representing a decrease of RMB36.98 million or 1.7% from RMB2,135.1 million for the same period last year, mainly attributable to: firstly, the sales volume of molybdenum additive materials of the Group for the period decreased as compared with the same period last year; and secondly, a decrease in the operating cost following a reduction in the sales volume of trading products for the period.

For the six months ended 30 June 2012, the average gross profit margin of the Group was 29.9%, representing a decrease of 2.1% as compared with 32% for the same period last year, mainly attributable to firstly, the decline in the overall gross profit margin of the Group as a result of a decrease in the selling prices of ferromolybdenum and tungsten-related products, major products of the Group; and secondly, a decrease in the gross profit margin of the Group's products following an increase in the resources tax rate of molybdenum ores of the Company.

OTHER INCOME

For the six months ended 30 June 2012, other income of the Group amounted to RMB54.4 million, representing an increase of RMB24.7 million or 83.2% from RMB29.7 million for the same period last year. Such increase was mainly attributable to an increase of RMB22.1 million in deferred income of the Group during the period.

SELLING AND DISTRIBUTION EXPENSES

For the six months ended 30 June 2012, the selling and distribution expenses of the Group amounted to RMB12.4 million, representing an increase of RMB0.3 million or 2.5% from RMB12.1 million for the same period last year, which was basically on a par with the level for the same period last year.

ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2012, the administrative expenses of the Group amounted to RMB193.2 million, representing a decrease of RMB15.1 million or 7.2% from RMB208.3 million for the same period last year. Such decrease was mainly attributable to: firstly, a decrease of RMB10.2 million in the consulting fee of the Group as compared with the same period last year; and secondly, a decrease of RMB3.7 million in expenses of research and development as compared with the same period last year.

OTHER EXPENSES

For the six months ended 30 June 2012, other expenses of the Group amounted to RMB2.5 million, representing a decrease of RMB0.5 million or 16.7% from RMB3.0 million for the same period last year. Such decrease was mainly attributable to a decrease in net exchange loss as compared with the same period last year.

FINANCE COSTS

For the six months ended 30 June 2012, the finance costs of the Group amounted to RMB49.6 million, representing an increase of RMB13.1 million or 35.9% from RMB36.5 million for the same period last year. Such increase was mainly attributable to an increase in interest expenses on bank borrowings.

SHARE OF RESULTS OF ASSOCIATES

For the six months ended 30 June 2012, the results of associated companies attributable to the Group amounted to RMB74.7 million, representing an increase of RMB33.1 million or 79.6% from RMB41.6 million for the same period last year. Such increase was mainly attributable to the increase in results for the year of Yulu Company, an associated company, as compared with the same period last year.

INCOME TAX EXPENSES

For the six months ended 30 June 2012, the income tax expense of the Group amounted to RMB23.1 million, representing a decrease of RMB171.9 million or 88.1% from RMB195.0 million for the same period last year. Such decrease was mainly attributable to the Group's entitlement to a tax preference with an adjustment of enterprise income tax rate from 25% to 15% since 2011 upon being recognised as an enterprise of new and high technology during the period.

NON-CONTROLLING SHAREHOLDERS' INTERESTS

For the six months ended 30 June 2012, the non-controlling shareholders' interests of the Group amounted to RMB-4.8 million, representing a decrease of RMB39.9 million or 113.7% from RMB35.1 million for the same period last year. Such decrease was mainly attributable to the substantial decrease in profits from the three holding subsidiaries of the Group, namely Luanchuan County Jiuyang Mining Co., Ltd.* (樂川縣九揚礦業有限公司) (“**Jiuyang Company**”), Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.* (樂川縣三強鉬鎢有限公司) (“**Sanqiang Company**”) and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.* (樂川縣大東坡鎢鉬礦業有限公司) (“**Dadongpo Company**”) during the period.

PROFIT OR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the six months ended 30 June 2012, the net profit attributable to owners of the Company amounted to RMB739.5 million, representing an increase of RMB153.4 million or 26.2% from RMB586.1 million for the six months ended 30 June 2011, mainly due to the increase in profit of the Company for the period.

