洛陽欒川鉬業集團股份有限公司

China Molybdenum Co., Ltd.*

Stock Code 3993

2011 Annual Report

* For identification purposes only

CONTENTS

This annual report includes forward-looking statements. All statements, other than statements of historical facts, that address business activities, events or developments that the Company expects or anticipates may or will occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. The Company's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various variables. The Company makes the forward-looking statements referred to herein as at 21 March 2012 and undertakes no obligation or responsibility to update these statements.

COMPANY PROFILE

China Molybdenum Co., Ltd. ("CMOC" or the "Company") is a joint stock company established in the People's Republic of China (the "PRC") on 25 August 2006. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 April 2007.

The Company and its subsidiaries (collectively, the "Group") is one of the leading molybdenum producers in the PRC. Our Sandaozhuang Mine contains one of the largest defined reserves of molybdenum and the second largest defined reserves of tungsten in the world. The Sandaozhuang Mine possesses various advantages such as abundant reserves and high-grade reserves which is suitable for open-pit mining. The Shangfanggou molybdenum mine, which is owned by Luoyang Fuchuan Mining Co., Ltd. (洛陽富川礦業有限公司) ("Luoyang Fuchuan"), a joint venture of the Company, is in close proximity to the Sandaozhuang molybdenum mine. Being part of the Luanchuan Molybdenum Mine, it has abundant reserve. In addition, the molybdenum mine located in East Gobi, Hami, Xinjiang owned by Xinjiang Luomu Mining Co., Ltd. (新疆洛鉬礦業有限公司) ("Xinjiang Luomu"), a subsidiary of the Company, was the first huge porphyry-type molybdenum mine discovered in Xinjiang, such mine is large in scale, of high grade, shallow in terms of buried depth and easy for open mining. Our primary business operations involve molybdenum mining, flotation, roasting, smelting and downstream processing. We occupy a position of unparalleled strategic importance and are well situated at a market-steering foothold. In addition, we are a fast-growing producer of tungsten concentrates and an emerging producer of precious metals. We have an experienced and dedicated senior management team in the molybdenum and tungsten industries.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2011	2010	Increase (decrease)
	RMB'000	*RMB'000*	
Revenue	**6,001,706**	4,396,369	36.5%
Gross profit	**1,927,826**	1,597,398	20.7%
Profit before taxation	**1,533,108**	1,345,618	13.9%
Profit for the year	**1,160,826**	1,001,692	15.9%
Total comprehensive income attributable to:			
Owners of the Company	**1,124,738**	963,548	16.7%
Non-controlling interests	**37,986**	36,143	5.1%
Earnings per share — Basic	**RMB0.23**	RMB0.20	
Dividend			
Final dividend proposed	**- Nil -**	RMB0.404	

	As at 31 December		
	2011	2010	Increase (decrease)
	RMB'000	*RMB'000*	
Equity attributable to owners of the Company	**10,698,721**	11,543,956	(7.3%)
Non-controlling interests	**868,854**	444,883	95.3%
Total equity	**11,567,575**	11,988,839	(3.5%)
Bank borrowings	**364,275**	796,650	(54.3%)
Short-term debentures	**2,054,717**	—	
Total assets	**15,396,732**	14,121,422	9.0%
Gearing ratios			
Debt/equity gearing ratio *(Note 1)*	**20.9%**	6.64%	214.8%
Debt/asset gearing ratio *(Note 2)*	**15.7%**	5.64%	178.4%

Notes:

1. Debt/equity gearing ratio is the ratio of net borrowings to total equity.

2. Debt/asset gearing ratio is the ratio of net borrowings to total assets.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2011. On behalf of the board of directors (the "Board") and all employees of the Company, I hereby express my sincere gratitude for all your support.

RESULTS AND DIVIDENDS

In 2011, the Group recorded a turnover of RMB6,001.7 million, representing an increase of 36.5% from 2010. Profit attributable to owners of the Company was RMB1,122.8 million, representing an increase of 16.3% from 2010. 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. At the Board meeting held on 13 February 2012, the Board did not recommend the payment of a final dividend for the year ended 31 December 2011.

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.

In 2011, the performance of the tungsten market was in line with macroeconomic conditions. Thrived on the burgeoning economic situation in the first half of the year, exports and domestic consumption of tungsten saw a significant growth. However, consumption and export markets of tungsten began to shrink in the second half of the year aggravated by the deteriorating European debt crisis alongside the slowdown in global economy, particularly in September, after which the tungsten market spiraled down with a sharp decline in export and consumption, and prices began to fall. By and large, the price of tungsten concentrates during the year stood at over RMB100,000 per tonne. Regardless of the mild downward adjustment in prices during the second half of the year under the influence of the global macroeconomic situation, the price of tungsten concentrates remained at above RMB130,000 per tonne, whilst the price of tungsten swung at high level after hitting a record high.

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.

Statistics from China Non-ferrous Metals Industry Association showed that the accumulative production volume of tungsten concentrates in China in 2011 was 121,966 tonnes (including 65% WO_3), with metal equivalents of 62,800 tonnes. The metal equivalents of the Group's production of tungsten concentrate was approximately 4,700 tonnes, accounting for approximately 7.5% of the total production of China in 2011.

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能). 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.

CHAIRMAN'S STATEMENT

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.

Consumption of tungsten in China continued to maintain steady growth, thanks to the robust demand for hard alloy. With the gradual implementation of China's "Twelfth Five-year Plan", the industrialization and urbanization process in China will further be hastened, giving rise to the persistent stable growth in demand for highly-efficient hard alloy by the steel, automobile, equipment manufacturing, transportation, electronic information, mining and energy industries, which further boosted the demand for tungsten consumption. Meanwhile, through gradually consolidation, the tungsten industry has become relatively concentrated, which facilitated the implementation of the national policies on control of tungsten mining and strategic resource development, while the supply of tungsten resources will be under reasonable control progressively, thus driving the tungsten price up further. According to Antaike's optimistic estimate, it is expected that the average price of tungsten concentrates will be RMB155,000/tonne and the average price of APT in Europe will be US$490/tonne unit in 2012.

CHAIRMAN'S STATEMENT

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% WO_3), 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.

With the combined efforts of the other members of the Board, senior management and staff, as well as support from various parties in the community, I believe that the Group will make the best at every encounter amid the market recovery and continue to achieve greater development in resource consolidation and acquisition to develop itself into the world's leading mining group of precious metals. Accordingly, we will continue to deliver quality products and services to our customers and generate more lucrative returns for our shareholders.

Finally, I would like to take this opportunity to express my sincere gratitude to our customers and shareholders for their support as well as the efforts contributed by our directors and staff over the year.

Duan Yuxian
Chairman

Shenzhen, the PRC
21 March 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, comprehensive income attributable to the owners of the Group was RMB1,122.8 million, representing an increase of RMB157.3 million or 16.3% from RMB965.5 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.

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

	For the year ended 31 December							
	2011				2010			
Product Name	**Turnover** ***(RMB million)***	**Cost of sales** ***(RMB million)***	**Gross profit (loss)** ***(RMB million)***	**Gross profit margin** ***(%)***	Turnover *(RMB million)*	Cost of sales *(RMB million)*	Gross profit (loss) *(RMB million)*	Gross profit margin *(%)*
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	**5,935.8**	**4,010.7**	**1,925.1**	**32.4%**	4,007.4	2,561.4	1,446.0	36.1%
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	**65.9**	**63.2**	**2.7**	**4.1%**	389.0	237.6	151.4	38.9%
Total	**6,001.7**	**4,073.9**	**1,927.8**	**32.1%**	4,396.4	2,799.0	1,597.4	36.3%

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 following the surge in the sales volume and the prices of molybdenum products and tungsten concentrate 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 in 2010. 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 in 2010.

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 2010 following an increase of RMB23.9 million in salary as part of administrative expenses as compared with 2010 as a result of an increase in salary and wages of the Group for the year as compared with 2010.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 share of loss in jointly controlled entities attributable to the Group amounted to RMB8.7 million, representing an increase of RMB2 million or 29.9% from the loss of RMB6.7 million for the same period in 2010. This was mainly attributable to the operating loss incurred by Luoyang High-Tech, 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 in 2010. 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 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 RMB7,002.3 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 RMB7,002.3 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 the increase in accumulated depreciation during the period.

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 resource 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 report, 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	8,094	100%

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

USE OF PROCEEDS

As at 31 December 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 Metals Co., Ltd. (洛陽高科鉬鎢材料有限公司) ("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).

ESTIMATION ON RESERVES AND RESOURCES OF SHANGFANGGOU MINE AND XINJIANG MINE

As at 31 December 2011, the estimates of the (a) reserves and resources at the Shangfanggou molybdenum mine ("Shangfanggou Mine") located in Luanchuan County, Luoyang City, the People's Republic of China ("PRC"); and (b) resources at the molybdenum mine ("Xinjiang Mine") located in East Gobi, Hami, Xinjiang, the PRC are:

SHANGFANGGOU MINE

Estimated proven and probable reserves:

	Kilotonnes	**Grade** *(%)*
	46,266	0.173

Estimated resources:

Classification (at a 0.03% grade molybdenum cut-off)	**Million tonnes**	**Average grade** *(%)*
Measured	16.4	0.171
Indicated	291.4	0.141
Inferred	157.9	0.133

The reserves and resources at the Shangfanggou Mine were estimated based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

XINJIANG MINE

Ore *(million tonnes)*	**Molybdenum metal** *(million tonnes)*	**Average grade** *(%)*	**Molybdenum metal (331)** *(million tonnes)*	**Average grade** *(%)*	**Molybdenum metal (332)** *(million tonnes)*	**Average grade** *(%)*
441	0.508	0.115	0.1294	0.134	0.08337	0.128

The resources at the Xinjiang Mine were estimated based on Specifications for copper, lead, zinc, silver, nickel and molybdenum mineral exploration (DZ/T0214-2002), Exploration specification for hydrogeology and engineering geology in mining areas (GB12719-91) and Specifications for compilation of geological report of solid-mineral exploration/mine-closing (DZ/T0033-2002).

MATERIAL EVENTS

A. MATERIAL EVENTS

1. The Group was granted with EU Green Card for exports of molybdenum oxide and ferromolybdenum

On 19 January 2011, the Summary Conference of the Registration of the First Batch of Substances with China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters under the REACH Regulation was convened in Nanning, Guangxi, at which the first batch of substances registered under the REACH Regulation of EU were awarded official registration certificates. The conference also specified subsequent regulatory requirements of REACH Regulation. The molybdenum oxide and ferromolybdenum of our group were successfully registered and were awarded certificates under the REACH Regulation of EU.

2. The Group successfully registered and issued debt financing instruments with National Association of Financial Market Institutional Investors

On 2 June 2011, the Group successfully issued short-term financing bills and the full amount of the proceeds was received on 3 June 2011. The results of the issue are set out below: name of short-term financing bill: First tranche short-term financing bill of the Company in 2011; Abbreviation of short-term financing bill: 11 CMOC CP01; Code of short-term financing bill: 1181267; Term of short-term financing bill: 365 days; Coupon: fixed interest; Tender date for issue: 2 June 2011; Total size issued: RMB2 billion; Total size proposed to be issued: RMB2 billion; Nominal interest rate: 4.69% per annum; Lead underwriter: Bank of China Limited. (For details, please refer to the Company's announcements dated 24 May and 3 June 2011).