FINANCIAL POSITION

For the six months ended 30 June 2012, the total assets of the Group amounted to approximately RMB13,905.6 million, comprising non-current assets of approximately RMB8,317.3 million and current assets of approximately RMB5,588.3 million. Equity attributable to owners of the Company for the six months ended 30 June 2012 increased by RMB739.2 million or 6.9% to RMB11,437.9 million from RMB10,698.7 million for the year ended 31 December 2011. Such increase was mainly due to the increase in profit of the Company for the period.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the six months ended 30 June 2012, the property, plant and equipment increased by RMB6.8 million or 0.1% to RMB4,417.5 million from RMB4,410.7 million for the year ended 31 December 2011, which was basically on a par with the level for the same period last year.

DEBT TO TOTAL ASSETS RATIO

The debt to total assets ratio of the Group dropped from 24.9% as of 31 December 2011 to 11.6% as of 30 June 2012. The decrease was mainly attributable to a decrease in total liabilities for the period as a result of the repayment of short-term financing bills of RMB2,000 million during the period.

CASH FLOW

For the six months ended 30 June 2012, the Group had cash and cash equivalents of RMB1,462.8 million, representing a decrease of RMB1,316.4 million or 47.3% from RMB2,779.2 million for the year ended 31 December 2011, which was primarily attributable to: firstly, the repayment of the principal and interest of RMB2,093 million of one-year term short-term financing bills during the period; and secondly, the net cash inflow generated from operating activities of RMB803.3 million during the period.

For the six months ended 30 June 2012, net cash inflow generated from operating activities was RMB803.3 million; net cash used in investment activities was RMB37.8 million and net cash used in financing activities was RMB2,081.9 million.

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 prices of the Group's molybdenum products, tungsten products, precious metals and lead metal (hereinafter referred to as the “**relevant products**”) are calculated based on international and domestic prices, the Group has been exposed to the price fluctuation risk of relevant products. In the long run, the international and domestic prices of relevant products mainly depend on market demand and supply. These factors are beyond our control. Further, the prices of relevant 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 at 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.

USE OF PROCEEDS

As at 30 June 2012, 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).

MARKET PROSPECT FOR THE SECOND HALF OF 2012

On 25 July 2012, the State's Ministry of Industry and Information Technology released an announcement announcing the market access criteria for the molybdenum industry, pursuant to which certain restrictions were imposed on existing small or non-standard mines and molybdenum smelting enterprises to curb blind investment and low quality, redundant projects, which will help restrict the molybdenum output to a certain extent and facilitate the sound development of the domestic molybdenum industry. This is set to be favourable to larger molybdenum mining enterprises. In respect of the supply in the molybdenum market in the second half of 2012, according to the operating conditions of domestic molybdenum mines, there will be an increasing number of high-cost enterprises that are going into suspension or partial suspension of operations. Given the current economic landscape, the supply in the molybdenum market in the second half of the year will shrink.

In respect of demand, in spite of relatively poor conditions and severe losses, domestic steel industry will not see any significant decrease in demand for molybdenum. This is mainly due to the fact that a lot of steel plants adjust their steel types and increase the production of prime special steel (優特鋼), thus securing the demand for molybdenum. Meanwhile, the second half of the year will bode well for the domestic steel industry. The burgeoning growth of the State's investments under the "Going West" strategy and the increase in the number of key projects will improve the regional industrial chain and hence stimulate demand for the iron and steel industry amid regional development. The indicators for downstream iron and steel industries such as real estate, automobiles and machinery as well as investment in fixed assets see signs of recovery. Moreover, in the medium to long term, given a potential high structural growth in the domestic iron and steel market, the steel price will be stabilised subsequently as industry insiders estimated.

Henceforward, following the promulgation of national macro-control policies and with rigid demand and supply, the domestic steel industry is expected to be out of the recession in the second half of the year and demonstrate sound growth momentum. Furthermore, as the current price of molybdenum has fallen below the production cost of most small and medium-sized molybdenum mines, there is little room for further decline. With the general balance between supply and demand, the domestic molybdenum market is expected to rebound after bottoming out and the price of molybdenum will increase to a certain extent as compared with its current price.