3. The Group's technological research in respect of "methods and apparatus for roasting of molybdenum concentrates by self-ignition" (鉬精礦自燃式焙燒方法及裝置) passed technological appraisal

On 25 June 2011, the technological research conducted by the Group in respect of "methods and apparatus for roasting of molybdenum concentrates by self-ignition" successfully passed the technological appraisal organized by the Expert Team of the Science and Technology Department of Henan Province (河南省科技廳組織的專家組).

4. A foundation-laying ceremony for the tungsten metal materials and hard alloy project (鎢金屬材料及硬質合金項目) of the Group was held

On 28 June 2011, the Group officially held the foundation-laying ceremony for its tungsten metal materials and hard alloy project (鎢金屬材料及硬質合金項目) with a total investment of RMB2.8 billion. The projects are planned to commence construction by the end of June of 2011 and completed construction in June 2013. Upon completion, the Group will become one of the largest tungsten metal product and hard alloy manufacturers in China.

B. HONORS

1. The Group was honored as "Enterprise with Quality and Creditability in China" (中國質量誠信企業)

On 19 January 2011, the Commendation of Enterprises with Quality and Creditability in Imports and Exports & the Third Representative Meeting of Henan Entry-Exit Inspection and Quarantine Association (進出口質量誠信企業表彰暨河南出入境檢驗檢疫協會第三屆會員代表大會) was held in Zhengzhou, the provincial capital in Henan Province. Our Group was commended by China Entry–Exit Inspection and Quarantine Association as an "Enterprise with Quality and Creditability in China", and was highly appraised at the meeting. Mr. Duan Yuxian, Chairman of the Group, was elected as the candidate for the standing member of the third council of Henan Entry-Exit Inspection and Quarantine Association (河南出入境檢驗檢疫協會).

2. The Group won the accolade of "Advanced Enterprise of Internal Audit in Henan Province" (河南省內部審計工作先進單位)

In January 2011, the Group was honored as the "Advanced Enterprise of Internal Audit in Henan Province" by the Department of Audit of Henan Province.

3. The Group was honored the "Eminent Foreign-funded Enterprise" (優秀外商投資企業)

In February 2011, the Group was named the Eminent Foreign-funded Enterprise in 2010 by Luoyang Pioneering Group for External Relations (洛陽市對外開放領導小組).

4. The Group was awarded "2010 Golden Award for Enterprises with Outstanding Contribution" (2010年企業突出貢獻一等獎)

In February 2011, the Group was awarded "2010 Golden Award for Enterprises with Outstanding Contribution" by Luoyang Municipal Committee and the Municipal Government of Luoyang (洛陽市委、市政府).

5. The Group was honored as "Industry Leader" (行業龍頭企業)

On 1 March 2011, the Group was accredited as the "Industry Leader" by Henan Provincial Government.

6. The Group won the honor of "Advanced Investigator in Business Climate Survey" (企業景氣調查工作先進調查企業)

In March 2011, the Group was honored as the "Advanced Investigator in Business Climate Survey" by Henan Investigation Corps of the National Bureau of Statistics of China (中國統計局河南調查總隊).

7. The Group was entitled the "Top Ten Caring Community in Luoyang" (洛陽市十大愛心集體)

In March 2011, the results of the 2010 Contest of the "Top Ten Caring Community in Luoyang" was announced (2010年"洛陽市十大愛心集體"評選活動). The contest was jointly organized by Luoyang Charity Association (洛陽市慈善協會), Luoyang Cultural Committee (洛陽市文明委員會) and Luoyang Daily (洛陽日報社), in which the Group was honored as one of the "Top Ten Caring Community in Luoyang".

8. **The Group was awarded the second prize in technology development in Henan Province for its "development and application of localization of wear-resistant lining plates for C160 large jaw crushers" (C160大型顎式破碎機耐磨襯板國產化開發與應用) project**

   In March 2011, the "development and application of localization of wear-resistant lining plates for C160 large jaw crushers" (C160大型顎式破碎機耐磨襯板國產化開發與應用) project jointly developed by the group company and Henan University of Science and Technology was awarded the second prize in technology development in Henan Province by the Science and Technology Department of Henan Province.

9. **The Group was honored as the "Enterprise of Resources Integration in Henan Province"(河南省資源綜合利用企業)**

   On 16 March 2011, the "treatment of flue gas from roasting of molybdenum concentrate" (鉬精礦焙燒煙氣治理) project of the Group passed the inspection of Henan Resources Integration Identification and Verification Team (河南省資源綜合利用核查認定小組). The Group was thus entitled the "Enterprise of Resources Integration in Henan Province".

10. **The Mudu-Lee Royal International Hotel of the Group won the accolade of the "2010 Best Star Hotel in Henan Province"(河南省2010年度最佳星級飯店)**

    On 13 April 2011, at the Management Conference for Hotels for Travelers in Henan Province (河南省旅遊飯店管理工作會議), Mudu-Lee Royal International Hotel of the Group was honored as the "2010 Best Star Hotel in Henan Province".

11. **Each of the Group and Luoyang Yulu Mining Co., Ltd., its non-wholly owned subsidiary, won RMB10 million from the "Incentive Fund for Saving and Integrated Use of Mineral Resources"(礦產資源節約與綜合利用獎勵基金)**

    In May 2011, the Luoyang Municipal Ministry of Finance (洛陽市財政局) announced the list of incentives for the saving and integrated use of mineral resources in 2010, pursuant to which the previous application of the "Incentive Fund for Saving and Integrated Use of Mineral Resources" of the Group was approved by Yu Cai Jian [2010] No. 553 Document (豫財建[2010]553號文件) and the Group was awarded a financial incentive fund of RMB10 million. The incentive fund was mainly used for technical overhaul and research and development projects to further enhance the "three ratios" (三率). Meanwhile, Yulu Company, the Group's non-wholly owned subsidiary was also enlisted and awarded a financial incentive fund of RMB10 million.

12. **Mr. Duan Yuxian, Chairman, was entitled to special government allowance granted by the State Council**

    Recently, Mr. Duan Yuxian, Chairman of the Group, was entitled to special government allowance granted by the State Council.

13. **The Group was selected as Top 500 Manufacturing Enterprises of the PRC (中國製造業500強) and Top 50 Nonferrous Metals Enterprises (有色金屬企業前50名)**

    From 3 to 4 September 2011, China Commerce Association (中國企業聯合會) and China Entrepreneurs Association (中國企業家協會) released the Top 500 China Enterprises list for the year 2011 and the Group ranked 319 among Top 500 Manufacturing Enterprises of the PRC. Moreover, according to the statistics of China Nonferrous Metals Industry Association, the Group ranked 29th among the Top 50 Scaled Non-ferrous Metals Industrial Enterprises (全國規模以上有色金屬工業企業前50名).

14. The Group was honored as the Advanced Unit on "Eleventh Five-year" Nonferrous Metals Industrial and Technological Innovation in Henan Province) (河南省「十一五」有色金屬工業技術創新先進單位)

In December 2011, at the Henan Nonferrous Metals Technology and Innovation Conference (河南省有色金屬科技創新大會), the Group was honored as the Advanced Unit on "Eleventh Five-year" Nonferrous Metals Industrial and Technological Innovation in Henan Province by the Industry and Information Technology Department of Henan Province (河南省工業與信息化廳) and Henan Nonferrous Metals Industry Association (河南省有色金屬協會).

C. DOMESTIC INDUSTRY POLICIES

1. Export Quota

On 28 December 2010 and 7 July 2011, the Ministry of Commerce of the PRC promulgated two notifications on export quota (first batch and second batch for 2011) of ordinary trading industrial commodities respectively. Under the notifications, the Company was entitled to export 5,423 tonnes and 3,612 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 68 tonnes and 41 tonnes of molybdenum chemical products and 83 tonnes and 55 tonnes of molybdenum products respectively.

On 26 December 2011, the Ministry of Commerce of the PRC promulgated a notification on export quota (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 quotas for molybdenum products of Luoyang High-Tech, a joint venture of the Company, was 73 tonnes.

According to the "Circular on Adjusting the Export Quota Category of Molybdenum and Molybdenum Products in 2011 (《關於調整二零一一年鉬及鉬製品出口配額品種的通知》) (Yu Shang Mao Han Zi [2011] No. 97)" promulgated by Commerce Department of Henan Province, the export quotas of the Company's primary molybdenum raw materials were reduced by 176 tonnes and that of molybdenum chemical products were increased by 200 tonnes.

2. The Ministry of Industry and Information Technology of the PRC issued the 2011 mandatory production plan for precious metals

On 25 March 2011, the Ministry of Industry and Information Technology of the PRC issued the 2011 mandatory production plan for precious metals. The target set forth under the mandatory production plans for molybdenum concentrates (containing 45% Mo) of the Company and its subsidiaries totaled 48,959 tonnes, accounting for 24.48% of the national plan.

3. Adjusting resources tax on molybdenum ore

On 28 October 2011, the Ministry of Finance of the PRC issued a notice with the approval of the State Council that with effect from 1 November 2011, the resources tax rate of the Company's molybdenum ore was determined as first class, ie. RMB8/tonne. According to Cai Shui [2012] No. 2, the resources tax rate of the Company's molybdenum ore was increased to RMB12/tonne from RMB8/tonne with effect from 1 February 2012.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2011.

CORPORATE GOVERNANCE OF THE COMPANY

The Group has strived to uphold the highest 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 on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') (the "Listing Rules").

In the opinion of the Directors, the Company has adopted and 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.

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.

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performances. The Group's senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively.

Every Director carries out his duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

BOARD COMPOSITION

The Board currently comprises 11 members, consisting of five executive Directors, two non-executive Directors and four independent non-executive Directors.

The list of all Directors is set out under "Corporate Information" from page 39 to 40 and the independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company comprises the following Directors:

Executive Directors

Duan Yuxian, Chairman (also the chairman within the meaning of the CG Code)
Li Chaochun, Vice Chairman
Wu Wenjun, General Manager (also the chief executive officer within the meaning of the CG Code)
Li Faben
Wang Qinxi

Non-executive Directors

Shu Hedong
Zhang Yufeng

Independent Non-executive Directors

Gao Dezhu
Zeng Shaojin
Gu Desheng
Ng Ming Wah, Charles

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the year ended 31 December 2011, the Board, at all times, met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received an annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgment to the Board. Through active participation in Board meetings or meetings of Board committees, supervising issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions that affect the direction of the Company.

CHAIRMAN AND GENERAL MANAGER

The roles and duties of the Chairman and the General Manager are carried out by different individuals and with roles that have been clearly defined in writing.

The Chairman is Mr. Duan Yuxian, who provides leadership for the Board and is also responsible for chairing the meetings, leading the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner.

The General Manager, Mr. Wu Wenjun, is responsible for running the Company's business operations and implementing the Group's strategic plans and business goals.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the non-executive Directors of the Company is appointed for a term of three years and is subject to retirement by rotation at least once every three years. In accordance with the Company's Articles of Association (the "Articles of Association"). All Directors of the Company are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall submit himself for election by shareholders at the first general meeting after appointment. The Board selected candidates of Directors with reference to major shareholders' recommendation and certain criterias and procedures. The relevant criteria mainly include the candidate's professional background, especially his or her experience in the industry where the Group establishes its presence, his or her financial and past track record with other similar companies and the recommendations from management and other knowledgeable individuals. The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee established on 26 January 2011 is responsible for reviewing the Board composition, monitoring the appointment, nomination and succession plan of Directors and assessing the independence of independent non-executive Directors.

INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his appointment so as to ensure that he has an appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are regularly updated with legal and regulatory developments as well as business and market changes to facilitate the discharge of their responsibilities. Continual briefings and professional development schemes for Directors will be arranged whenever necessary.

BOARD MEETINGS

Board Practices and Conduct of Meetings

General meeting schedules and draft agendas for each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

The agenda of Board meeting and the accompanying Board papers are sent to all Directors at least three days before each Board meeting or committee meeting for their review and to keep the Directors apprised of the latest developments and financial position of the Company so as to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary for inquiries or additional information.

The senior management attend all regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, operation, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions where such Directors or any of their associates have a material interest.

DIRECTORS' ATTENDANCE RECORDS

The attendance records of each Director at the meetings of the Board, remuneration committee and audit committee during the year ended 31 December 2011 are set out below:

	Attendance/Number of Meetings		
Name of Directors	Board	Remuneration Committee	Audit Committee
Mr. Duan Yuxian	9/9	N/A	N/A
Mr. Li Chaochun	8/9	N/A	N/A
Mr. Wu Wenjun	9/9	N/A	N/A
Mr. Li Faben	8/9	N/A	N/A
Mr. Wang Qinxi	9/9	N/A	N/A
Mr. Shu Hedong(1)	9/9	2/2	N/A
Mr. Zhang Yufeng(2)	8/9	N/A	3/4
Mr. Gao Dezhu(1)	9/9	2/2	N/A
Mr. Zeng Shaojin(2)	9/9	N/A	3/4
Mr. Gu Desheng(1)	8/9	2/2	N/A
Mr. Ng Ming Wah, Charles(2)	9/9	N/A	4/4

Notes:

(1) The remuneration committee comprises two independent non-executive Directors, namely Mr. Gao Dezhu and Mr. Gu Desheng, and one non-executive Director, namely Mr. Shu Hedong, with Mr. Gao Dezhu as the chairman.

(2) The audit committee comprises two independent non-executive Directors, 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.

COMPANY SECRETARY

On 21 March 2012, Ms. Lai Sharon Magdalene has resigned as the joint company secretary of the Company. Ms. Ho Siu Pik, the other joint company secretary who meets the requirements as a company secretary under Rule 8.17 of the Listing Rules, will continue to serve as the company secretary of the Company.

SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

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. 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 equally stringent to the Model Code (the "Employees Written Guidelines") 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 after making reasonable enquiry.

DELEGATION BY THE BOARD

The Board reserves for its decisions all major matters of the Company, including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are complied with. In appropriate circumstances, Directors may seek independent professional advice relating to such queries at the Company's expense upon making such request to the Board.

The day-to-day management, administration and operations of the Company are delegated to the General Manager and the senior management. The delegated functions and work tasks are periodically reviewed. Prior to any significant transactions entered into by the abovementioned officers, approvals have to be obtained from the Board.

The Board has established a number of committees, including, the remuneration committee, audit committee and strategic committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company were established with defined written terms of reference. The proposed establishment of a nomination committee of the Board was considered and approved at the extraordinary general meeting held on 26 January 2011.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies regarding remuneration of Directors and senior management personnel of the Group. Details of the remuneration of each of the Directors and senior management members of the Company for the year ended 31 December 2011 are set out in note 12 to the consolidated financial statements.

DISCLOSURES OF DIRECTORS AND SUPERVISORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

DIRECTORS' REMUNERATION

On 1 September 2011, the adjustments to the remuneration of the Directors and supervisors are as follows:

- Annual remuneration for each of Mr. Shu Hedong and Mr. Zhang Yufeng, non-executive Directors, has been increased to RMB90,000.
- Annual remuneration for each of Mr. Gu Desheng, Mr. Gao Dezhu and Mr. Zeng Shaojin, independent non-executive Directors, has been increased to RMB150,000.
- Annual remuneration for Mr. Ng Ming Wah, Charles, independent non-executive Director, has been increased to RMB250,000.
- Annual remuneration for each of Mr. Zhang Zhenhao and Mr. Yin Dongfang, supervisors, has been increased to RMB90,000.

Save for the disclosures above, as at 31 December 2011, there is no other changes to the Directors' and supervisors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REMUNERATION COMMITTEE

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

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

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

The remuneration committee has formulated, implemented and reviewed the remuneration policy and structure of the Company, evaluated the performance of executive Directors and considered the remuneration packages for the Directors and the senior management and the terms of their service contracts for the year ended 31 December 2011.

The remuneration committee held two meetings during the year ended 31 December 2011 and the attendance records are set out under "Directors' Attendance Records" on page 20.

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 report, 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 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.

The main duties of the audit committee include the following:

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors submitted to the Board;
- To acquaint with the work performed by the auditor, their fees and terms of engagement, in order to review the relationship between the Company and the external auditor, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;
- To review the drafts of annual report, including reports submitted by the general manager and the management;
- To supervise Directors to ensure that they perform annual review in respect of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, the training programmes and the budget;
- To review the audit activities with external and internal auditors at least once every six months, and the internal auditor shall specify the important issues and results which the committee shall know or pay attention to. To prepare for such review, the internal auditor will provide internal audit reports or report summaries of the Group to members of the committee through the Secretary of the committee when necessary. Report on the activities of the committee in each financial year will also be submitted to the Board; and
- To communicate with executive Directors, other executives or employees, external auditor and internal auditor without any restrictions. External auditor and internal auditor are entitled to consult the committee without notifying the management. The committee is also entitled to consult the external auditors and internal auditors without notifying the management or consult the management without notifying the external auditors and internal auditors.

The audit committee supervises the internal control system of the Company, reports to the Board on any material issues and makes recommendations to the Board.

During the year ended 31 December 2011, the audit committee reviewed the interim results for the six months ended 30 June 2011 and the annual results for the year ended 31 December 2011. The audit committee also considered the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes and the re-appointment of the external auditor.

The audit committee held four meetings during the year ended 31 December 2011 and the attendance records are set out under "Directors' Attendance Records" on page 20.

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. During the year ended 31 December 2011, the strategic committee convened two meetings.

NOMINATION COMMITTEE OF THE BOARD

The nomination committee is responsible for advising the Board as to the structure, size 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 or 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. The Nomination committee under the Board did not hold any meeting during the year.

As at the date of this report, the nomination committee of the Board comprises the following six members, 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). Among them, Mr. Duan Yuxian and Mr. Gao Dezhu are the respective chairman and the vice chairman of the nomination committee of the Board.

SUPERVISORY COMMITTEE

As at the date of this report, the supervisory committee of the Company comprises three members, namely Mr. Zhang Zhenhao (chairman), Mr. Yin Dongfang and Mr. Deng Jiaoyun. The supervisory committee is responsible for exercising supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. During the year ended 31 December 2011, the supervisory committee held two meetings to review the financial positions and the internal control of the Company and launched various activities to adhere to the principle of good faith.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management provides explanations and information to the Board for approval so as to enable the Board to make an informed assessment of and to consider and approve the financial information and position of the Company.

INTERNAL CONTROL

The Board has overall responsibility for maintaining the soundness and effectiveness of the internal control system and risk management procedures of the Group, including setting a management structure and its terms of reference to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorized use or disposal and ensuring an appropriate maintenance of according records.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditors and senior management shall evaluate operational controls and risk management on a regular basis and report to the audit committee on any findings concerning internal controls and risk management.

During the year ended 31 December 2011, the Board has conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board has not identified any major issues during their course of review.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 41.

During the year ended 31 December 2011, the remuneration paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd., is set out below:

Category of services	**Fee paid/payable** *RMB'000*
Annual audit service	2,200
Interim review services	4,500
Other services	670

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The chairman as well as chairmen of the audit committee, remuneration committee, nomination committee of the Board and strategic committee shall attend the forthcoming annual general meeting to answer questions of the shareholders.

The Company will arrange the time of convening the forthcoming annual general meeting ("AGM") as soon as possible, and the notice of AGM will be published and dispatched to the 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 AGM is finalised, the Company will issue separate announcement and publish in the notice of AGM the period of closure of register of members of H Shares.

SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue (including the election of individual Directors).

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange after the general meeting.

REPORT OF THE DIRECTORS

Dear Shareholders,

The Directors of the Company are pleased to present their 2011 report and the audited consolidated financial statements of the Company for the year ended 31 December 2011.

ESTABLISHMENT OF THE COMPANY

The Company was incorporated in the PRC on 25 August 2006 as a joint stock limited company in preparation for the listing of the Company's H shares on the Stock Exchange. Details are set out in the prospectus of the Company dated 13 April 2007.

On 26 April 2007, the Company completed its initial public offering and the H shares of the Company were successfully listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activities of the Company are mining, flotation, roasting, smelting and downstream processing of molybdenum products. Meanwhile, we develop our tungsten production facilities. In addition, we also set out to develop mining and processing of precious metals after the acquisition of three gold mines in Luoning County, Henan Province. Details of the principal activities of the substantial subsidiaries are set out in note 49 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

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 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. At the Board meeting held on 13 February 2012, the Board did not recommend the payment of a final dividend for the year ended 31 December 2011.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company received aggregate net proceeds of approximately HK$8.1 billion from the issuance of H shares at the time of its listing on the Stock Exchange. Such net proceeds were derived after deduction of related issuance expenses. The Directors are of the opinion that the remaining proceeds had been applied to their intended uses this year as set out in the Company's prospectus dated 13 April 2007.

FINANCIAL INFORMATION SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements for the year ended 31 December 2011, is set out on page 95. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes to the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note 40 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Save for the issuance of short-term financing bonds by the Company on 2 June 2011 (please refer to the section headed "Short-term Financing Bonds" set out in note 34 to the consolidated financial statements and the Company's announcements dated 24 May 2011 and 3 June 2011), 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.

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution as at 31 December 2011, calculated in accordance with PRC rules and regulation, was RMB496.4 million.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling RMB1.2 million (2010: RMB11.4 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the proportions of purchase and sales from our major suppliers and major customers to our total purchase and sales were as follows:

PURCHASE

The total purchase from our largest supplier was approximately 10.32% of our total purchase value.

The total purchase from our five largest suppliers was approximately 36.61% of our total purchase value.

SALES

The total sales to our largest customer was approximately 10.18% of our total sales value.

The total sales to our five largest customers was approximately 26.44% of our total sales value.

REPORT OF THE DIRECTORS

During the year, to the best of the Directors' knowledge, none of the Directors or supervisors or their associates or any shareholder who holds more than 5% of our shares, held any material interest or rights in our five largest customers and our five largest suppliers.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, supervisors and senior management of the Company during the year are:

Executive Directors

Mr. Duan Yuxian	(re-elected on 18 August 2009)
Mr. Li Chaochun	(re-elected on 18 August 2009)
Mr. Wu Wenjun	(re-elected on 18 August 2009)
Mr. Li Faben	(re-elected on 18 August 2009)
Mr. Wang Qinxi	(re-elected on 18 August 2009)

Non-executive Directors

Mr. Shu Hedong	(appointed on 18 August 2009)
Mr. Zhang Yufeng	(re-elected on 18 August 2009)

Independent Non-executive Directors

Mr. Gao Dezhu	(re-elected on 18 August 2009)
Mr. Zeng Shaojin	(re-elected on 18 August 2009)
Mr. Gu Desheng	(re-elected on 18 August 2009)
Mr. Ng Ming Wah, Charles	(re-elected on 18 August 2009)

Supervisors

Mr. Zhang Zhenhao	(appointed on 18 August 2009)
Mr. Yin Dongfang	(re-elected on 18 August 2009)
Mr. Deng Jiaoyun	(re-elected on 18 August 2009)

Senior Management

Mr. Yang Jianbo	(appointed as deputy general manager in August 2006)
Mr. Wang Bin	(appointed as deputy general manager in August 2006)
Ms. Gu Meifeng	(appointed as chief financial officer in August 2006)
Mr. He Feng	(appointed as Board secretary in August 2006)

In accordance with the Articles of Association, all Directors and supervisors are elected for a term of three years (the expiry date will be the date of the annual general meeting in 2012) and may serve consecutive terms upon re-election. The Company has received annual confirmations of independence from independent non-executive directors Mr. Gao Dezhu, Mr. Zeng Shaojin, Mr. Gu Desheng and Mr. Ng Ming Wah, Charles, and as at the date of this report still considers them to be independent.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and supervisors of the Company and the senior management of the Group are set out on pages 34 to 38 of the annual report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

The Directors' and supervisors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of the Company with reference to Directors' and supervisors' duties, responsibilities and performance and the results of the Group. In compliance with the CG Code, the Company has a remuneration committee to formulate remuneration policies. Details of the Directors' and supervisors' and senior management's remuneration are disclosed in note 12 to the consolidated financial statements.