On tungsten market supply, the State's regulation on environmental protection, production safety and quota management in recent years had driven up the production and finance costs of certain tungsten enterprises this year, which led to a decline in production of tungsten concentrates and affecting their supply, thus hindering the substantial growth of tungsten concentrate supply. In respect of demand, the support of China's macro economic policy will continue to drive the development of industries such as machinery processing, mining, iron and steel, automobile, chemical engineering and railway construction which in turn boost consumption of tungsten. In addition, given the steady demand for hard alloy and the solid expansion of the application scope of tungsten in emerging areas, the added value of tungsten is gradually thrust into the limelight. In the second half of 2012, it is expected that the tungsten industry will maintain a steady momentum and the tungsten price will head upwards as a whole without much fluctuations.

In the second half of 2012, the production volume of major products will remain virtually the same as that in the first half of 2012.

In the second half of 2012, the management of the Company will grasp the opportunities in molybdenum and tungsten market, further carrying through production and operation to fully meet the targets set for the year. In addition, the Company will seek to implement new projects and to promote listing of A shares in the PRC. Through vigorous resource integration and overseas acquisitions in strict adherence to our corporate development strategies, we expect to enhance our comprehensive strengths and profitability for better returns to shareholders.

DIRECTORS' INTERESTS

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 30 June 2012, none of the Directors and supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the same period.

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

As at 30 June 2012, none of the Directors, chief executives, supervisors or their respective associates had any interests and short positions in the share capital, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time as at 30 June 2012 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or supervisors of the Company to acquire such rights in any other body corporate.

DIVIDENDS

At the Board meeting held on 30 July 2012, the Board did not propose to declare an interim dividend for the six months ended 30 June 2012.

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

The Company's H shares were listed on the Stock Exchange on 26 April 2007. The Company and its subsidiaries had not purchased, sold or redeemed any securities of the Company during the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Company is committed to improving its corporate governance, and enhancing the transparency to shareholders. For the six months ended 30 June 2012, in the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code (effective from 1 April 2012) and the Code on Corporate Governance Practices (expired on 31 March 2012) set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The Board of the Company consists of 11 Directors, namely 5 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors. For the six months ended 30 June 2012, the Board convened six meetings (with an attendance rate of 99%).

SUPERVISORY COMMITTEE

The Company has a supervisory committee comprising 3 supervisors to exercise supervision over the Board, the Directors and members of the senior management; and to prevent them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. The supervisory committee convened four meetings during the six months ended 30 June 2012 (with an attendance rate of 100%).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors of the Company. Having made specific enquiries, the Board confirmed that all the Directors complied with the required standard set out in the Model Code for the period ended 30 June 2012.

AUDIT COMMITTEE

The terms of reference of the audit committee based on “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board. The audit committee provides an important link between the Board and the Company’s auditors in matters falling within the scope of the audit of the Company and the Group. The audit committee will review the effectiveness of the external audit and of internal controls, evaluate risks and will provide advice and guidance to the Board. The audit committee comprises two independent non-executive Directors and one non-executive Director, namely, Mr. Ng Ming Wah, Charles, Mr. Zeng Shaojin and Mr. Zhang Yufeng. The audit committee has reviewed the unaudited financial results of the Company for the six months ended 30 June 2012 and considered that the results complied with relevant accounting standards and that the Company has made appropriate disclosure.

NON-COMPETITION AGREEMENT

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

PUBLICATION OF DETAILED RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

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

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

Dalian, the PRC, 30 July 2012

As at the date of this announcement, the executive Directors are Mr. DUAN Yuxian, Mr. LI Chaochun, Mr. WU Wenjun, Mr. LI Faben and Mr. WANG Qinxi; the non-executive Directors are Mr. SHU Hedong and Mr. ZHANG Yufeng; and the independent non-executive Directors are Mr. GAO Dezhu, Mr. ZENG Shaojin, Mr. GU Desheng and Mr. NG Ming Wah, Charles.

** For identification purposes only*