DIRECTORS' AND SUPERVISORS' MANAGEMENT CONTRACTS

Each of our Directors and supervisors of the Company has entered into a service contract with our Company for a term of three years until the annual general meeting of the Company to be held in 2012. No Director proposed for the re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

None of the Directors and supervisors had material interests, either directly or indirectly, in any contract of significance to the business of the Group subsisting or entered into by the Company, its holding company or any of its subsidiaries during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As of 31 December 2011, none of the Directors, chief executives and supervisors and their respective associates had interests or short positions in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which require the Company and the Stock Exchange to be notified pursuant to Part XV of the SFO or which, pursuant to section 352 of the SFO, require such interests or short positions 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.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors and 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 which enabled the Directors or supervisors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

To the best knowledge of all Directors and supervisors, as at 31 December 2011, the persons or companies (other than a Director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Capacity	Class of Share	Approximate percentage of shareholding in relevant class of shares
Luoyang Mining Group Co., Ltd. ("LMG") (1)	1,796,593,475 (L)	Beneficial owner	Domestic share	50.40%
Cathay Fortune Corporation ("CFC") (2)	1,726,706,322 (L)	Beneficial owner	Domestic share	48.43%
National Council for Social Security Fund of the PRC	119,196,000 (L)	Beneficial owner	H share	9.09%
JPMorgan Chase & Co.	91,410,490 (L)	Beneficial owner	H share	6.97%
	6,049,000 (S)	Beneficial owner	H share	0.46%
	79,312,487 (P)	Custodian	H share	6.05%

Note: (L) - Long position; (S) - Short position; (P) - Lending pool

(1) LMG is wholly-owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Luoyang City (洛陽市人民政府國有資產監督管理委員會) ("Luoyang SASAC"), which holds the interests on behalf of the People's Government of Luoyang City.

(2) Mr. Yu Yong holds 99% of equity interests in CFC.

Save as disclosed above, as at 31 December 2011, the Directors were not aware of any other person (other than a Director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

As at 31 December 2011, the Group's bank loans of RMB100 million were guaranteed by LMG.

Save as disclosed above, the Group has not conducted any other transactions with connected persons as defined in the Listing Rules during the reporting year.

NON-COMPETE AGREEMENTS

On 6 September 2006, the non-compete agreements were entered into by our Company with LMG and CFC, respectively. LMG and CFC agreed not to compete with us in our businesses and granted us certain options and right of first refusal pursuant to the non-compete agreements. Details of the non-compete agreements have already been disclosed in the prospectus of the Company dated 13 April 2007, under the section headed "Relationship with Controlling Shareholders - Non-Compete Agreements".

SUFFICIENCY OF PUBLIC FLOAT

Based on public information and to the knowledge of the Directors, at least 26.89% of the Company's total issued share capital was held by the public as of the date of this report. The Company has been maintaining the public float required by the Listing Rules.

AGM AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Company will convene the forthcoming AGM for 2012 as soon as possible, and the notice of AGM will be published and dispatched to the 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 AGM is finalised, the Company will issue another announcement and publish in the notice of AGM the period of closure of register of members of H Shares.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2011 were audited by Messrs. Deloitte Touche Tohmatsu. The auditor has to retire at the end of the year, but is eligible to be reappointed as auditor at the next AGM of the Company. The Company has not changed its auditor in the past three years.

By order of the Board
Duan Yuxian
Chairman

Shenzhen, the PRC
21 March 2012

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, the supervisory committee of the Company complied with the PRC Company Law, the laws and regulations of Hong Kong and the Articles of Association of the Company. We duly performed our responsibilities, exercised power legally and independently, facilitated standardized operation of the Company and protected the legal interests of the Company, shareholders and staff. The supervisory committee conducted supervision and inspection on the Company's finance, implementation of resolutions passed at general meetings, the legitimacy and compliance of material procedures in decision-making by the Board and the operational and management activities of the Company and the performance of duties by the Board and the senior management, with a view to fostering sustainable and healthy development of the Company.

I. MEETINGS CONVENED DURING THE REPORTING PERIOD

During the reporting period, the supervisory committee held two meetings. Apart from holding supervisory committee meetings, the supervisory committee of the Company had also attended and observed the Board meetings of the Company for 9 times, general meetings for 3 times in 2011 and had listened to and adopted important proposals and resolutions from the Company. We understood the formation process of the material decisions of the Company, had a grasp on the operational results of the Company, and at the same time performed the functions of acknowledgement, monitoring and investigation of the supervisory committee.

II. MAJOR DUTIES OF THE SUPERVISORY COMMITTEE

During the year, the supervisory committee prudently reviewed the operational and development plans of the Company. The supervisory committee also raised reasonable recommendations and opinions to the Board. It also stringently and effectively supervised as to whether the important and specific decisions made by the management were in compliance with the national laws and regulations and the Articles of Association, and whether they were made to the benefit of the shareholders.

During the reporting period in 2011, the current session of the supervisory committee was primarily engaged in the following activities:

1. Inspection of the implementation of resolutions passed at the general meetings

The current session of the supervisory committee exercised supervision and inspection of the implementation of resolutions passed at the general meetings by the Board, Directors and the management of the Company through attending general meetings and Board meetings of the Company. The supervisory committee is of the opinion that the Board has diligently performed their duties by making earnest efforts to execute all resolutions of the general meetings, and has not conducted any act which jeopardized the interests of the Company and shareholders. All resolutions of the Board are in compliance with laws and regulations such as the Company Law and the Articles of Association.

2. Inspection of legal compliance of the Company's operations

In 2011, in accordance with the requirements of relevant PRC laws, regulations and Articles of Association, the supervisors of the Company exercised inspection and supervision over the procedures for convening general meetings and Board meetings of the Company, items to be resolved, execution of resolutions passed at general meetings by the Board, the conduct codes of senior management of the Company and internal control system of the Company. Upon inspection, the supervisory committee of the Company is of the view that the decision making procedures on the general meetings and on each of the Board meetings of the Company are lawful, and the internal control system of the Company is well established. No violation of any laws, regulations and Articles of Association or any act which might jeopardize the benefits of the Company and the interests of the shareholders had been found in the performance of duties of each of the Directors and senior management.

3. Inspection of the Company's daily operating activities

The supervisory committee exercised supervision over the Company's operating activities. The supervisory committee is of the opinion that the Company has established a sound internal control system and has made great progress in the formulation and implementation of its internal work procedures, thus effectively controlled its exposure to various operating risks. The Company's operation is in compliance with the PRC laws and regulations, the Articles of Association and its work procedures.

4. Inspection of the Company's financial status

In 2011, the supervisory committee of the Company exercised effective supervision and inspection over the financial work of the Company. Upon inspection, the supervisory committee is of the view that the financial operation of the Company was conducted in strict compliance with the financial management and the internal control system of the Company. Through the inspection over each auditing materials (including the financial information) provided by the Company, the supervisory committee is of the opinion that the Company has basically built a relatively sound financial internal control system, which could guarantee the efficient operation of corporate funding and the safety and integrity of the Company's properties. The Company has neither acted against the wishes of the shareholders nor violated the internal management system of the Company during the course of business. The utilization of fund is in the interests of the shareholders and fit in the principle of maximizing the Company's benefits. The financial position of the Company was solid and the financial data was valid.

5. Inspection of the performance of duties of the Directors and senior management of the Company

In 2011, the supervisory committee of the Company exercised timely supervision over the execution of relevant PRC laws and regulations and the resolutions of the general meetings and Board meetings by the Board and senior management of the Company. No violation of the Company Law, the Articles of Association and other laws and management systems of the Company was found during the implementation of the management systems by the Directors and senior management of the Company. The supervisory committee deeply appreciated the efforts of Directors and senior management of the Company in overcoming obstacles and carrying out resolutions approved at the general meetings and Board meetings with such outstanding performance.

III. MAJOR AREAS OF DUTIES OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2012

The supervisory committee of the Company will stick firmly to the scheduled strategies of the Company, in stricter compliance with the national laws and regulations and the power and authority granted by the Articles of Association. We will diligently exercise our responsibilities and urge the Company into standardized operation to improve its governance structure as a legal person.

Our overall working framework for the year 2012: we will adapt to new dynamics and requirements of the Company, improve supervisory responsibilities and constantly refine our working methods with a view to enhancing supervision. We will step up day-to-day supervision and, by various means, understand and keep abreast of any material decisions, significant business management and material abnormality of the Company. We will foster continued improvement on internal control and continued standardization of business management, whilst facilitating improvement on the legal person governance regime of the Company with reference to new governance requirements imposed on listed companies by regulatory authorities. We will achieve better and faster development of the Company as a whole.

Zhang Zhenhao
Chairman of the supervisory committee

Shenzhen, the PRC
21 March 2012

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Duan Yuxian, aged 58, Senior Economist, Senior Engineer and a professor on Economics in Beijing Normal University who is entitled to special subsidies from the State Council. Mr. Duan has been our chairman, secretary to the Party Committee and director since August 2006. Mr. Duan graduated from the Academy of the Henan Province Chinese Communist Party (CCP member) Committee in 1995. From May 1986 to January 1999, Mr. Duan served at Luanchuan County Metallurgical and Chemical Company ("LCMCC") where he held various positions including head of the finance section, deputy manager and manager. From January 1999 to August 2006, he served as vice chairman, general manager, and chairman of Luoyang Luanchuan Molybdenum Group Co., Ltd. ("LLMG"). From January 2006 to December 2006, Mr. Duan was also the chairman of Luoyang Baima Group. Mr. Duan is currently a director and the chairman of LMG as well as a director of Luoyang High-Tech and China Molybdenum (Hong Kong) Company Limited ("China Moly-HK") since 27 May 2010 and 16 August 2007 respectively, and is elected as the deputy of the eleventh National People's Congress.

Mr. Li Chaochun, aged 35, has been our Director and vice chairman since January 2007. Mr. Li graduated from Shanghai Jiaotong University with a bachelor's degree in law in July 1999. From July 1999 to December 1999, he was a staff accountant of the tax division of Arthur Andersen (Shanghai) Business Consulting Co., Ltd. He was with Arthur Andersen Hua Qiang CPA from January 2000 to March 2002, where his last position was a senior of the tax division. From April 2002 to February 2003, he was a deputy manager of planning and strategy implementation of the general representative office of The Hong Kong and Shanghai Banking Corporation Limited. From July 2003 to January 2007, Mr. Li was an executive director of the investment department of CFC, one of the promoters of the Company. Mr. Li is a director of Luoyang High-Tech and China Moly-HK since 27 May 2010 and 16 August 2007 respectively.

Mr. Wu Wenjun, aged 45, Senior Engineer, has been our Director and general manager since January 2007. Mr. Wu graduated from the Luoyang Institute of Technology in July 1987 with a bachelor's degree in engineering majoring machinery processing and equipment and with a master's degree in technological economics from Tsinghua University School of Economics and Management in June 1993. Between July 1993 and February 1994, Mr. Wu worked as an engineer with CITIC Heavy Machinery Inc. Computing Center and between February 1994 and December 2000, he worked as department manager and deputy general manager of CITIC Heavy Machinery Inc. Foreign Trade Company ("CITIC Foreign Trade"). From December 2000 to March 2003, he served as the general manager of CITIC Foreign Trade. From March 2003 to December 2006, he was appointed as the deputy mayor of the Luanchuan County. In March 2010, Mr. Wu was elected as the vice president of Luoyang Association of Science and Technology at the sixth representatives meeting of Luoyang Association of Science and Technology and Luoyang City science and technology award presentation ceremony.

Mr. Li Faben, aged 48, Professor-level Senior Engineer, has been our Director and executive deputy general manager since August 2006. Mr. Li is also a director of China Moly-HK since 16 August 2007. Mr. Li graduated from the Central South Mining & Metallurgical College (later renamed as the Central South University of Technology, now known as the Central South University) with a bachelor's degree in engineering in 1983 (major in mining engineering) and the Xi'an Construction Technology University with a master's degree in engineering in 2004 (specialised in mining engineering). Mr. Li is a senior engineer and has over 21 years of experience in the PRC mining industry. Mr. Li was appointed as a national class mining inspector by the Ministry of Land and Resources of the PRC ("MLR") from 2002. From August 1988 to January 1999, Mr. Li held various positions at Luoyang Luanchuan Molybdenum Company ("LLMC"), in which he served as the deputy head and head of the technical division of LLMC, head of various mines of LLMC, head of the open-pit mining construction department of LLMC and deputy manager of LLMC. Mr. Li served as deputy general manager of LLMG between January 1999 and November 2002. From November 2002 to August 2006, Mr. Li was the deputy general manager and vice chairman of LLMG and as well as a director of LMG from July 2006 to November 2009.

Mr. Wang Qinxi, aged 47, Senior Engineer, has been our Director and deputy general manager since August 2006. Mr. Wang graduated from Beijing Steel College with a bachelor's degree in engineering majoring in ore flotation in 1987. Mr. Wang has over 20 years of experience in ore flotation. From 1987 to January 1999, Mr. Wang was a technician and workshop head of No.1 ore processing branch of Luanchuan Molybdenum Mine of Henan Province, head of the ore processing plant of LLMC Mucheng Company, deputy manager of LLMC Mucheng Enterprise Company, deputy head of Majuan Ore Processing Plant of LLMC and deputy manager of LLMC. From January 1999 to August 2006, Mr. Wang served as vice chairman and deputy general manager of LLMG. From January 2006 to December 2006, Mr. Wang also served as vice chairman of Luoyang Baima Group.

Non-executive Directors

Mr. Shu Hedong, aged 48, has been our non-executive Director since August 2009. Mr. Shu concurrently acts as executive director and general manager of Shanghai CFC Puyuan Investment Management Co., Ltd.* (上海鴻商普源投資管理有限公司), executive director and general manager of Shanghai CFC Datong Industrial Co., Ltd.* (上海鴻商大通實業有限公司), executive director and general manager of Shanghai Shanglue Trading Co., Ltd.* (上海商略貿易有限公司), executive director and general manager of Beijing Huiqiao Investment Co., Ltd.* (北京匯橋投資有限公司), and executive director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司). Mr. Shu graduated from Nanjing University in 1985 with a bachelor's degree in radio-geology and from the Third Institute of the Ministry of Nuclear Industry in 1988 with a master's degree in radio-geology. From January 1989 to March 1993, Mr. Shu worked for the former Ministry of Energy, and from April 1993 to January 1995, he served as the business development manager of Unisono Limited. Subsequently from February 1995 to November 1998, Mr. Shu served as business development manager of PowerGen International. From December 1998 to March 2001, Mr. Shu served as the chief director of corporate strategy and new business development of Unisono Limited and from April 2001 to March 2004, he served as the deputy general manager of Beijing Leader & Harvest Technology Co., Ltd.* (北京利德華福技術有限公司). Since April 2004, Mr. Shu has been an assistant to the chairman of CFC and an executive director of CFC. From August 2006 to August 2009, Mr. Shu acted as supervisor and chairman of the supervisory committee of the Company.

Mr. Zhang Yufeng, aged 37, has been our non-executive Director since August 2006. Mr. Zhang was an executive director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司) and has been a director of Cathay Fortune Capital Equity Investment Co., Ltd. (鴻商資本股權投資有限公司) since October 2011. Mr. Zhang graduated from Shanghai Jiaotong University (上海交通大學) in 1996 with a bachelor's degree in engineering. Mr. Zhang is a non-practicing member of CICPA (Chinese Institute of Certified Public Accountants). From January 1997 to August 1998, Mr. Zhang worked in project and investment department of Shanghai Caohejing Hi-Tech Park West Zone Development Co., Ltd.* (上海漕河涇開發區西區發展有限公司) and from August 1998 to July 2001, he served in the investment and consultancy department of DTZ Debenham Tie Leung Limited* (戴德梁行). From July 2001 to September 2002, Mr. Zhang worked for Shanghai Bao Rui Technology Investment Company* (上海寶瑞科技投資公司). Mr. Zhang was engaged in investment services for China Fortune Securities Co., Ltd.* (中富證券有限責任公司) from December 2002 to July 2003. From August 2003 to the present, Mr. Zhang has been the general manager of the No. 2 Investment Department of CFC. Mr. Zhang has been a director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司) since November 2010.

Independent Non-executive Directors

Mr. Gao Dezhu, aged 71, has been our independent non-executive Director since October 2006. Mr. Gao is a senior economist entitled to privileged subsidies from the State Council and is currently the honorary chairman of the China Non-ferrous Metals Industry Association. Mr. Gao graduated from the Chinese Language Department of the Fushun College of Education in September 1962. Mr. Gao had been appointed as a parttime professor in various universities in the PRC including the Graduate School of the People's Bank of China, Renmin University of China, Liaoning University and Central South University. Mr. Gao has more than 36 years of experience in the banking industry and he was the general manager of the credit department and vice president of the headquarters of the Bank of China. From April 1998 to April 2001, Mr. Gao served as deputy chief of the State Non-ferrous Metals Industry Administration. From April 2001 to March 2010, Mr. Gao served as the executive vice chairman of the China Non-ferrous Metals Industry Association. In the past, Mr. Gao also served as chairman of ONFEM Holdings Limited in Hong Kong and chairman of Oriental Metals (Holdings) Company Limited in Hong Kong as well as the independent non-executive director of Ningxia Orient Tantalum Industry Co., Ltd., a PRC company listed on the Shenzhen Stock Exchange (stock code: 000962). Mr. Gao currently serves as independent non-executive director of Jiangxi Copper Company Limited, a PRC company whose A shares are listed on the Shanghai Stock Exchange (stock code: 600362) and whose H shares are listed on the Hong Kong Stock Exchange (stock code: 00358), London Stock Exchange (secondary listing) and The Bank of New York (Level I American Depository Receipt), Jinchuan Group International Resources Co. Ltd, a company listed on the Hong Kong Stock Exchange (stock code: 02362), Western Mining Co., Ltd. (stock code: 601168) and Rising Nonferrous Metals Share Co., Ltd. (stock code: 600259), both of which are PRC companies listed on the Shanghai Stock Exchange.

Mr. Zeng Shaojin, aged 68, has been our independent non-executive Director since October 2006. Mr. Zeng is a professor-grade senior engineer entitled to special subsidies from the State Council. Mr. Zeng resigned from the position of executive deputy president of China Mining Association* (中國礦業聯合會) in November 2011 and is currently the treasurer (資政) of the association. He graduated from the department of geophysical exploration (地球物理勘探系) of Chengdu College of Geology* (成都地質學院) in 1967. From 1968 to 1982, Mr Zeng was a technician and team head of two geological survey teams in Henan Province, and was deputy team head and general engineer of the Henan Province Geophysical Exploration Team* (河南省物探隊). From July 1983 to June 1990, Mr. Zeng was appointed as the deputy chief, chief and department head of Henan Province (Bureau) Department of Geology and Mineral Resources*（河南省地質礦產（局）廳）. From June 1990 to July 1996, Mr Zeng was the chief of the Department of Geological Survey of Ministry of Geology and Mineral Resources* (地質礦產部地質勘查司) and from June 1996 to June 1999, Mr. Zeng served as the president of the Chinese Academy of Geological Survey Technologies* (中國地質勘查技術院). Mr. Zeng also served as chief of the Department of Mineral Exploitation of the MLR* (國土資源部礦產開發司) from July 1999 to January 2005. From 2004 to 2009, Mr. Zeng acted as the executive deputy president of the China Association for Geology and Mineral Economics* (中國地質礦產經濟學會). Mr. Zeng concurrently serves as an independent non-executive director of Zhongjin Gold Corporation Limited*（中金黃金股份有限公司）, a PRC company listed on the Shanghai Stock Exchange (stock code: 600489).

Mr. Gu Desheng, aged 74, has been our independent non-executive Director since October 2006. Mr. Gu is a professor and an academic advisor to Ph.D. students at Central South University. Mr. Gu graduated from Central South Mining & Metallurgical College in July 1960 and joined the faculty thereafter as a professor, academic advisor to Ph.D. students, department head, head of the research institute and member of the degree-awarding committee. He is specialised in theories of continuous mining of metal ore and oscillation ore drawing technology. In 1995, Mr. Gu became a fellow of the Chinese Academy of Engineering. Mr. Gu has received various awards including the first prize at the National Technology Advancement Award, second prize at the National Technological Advancement Awards, and the State Major Technology Contribution and Breakthrough Award. He has authored and published more than 180 professional articles. Mr. Gu was the member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference and a member of the evaluation committee of the National Natural Science Foundation, and has been a member of the assessment panel for the National Technology Invention Award since 9 March 2012. Mr. Gu currently serves as an independent non-executive director of Hunan Nonferrous Metals Corporation Limited, a PRC company whose H shares are listed on the Stock Exchange (stockcode: 02626) and Western Mining Co., Ltd., a PRC company listed on the Shanghai Stock Exchange (stock code: 601168).

Mr. Ng Ming Wah, Charles, aged 62, has been our independent non-executive Director since December 2006. Mr. Ng graduated from Loughborough University in England in 1972 with a Bachelor of Science degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies in England in 1974 with a Master of Science Degree in Business Studies. He is a director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. Mr. Ng is also the managing director of Equitas Capital Ltd. (盈均財務顧問有限公司). Mr. Ng has more than thirty years of experience in corporate finance and investment banking. Mr. Ng was an independent non-executive director of Stone Group Holdings Limited (stock code: 00409), the listing of which was withdrawn from the close of business on 6 November 2009, between 1 September 2004 to 9 November 2009. He served as an independent non-executive director of Dalian Port (PDA) Company Limited (stock code: 02880). Mr. Ng is currently a non-executive director of Goldlion Holdings Limited (stock code: 00533) and an independent non-executive director of China Everbright Limited (stock code: 00165). In addition, Mr. Ng is a member of the Board of Governors of Hong Kong Arts Centre.

SUPERVISORS

Mr. Zhang Zhenhao, aged 38, has been our supervisor and chairman of the supervisory committee since August 2009. Mr. Zhang concurrently acts as an executive director in Ledong Binhai City Construction Development Co., Ltd.*(樂東濱海城市建設開發有限公司)and a supervisor of Cathay Fortune Capital Equity Investment Co., Ltd. (鴻商資本股權投資有限公司). Mr. Zhang graduated from Tianjin Polytechnic University with a bachelor's degree in textile engineering. Mr. Zhang also obtained a master degree in finance from the Graduate School of The Chinese Academy of Social Sciences and the CFA qualification from the CFA Institute. Mr. Zhang is certified as a Class 2 Securities Professional by the Securities Association of China. He is also registered as a dealer of the Shanghai Stock Exchange. From 1993 to 1999, Mr. Zhang held positions with Tianjin Colour Weaving Company, Tianjin Weaving Materials Exchange, Hainan Zhongshang Futures Exchange* (海南中商期貨交易所). From May 1999 to December 2001, Mr. Zhang was employed by Zhongfu Securities Dealer Co. Ltd. as member of the planning committee, general manager of the business management department and supervisor of the company. From January 2002 to May 2007, Mr. Zhang was employed by Zhongfu Securities Co. Ltd. as member of the planning committee, general manager of the sales department of Haikou Securities, executive director of the sales management department, secretary to the board of directors of the company and general manager of the chief executive office and the human resources department. Since June 2007, Mr. Zhang has been the general manager of the finance department of CFC and concurrently acted as a director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司).

Mr. Yin Dongfang, aged 50, has been our supervisor since January 2007. Mr. Yin concurrently acts as the manager of the investment and management department of the Luoyang City Branch of Henan Province Association of Municipal and Township Collectively-Owned Industries* (河南省城鎮集體工業聯合社洛陽市聯社), vice chairman, director and general manager of Luoyang City State-owned Assets Management Co., Ltd.* (洛陽市國資國有資產經營有限公司), director of China YTO Group Corporation* (中國一拖集團有限公司) and supervisor of Bank of Luoyang Co., Ltd.* (洛陽銀行股份有限公司). Mr. Yin graduated from Zhengzhou University with a diploma in law in June 1988 and obtained his lawyer's qualification certificate in May 1989. Between 1994 and 1998, Mr. Yin practiced as a lawyer in Luoyang City No. 2 Law Firm* (洛陽市第二律師事務所) and between August 1998 and December 2004, he set up his own legal practice with two other partners. Between August 2002 and December 2004, Mr. Yin was appointed as the executive deputy chairman of Luoyang City Bar Association* (洛陽市律師協會). He has been the manager of the investment and management department of the Luoyang City Branch of Henan Province Association of Municipal and Township Collectively-Owned Industries since May 2005, a supervisor of the Company since January 2007, vice chairman, director and general manager of Luoyang City State-owned Assets Management Co., Ltd.* (洛陽市國資國有資產經營有限公司) since June 2007, director and deputy general manager of LMG since July 2008, director of China YTO Group Corporation since June 2009, and supervisor of Bank of Luoyang Co., Ltd. since January 2011.

Mr. Deng Jiaoyun, aged 59, has been our supervisor since August 2006. From July 1969 to June 1984, Mr. Deng worked at the Wood Construction Bureau, No. 2 Light Industry Bureau, and Planning Committee of Luanchuan County. From June 1984 to January 1988, Mr. Deng was the deputy chief of Luanchuan County Bureau of Statistics and from 1988 to 1989, he was appointed as the deputy head of the policy research office of Luanchuan County CCP Committee. In addition, from April 1989 to March 1993, Mr. Deng served as the head of the finance department, labor and personnel department and organization department of LLMC. From 1999 to August 2006, Mr. Deng also served as the head of organization department, director and chairman of the labor union of LLMG. He is also the chairman of the labor union of our Company.

COMPANY SECRETARY

Ms. Ho Siu Pik, aged 48, is the company secretary of the Company for the purpose of Rule 8.17 of the Listing Rules. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. She is currently the joint company secretary of SITC International Holdings Company Limited and the company secretary of Sun Art Retail Group Limited and China Polymetallic Mining Limited, all companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Our senior management comprises our executive Directors, our company secretary and the following persons:

Mr. Yang Jianbo, aged 46, Senior Engineer, has been our deputy general manager since August 2006. Mr. Yang graduated from Northeast Industrial College in 1988 with a bachelor's degree in ore processing. From 1988 to 1992, Mr. Yang served as a technician of the Lengshui ore processing plant and deputy head of the control center of LLMC. From 1992 to 1999, Mr. Yang served as deputy manager of LLMC, deputy head of the Lengshui ore processing plant and deputy head of the Majuan ore processing plant. From 1999 to 2002, Mr. Yang served as deputy head of the science and technology department of LLMG and manager of the No. 2 ore processing branch company of LLMG. From November 2002 to August 2006, Mr. Yang served as a deputy general manager and director of LLMG.

Mr. Wang Bin, aged 45, Professor-level Senior Engineer, has been our deputy general manager since August 2006. Mr. Wang graduated from Central South University of Technology in 1989 with a bachelor's degree in geology. From 1989 to 1996, Mr. Wang was a technician and a deputy head of Luanchuan County Mineral Company. From 1996 to 1998, Mr. Wang served as an office secretary of Luanchuan County People's Government. From 1998 to 1999, Mr. Wang was a deputy manager of LCMCC. From 1999 to 2002, Mr. Wang served LLMG in the positions of board secretary, deputy head of the business planning department, and manager of the mine branch company. From November 2002 to August 2006, Mr. Wang served as a deputy general manager and director of LLMG.

Ms. Gu Meifeng, aged 47, has been our chief financial officer since August 2006. Ms. Gu is a certified public accountant, registered asset appraiser and senior accountant. Ms. Gu graduated from Henan University in 1995 and obtained a master degree in accounting from the Chinese University of Hong Kong in December 2009. From 1986 to 1994, Ms. Gu worked on cost accounting with China YTO Group Corporation Equipment Reparation & Manufacturing Plant* (中國一拖集團有限公司設備修造廠). From 1994 to June 2006, Ms. Gu was a deputy general manager of Luoyang Zhonghua Certified Public Accountants Co., Ltd.* (洛陽中華會計事務所有限責任公司). From 2000 to 2006, she was also an independent supervisor of Luoyang Glass Company Limited* (洛陽玻璃股份有限公司).

Mr. He Feng, aged 48, has been our board secretary, board secretary-general and director of the general manager office since September 2006. Mr. He graduated from Luoyang Normal University in 1987 with a diploma in Chinese. From 1987 to 1989, Mr. He worked in Henan Province Luoyang Luanchuan Molybdenum Mine Workers' Children School and became the Secretary of the Communist Youth League General Branch of the school in 1989. From 1991 to 1995, Mr. He served as an editor and journalist in newspaper office of LLMC. From 1995 to 1999, Mr. He was a secretary in the manager office of LLMC. From 1999 to 2006, Mr. He served as section chief of general manager office secretary section, deputy director of general manager office and board secretary-general of LLMG.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Shu Hedong
Zhang Yufeng

Independent Non-executive Directors

Gao Dezhu
Zeng Shaojin
Gu Desheng
Ng Ming Wah, Charles

SUPERVISORS

Zhang Zhenhao *(Chairman of the supervisory committee)*
Yin Dongfang
Deng Jiaoyun

BOARD COMMITTEES

Remuneration Committee

Gao Dezhu (Chairman)
Gu Desheng
Shu Hedong

Audit Committee

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

Strategic Committee

Duan Yuxian *(Chairman)*
Li Chaochun
Wu Wenjun
Li Faben
Wang Qinxi
Zhang Yufeng
Shu Hedong
Gao Dezhu
Gu Desheng
Zeng Shaojin
Ng Ming Wah, Charles
Yang Jianbo
Wang Bin
Zhang Bin

Nomination Committee

Duan Yuxian *(Chairman)*
Li Chaochun
Gao Dezhu *(Vice Chairman)*
Zeng Shaojin
Gu Desheng
Ng Ming Wah, Charles

Supervisory Committee

Zhang Zhenhao *(Chairman)*
Yin Dongfang
Deng Jiaoyun

BOARD SECRETARY

He Feng

REGISTERED OFFICE IN THE PRC

North of Yihe, Huamei Shan Road,
Chengdong New District, Luanchuan County,
Luoyang City, Henan Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

North of Yihe, Huamei Shan Road,
Chengdong New District, Luanchuan County,
Luoyang City, Henan Province, the PRC

CORPORATE INFORMATION

PLACE OF BUSINESS IN HONG KONG

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

LEGAL REPRESENTATIVE

Duan Yuxian

AUTHORIZED REPRESENTATIVES

Li Chaochun
Ho Siu Pik

COMPANY SECRETARY

Ho Siu Pik (FCS, FCIS)

ENQUIRY DEPARTMENT OF THE COMPANY

Board Secretariat

INFORMATION ENQUIRY TELEPHONE NO. OF THE COMPANY

(+86) 379 6681 9873

HONG KONG H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

NAME OF THE STOCK

China Molybdenum Co., Ltd. (CMOC)

STOCK CODE

03993 (Listed on 26 April 2007)

PRINCIPAL BANKERS

China Merchants Bank, Zhengzhou Branch
China Everbright Bank, Zhengzhou Branch, Wenhua Road Sub-Branch
China CITIC Bank, Luoyang Branch
Agricultural Bank of China, Luanchuan County Sub-Branch
China Construction Bank Corporation, Luanchuan County Sub-branch
Bank of China Limited, Luoyang branch
Industrial and Commercial Bank of China Limited, Luanchuan County Sub-branch
Industrial Bank Co., Ltd., Zhengzhou Branch, Zi Jin Shan Sub-branch

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

As to Hong Kong law:

Morrison & Foerster
33/F Edinburgh Tower, The Landmark,
15 Queen's Road Central
Central
Hong Kong

As to PRC law:

Llinks Law Offices
19/F, One Lujiazui
68 Yin Cheng Road Middle
Shanghai
China

WEBSITE

www.chinamoly.com

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
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)

We have audited the consolidated financial statements of 洛陽欒川鉬業集團股份有限公司 China Molybdenum Co., Ltd. (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 42 to 94, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
13 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	**2011** ***RMB'000***	2010 *RMB'000*
Revenue	5	**6,001,706**	4,396,369
Cost of sales		**(4,073,880)**	(2,798,971)
Gross profit		**1,927,826**	1,597,398
Other income and gains	7	**66,774**	140,655
Selling and distribution expenses		**(24,626)**	(15,107)
Administrative expenses		**(271,830)**	(220,657)
Other expenses and losses	8	**(178,768)**	(140,717)
Finance costs	9	**(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	10	**(372,282)**	(343,926)
Profit for the year	11	**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	14	**RMB0.23**	RMB0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	**4,410,935**	4,547,601
Land use rights - non-current portion	16	**670,027**	550,408
Mining rights	17	**319,121**	347,507
Exploration assets	18	**1,065,053**	—
Trademarks	19	**378**	635
Interests in associates	21	**156,474**	78,541
Interests in jointly controlled entities	22	**1,524,963**	1,533,653
Investments in debt securities	23	**—**	83,072
Available-for-sale investments	24	**2,300**	2,300
Deferred tax assets	25	**120,937**	125,070
Long term deposits paid	26	**124,271**	534,271
		8,394,459	7,803,058
Current assets			
Inventories	27	**1,617,136**	1,442,875
Trade and other receivables	28	**2,239,140**	1,755,892
Amount due from an associate	29	**75,879**	47,936
Amounts due from jointly controlled entities	30	**44,706**	45,936
Land use rights - current portion	16	**16,531**	8,437
Investments in debt securities	23	**87,181**	89,793
Held-for-trading investments	31	**61,634**	64,099
Restricted bank deposits	32	**80,869**	23,947
Bank balances and cash	32	**2,779,197**	2,839,449
		7,002,273	6,318,364
Current liabilities			
Trade and other payables	33	**(1,018,774)**	(1,101,820)
Short-term financing bonds	34	**(2,054,717)**	—
Dividend payables	35	**(40,846)**	(103,644)
Tax payable		**(30,208)**	(62,975)
Bank borrowings - due within one year	36	**(364,275)**	(786,650)
		(3,508,820)	(2,055,089)
Net current assets		**3,493,453**	4,263,275
Total assets less current liabilities		**11,887,912**	12,066,333

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	**2011** **RMB'000**	2010 *RMB'000*
Non-current liabilities			
Bank borrowings - due after one year	36	—	(10,000)
Provision	37	**(44,746)**	(42,615)
Deferred income	38	**(29,591)**	(24,879)
Long term payable	39	**(246,000)**	—
		(320,337)	(77,494)
		11,567,575	11,988,839
Capital and reserves			
Share capital	40	**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		**11,567,575**	11,988,839

The consolidated financial statements on pages 42 to 94 were approved and authorised for issue by the Board of Directors on 21 March 2012 and are signed on its behalf by:

Duan, Yuxian **Wu, Wenjun**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000* *(note 41)*	Statutory surplus reserve *RMB'000* *(note 41)*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Attributable to owners of the Company *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2010	975,234	7,346,260	388,722	610,981	(1,740)	1,651,045	10,970,502	320,272	11,290,774
Profit for the year	—	—	—	—	—	965,549	965,549	36,143	1,001,692
Exchange difference arising on translation of foreign operations recognised	—	—	—	—	(2,001)	—	(2,001)	—	(2,001)
Total comprehensive income for the year	—	—	—	—	(2,001)	965,549	963,548	36,143	999,691
Capital injection from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	180,480	180,480
Dividends	—	—	—	—	—	(390,094)	(390,094)	(92,012)	(482,106)
Transfer of reserves *(note 41)*	—	—	—	86,620	—	(86,620)	—	—	—
Transfer *(note 41)*	—	—	370,322	—	—	(370,322)	—	—	—
Transfer upon utilisation *(note 41)*	—	—	(426,082)	—	—	426,082	—	—	—
At 31 December 2010	975,234	7,346,260	332,962	697,601	(3,741)	2,195,640	11,543,956	444,883	11,988,839
Profit for the year	—	—	—	—	—	1,122,840	1,122,840	37,986	1,160,826
Exchange difference arising on translation of foreign operations recognised	—	—	—	—	1,898	—	1,898	—	1,898
Total comprehensive income for the year	—	—	—	—	1,898	1,122,840	1,124,738	37,986	1,162,724
Capital injection from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	390,000	390,000
Dividends	—	—	—	—	—	(1,969,973)	(1,969,973)	(4,015)	(1,973,988)
Transfer of reserves *(note 41)*	—	—	—	110,321	—	(110,321)	—	—	—
Transfer *(note 41)*	—	—	359,320	—	—	(359,320)	—	—	—
Transfer upon utilisation *(note 41)*	—	—	(374,795)	—	—	374,795	—	—	—
At 31 December 2011	975,234	7,346,260	317,487	807,922	(1,843)	1,253,661	10,698,721	868,854	11,567,575

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 *RMB'000*	2010 *RMB'000*
Operating activities		
Profit before taxation	**1,533,108**	1,345,618
Adjustments for:		
Interest income	**(47,391)**	(116,585)
Interest expenses	**95,511**	41,786
Depreciation for property, plant and equipment	**383,361**	271,633
Impairment loss of goodwill	**—**	3,934
Amortisation of land use rights	**13,896**	9,096
Amortisation of mining rights	**32,716**	29,759
Amortisation of trademarks	**293**	98
Loss on disposal of property, plant and equipment	**15,095**	186
Gain on disposal of land use rights	**(1,268)**	—
Share of results of associates	**(117,933)**	(32,574)
Share of results of jointly controlled entities	**8,690**	6,742
Net loss on fair value change of financial assets classified as held for trading	**2,470**	4,561
Reversal of allowance for doubtful debts	**(3,718)**	(8,027)
Release of deferred income	**(5,317)**	(2,468)
Allowance for (reversal of) inventories	**26,795**	(10,305)
Gain on disposal of a subsidiary	**—**	(8,010)
Operating cash flows before movements in working capital	**1,936,308**	1,535,444
Increase in inventories	**(201,056)**	(563,591)
Increase in trade and other receivables	**(479,530)**	(927,403)
(Increase) decrease in held-for-trading investments	**(5)**	36,443
(Increase) decrease in amount due from an associate	**(27,943)**	680
Increase in trade and other payables	**148,572**	236,757
Decrease in long term payable	**—**	(1,540)
Cash generated from operations	**1,376,346**	316,790
Enterprise Income Tax of the People's Republic of China (the "PRC") paid	**(400,916)**	(330,651)
Net cash from (used in) operating activities	**975,430**	(13,861)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	2011 RMB'000	2010 RMB'000
Investing activities			
Interest received		**43,282**	116,585
Purchases of property, plant and equipment		**(508,548)**	(626,706)
Purchases of land use rights		**(106,610)**	(93,661)
Purchase of exploration assets		**(79,053)**	—
Purchase of mining right		**(4,330)**	—
Purchase of trademarks		**(36)**	(77)
Acquisition of subsidiaries	43(a)	—	(272,686)
Acquisition of subsidiaries - Furun	43(b)	—	(5,918)
Investment in an associate		—	(8,202)
Disposal of a subsidiary	44	—	95,346
Deposit paid for acquisition of land use rights		—	(68,660)
Dividend received from an associate		**40,000**	15,000
Deposits paid for acquisition of exploration assets		—	(400,000)
Deposits paid for acquisition of property, plant and equipment		—	(65,611)
Purchase of investments in debt securities		—	(1,530,280)
Proceeds from investments in debt securities upon maturity		**89,793**	2,667,415
Proceeds from disposal of land use rights		**26,269**	5,937
Increase in loan receivables		—	(12,176)
Government grant received		**10,029**	—
Repayment from jointly controlled entities		**1,230**	—
Advance to jointly controlled entities		—	(45,936)
Proceeds from disposal of property, plant and equipment		**17,038**	84,984
(Increase) decrease in restricted bank deposits		**(56,922)**	20,005
Net cash used in investing activities		**(527,858)**	(124,641)
Financing activities			
Interest paid		**(38,663)**	(48,845)
Dividends paid to shareholders		**(1,969,973)**	(390,094)
Dividends paid to non-controlling shareholders of subsidiaries		**(66,813)**	(50,586)
Proceeds from issuance of short-term financing bonds		**2,000,000**	—
New bank borrowings raised		**1,222,675**	1,671,650
Repayment of bank borrowings		**(1,655,050)**	(1,156,242)
Repayment to a jointly controlled entity		—	(53,163)
Capital contribution from non-controlling shareholders		—	180,480
Net cash (used in) from financing activities		**(507,824)**	153,200
Net (decrease) increase in cash and cash equivalents		**(60,252)**	14,698
Cash and cash equivalents at 1 January		**2,839,449**	2,824,751
Cash and cash equivalents at the end of the year		**2,779,197**	2,839,449

1. GENERAL

The Company is a joint stock company established in the People's Republic of China (the "PRC") on 25 August 2006. On 26 April 2007, the Company was successfully listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is an integrated producer of molybdenum in the PRC. Its operations consist of molybdenum mining, floating, smelting and refining to produce molybdenum and other related products, including molybdenum oxide, ferromolybdenum, molybdenum concentrate, tungsten concentrate, gold and silver and sulfuric acid. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Renminbi which is the same as the functional currency of the Company.

2. 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.

Amendments to IFRSs	Improvements to IFRSs issued in 2010
Amendments to IAS 32	Classification of rights issues
Amendments to IFRIC 14	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments

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.

New and revised IFRSs in issue but not yet effective

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

Amendments to IFRS 7	Disclosures — Transfers of financial assets[1]
Amendments to IFRS 7	Disclosures — Offsetting financial assets and financial liabilities[2]
IFRS 9	Financial instruments[2]
Amendments to IFRS 7 and IFRS 9	Mandatory effective date of IFRS 9 and transition disclosures[3]
IFRS 10	Consolidated financial statements[2]
IFRS 11	Joint arrangements[2]
IFRS 12	Disclosure of interests in other entities[2]
IFRS 13	Fair value measurement[2]
Amendments to IAS 1	Presentation of items of other comprehensive income[5]
Amendments to IAS 12	Deferred tax: Recovery of underlying assets[4]
IAS 19 (as revised in 2011)	Employee benefits[2]
IAS 27 (as revised in 2011)	Separate financial statements[2]
IAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to IAS 32	Offsetting financial assets and financial liabilities[6]
IFRIC 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, that are measured at fair value, as explained in the accounting policies set out below.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. Where certain assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date except than:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the amount of any non-controlling interests in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets on a transaction by transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in an other Standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profit and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities

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

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from translation reserve to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Retirement benefits schemes

The Group participates in retirement plans administered by the provincial government pursuant to which the Group pays a fixed percentage of the salaries and wages of its qualifying staff and employees as a contribution to the plan. The contribution payable in respect of the period to the retirement plans is recognised in profit or loss when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Construction in progress

Construction in progress is stated at cost, which includes construction costs and other direct costs attributable to such projects including borrowing costs, capitalised in accordance with the Group's accounting policy, less any recognised impairment loss. It is not depreciated until completion of construction. The cost of completed construction work is transferred to the appropriate category of property, plant and equipment. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Other property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Provision for restoration, rehabilitation and environmental expenses is recognised as part of the cost of buildings and mining structures. Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be added to, or deducted from, the cost of the related asset in the current period provided that the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Land use rights

Payments for obtaining land use rights that are classified as operating leases are accounted for as prepaid operating lease payments and charged to profit or loss over the period of the right using the straight-line method.

Trademarks

Trademarks are stated at cost less accumulated amortisation and any recognised impairment loss. The cost incurred in the acquisition of trademarks is capitalised and amortised on a straight-line basis over 5 years.

Gains or losses arising from derecognition of a trademark are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Mining rights

Mining rights are stated at cost less accumulated amortisation and accumulated impairment losses and are amortised on a straight-line basis over the shorter of their useful life based on the total proven and probable reserves of the mines or contractual period from the date of available for use.

Exploration assets

Exploration assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration assets are stated at cost less any accumulated impairment losses. Exploration assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable and relevant mining rights certificate is obtained, previously recognised exploration assets are reclassified as mining rights or property, plant and equipment. These assets are assessed for impairment before reclassifications.

Impairment of exploration assets

The carrying amount of the exploration assets is reviewed annually and adjusted for impairment whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive).

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on future exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration assets is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the profit or loss whenever the carrying amount of the exploration assets exceeds its recoverable amount.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Impairment of tangible assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories including financial assets as at fair value through profit or loss ("FVTPL"), available-for-sales financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held-for-trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses line item in the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, investments in debt securities, amounts due from jointly controlled entities, amount due from an associate, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

Equity instruments held by the Group that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period subsequent to initial recognition.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in according with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, short-term financing bonds, dividend payables, long term payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Leasehold land and building

When a lease includes both land and building elements, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group assesses the classification of leasehold land as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

Land use rights

Payments for obtaining land use rights that are classified as operating leases are accounted for as prepaid operating lease payments and charged to profit or loss over the period of the right using the straight-line method.

Provision

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the Group's restoration, rehabilitation and environmental expenses are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Provision for restoration, rehabilitation and environmental expenditure

The provision for restoration, rehabilitation and environmental costs has been determined by the directors based on their best estimates. The directors estimated this liability for final reclamation and mine closure based upon detailed calculations of the amount and timing of future cash flows spending for a third party to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation. However, as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the future. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities (see note 37).

Allowances for doubtful debts

The directors regularly review the recoverability and aging of the trade receivables. Allowance for trade receivables is made based on the evaluation of collectability and aging analysis of accounts and on directors' judgement by reference to the estimation of the future cash flow discounted at an effective interest rate to calculate the present value.

A considerable amount of judgement is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required (see note 28).

Useful lives of property, plant and equipment

The directors determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and on the assumption that the PRC government will continue to renew the mining rights certificate upon its expiration. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles. The directors will increase the depreciation charges where useful lives are less than previously estimated lives, or they will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Income taxes

As at 31 December 2011, a deferred tax asset of RMB120,937,000 (2010: RMB125,070,000) has been recognised in the Group's consolidated statement of financial position. For deferred tax asset on unrealised profit, whether the goods are eventually sold outside the Group at a profit. The realisability of the other deferred tax asset mainly depends on sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits/sales generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

5. REVENUE

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

	2011 ***RMB'000***	2010 *RMB'000*
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
	6,001,706	4,396,369

6. 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 described in note 3. 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.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

For the year ended 31 December 2011

	Molybdenum related products		Processed molybdenum and tungsten products		Tungsten 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*	*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	5,408,689	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	—	—	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

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2010

	Molybdenum related products Domestic RMB'000	Molybdenum related products International RMB'000	Processed molybdenum and tungsten products Domestic RMB'000	Processed molybdenum and tungsten products International RMB'000	Tungsten products RMB'000	Gold, silver and related products RMB'000	Electrolytic lead RMB'000	Reportable segment total RMB'000	Others RMB'000	Eliminations RMB'000	Consolidated 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 ***RMB'000***	2010 *RMB'000*
Customer A[1]	**620,750**	N/A[2]

[1] Revenue from Molybdenum related products.

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

6. SEGMENT INFORMATION *(Continued)*

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 **RMB'000**	2010 RMB'000
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	**69,196**	389,039
	6,001,706	4,396,369

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

7. OTHER INCOME AND GAINS

	2011 **RMB'000**	2010 RMB'000
Interest income on		
— bank deposits	**31,961**	51,691
— investments in debt securities	**13,277**	59,413
— debenture classified as held-for-trading investments	**4,521**	4,728
— loan receivables	**—**	753
Total interest income	**49,759**	116,585
Release of deferred income *(note 38)*	**5,317**	2,468
Gain on disposal of a subsidiary *(note 44)*	**—**	8,010
Gain on disposal of land use rights	**1,268**	—
Government grants recognised *(Note)*	**2,629**	5,511
Others	**7,801**	8,081
	66,774	140,655

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.

8. OTHER EXPENSES AND LOSSES

	2011 **RMB'000**	2010 RMB'000
Research and development costs	**154,254**	116,863
Loss on disposal of property, plant and equipment	**15,095**	186
Net foreign exchange losses	**1,909**	406
Net loss on fair value change of financial assets classified as held-for-trading	**2,470**	4,561
Impairment loss of goodwill *(note 20)*	**—**	3,934
Donations	**1,200**	11,405
Penalty expenses	**—**	312
Others	**3,840**	3,050
	178,768	140,717

9. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
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)
	95,511	41,786

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 for the year 2011.

10. TAXATION

	2011	2010
	RMB'000	*RMB'000*
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 *(note 25)*		
— 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.

Taxation for the year can be reconciled to the profit before taxation as follows:

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**1,533,108**	1,345,618
Tax at the domestic income tax rate of 25% (2010: 25%)	**383,277**	336,405
Additional tax benefit on qualified research and development costs *(Note)*	**(16,578)**	—
Tax effect of income not taxable for tax purposes	**(12,603)**	(8,250)
Tax effect of expenses not deductible for tax purposes	**26,437**	15,641
Underprovision in prior year	**4,625**	6,588
Tax effect of tax losses not recognised	**3,577**	—
Tax effect of reversal of tax losses previously recognised	**11,926**	—
Tax effect of share of results of associates	**(29,483)**	(8,144)
Tax effect of share of results of jointly controlled entities	**2,173**	1,686
Utilisation of tax losses previously not recognised	**(1,069)**	—
Tax charge for the year	**372,282**	343,926

The domestic income tax rate represents the tax rate in the jurisdiction where the operations of the Group is substantially based.

Note: For the year ended 31 December 2011, the Group claimed the PRC Enterprise Income Tax credits on 50% of the qualified research and development costs pursuant to the relevant tax rules and regulations.

11. PROFIT FOR THE YEAR

	2011 *RMB'000*	2010 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration *(note 12)*	**7,223**	7,104
Other staff's salary, bonus and allowances	**594,852**	407,173
Other staff's contribution to retirement benefit cost	**98,869**	58,512
Total staff costs	**700,944**	472,789
Auditor's remuneration	**2,700**	2,900
Cost of inventories recognised as an expense	**4,014,076**	2,809,276
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
Reversal of allowance for doubtful debts	**(3,718)**	(8,027)
Allowance for (reversal of) inventories (included in cost of sales) *(Note 1)*	**26,795**	(10,305)
Share of tax of associates (included in share of results of associates)	**39,513**	13,520
Resources compensation fee *(Note 2)*	**57,545**	55,435

Notes:

(1) Reversal of allowance for inventories was attributed to the increase in molybdenum price.

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

12. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

	2011 *RMB'000*	2010 *RMB'000*
Directors' fees	**708**	620
Other emoluments for executive directors		
— basic salaries and allowances	**1,900**	1,900
— performance related bonus	**4,591**	4,560
— retirement benefits contributions	**24**	24
	7,223	7,104

Note: The performance related bonus is determined based on the record of growth of the Group's annual result.

12. DIRECTORS, SUPERVISORS AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Basic Directors' fees *RMB'000*	Retirement salaries and allowances *RMB'000*	Performance benefits contributions *RMB'000*	Performance related bonus *RMB'000*	Total *RMB'000*
For the year ended 31 December 2011					
Name of director					
Executive director					
段玉賢 Duan, Yuxian	—	400	6	967	1,373
李朝春 Li, Chaochun	—	380	—	918	1,298
吳文君 Wu, Wenjun	—	380	6	918	1,304
李發本 Li, Faben	—	380	6	918	1,304
王欽喜 Wang, Qinxi	—	360	6	870	1,236
	—	1,900	24	4,591	6,515
Non-executive director					
張玉峰 Zhang, Yufeng	70	—	—	—	70
舒鶴棟 Shu, Hedong	70	—	—	—	70
	140	—	—	—	140
Independent non-executive director					
高德柱 Gao, Dezhu	117	—	—	—	117
曾紹金 Zeng, Shaojin	117	—	—	—	117
古德生 Gu, Desheng	117	—	—	—	117
吳明華 Ng Ming Wah, Charles	217	—	—	—	217
	568	—	—	—	568
Total directors' emoluments	708	1,900	24	4,591	7,223

12. DIRECTORS, SUPERVISORS AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Retirement benefits contributions *RMB'000*	Performance related bonus *RMB'000*	Total *RMB'000*
For the year ended 31 December 2010					
Name of director					
Executive director					
段玉賢 Duan, Yuxian	—	400	6	960	1,366
李朝春 Li, Chaochun	—	380	—	912	1,292
吳文君 Wu, Wenjun	—	380	6	912	1,298
李發本 Li, Faben	—	380	6	912	1,298
王欽喜 Wang, Qinxi	—	360	6	864	1,230
	—	1,900	24	4,560	6,484
Non-executive director					
張玉峰 Zhang, Yufeng	60	—	—	—	60
舒鶴棟 Shu, Hedong	60	—	—	—	60
	120	—	—	—	120
Independent non-executive director					
高德柱 Gao, Dezhu	100	—	—	—	100
曾紹金 Zeng, Shaojin	100	—	—	—	100
古德生 Gu, Desheng	100	—	—	—	100
吳明華 Ng Ming Wah, Charles	200	—	—	—	200
	500	—	—	—	500
Total directors' emoluments	620	1,900	24	4,560	7,104

	Basic salaries and allowances *RMB'000*	Retirement benefits contributions *RMB'000*	Performance related bonus *RMB'000*	Total *RMB'000*
For the year ended 31 December 2011				
Supervisors				
鄧交雲 Deng, Jiaoyun	350	6	846	1,202
尹東方 Yin, Dongfang	70	—	—	70
張振昊 Zhang, Zhenhao	70	—	—	70
	490	6	846	1,342

12. DIRECTORS, SUPERVISORS AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Basic salaries and allowances *RMB'000*	Retirement benefits contributions *RMB'000*	Performance related bonus *RMB'000*	Total *RMB'000*
For the year ended 31 December 2010				
Supervisors				
鄧交雲 Deng, Jiaoyun	350	6	—	356
尹東方 Yin, Dongfang	60	—	—	60
張振昊 Zhang, Zhenhao	60	—	—	60
	470	6	—	476

Highest paid individuals

The five highest paid individuals represented five directors (2010: five) for the year ended 31 December 2011.

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments for the years ended 31 December 2011 and 2010.

13. DIVIDENDS

Dividends recognised as distribution during the year:

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

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.

14. 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 *(RMB'000)*	**1,122,840**	965,549
Number of shares for the purpose of basic earnings per share	**4,876,170,525**	4,876,170,525

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings and mining structures *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2010	3,031,408	1,232,240	156,947	80,917	554,900	5,056,412
Additions	261,560	138,647	13	9,841	225,734	635,795
Disposal	(2,647)	(94,615)	(46)	(1,920)	—	(99,228)
Transfers	451,872	181,333	1,345	—	(634,550)	—
Acquisition of subsidiaries	3,810	4,249	39	277	18,227	26,602
Disposal of subsidiaries	(16,335)	(46,542)	(366)	(1,363)	(13,362)	(77,968)
At 31 December 2010	3,729,668	1,415,312	157,932	87,752	150,949	5,541,613
Additions	48,331	48,955	9,499	5,706	234,625	347,116
Disposal	(11,913)	(23,476)	(472)	(2,577)	—	(38,438)
Cost adjustment *(Note)*	(68,288)	—	—	—	—	(68,288)
Transfers	44,392	1,233	195	577	(46,397)	—
At 31 December 2011	3,742,190	1,442,024	167,154	91,458	339,177	5,782,003
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	(363,482)	(308,580)	(41,663)	(38,685)	—	(752,410)
Provided for the year	(126,357)	(117,306)	(17,528)	(10,442)	—	(271,633)
Eliminated on disposals	1,728	11,113	28	1,188	—	14,057
Elimination on disposal of subsidiaries	2,954	12,172	203	645	—	15,974
At 31 December 2010	(485,157)	(402,601)	(58,960)	(47,294)	—	(994,012)
Provided for the year	(217,437)	(136,753)	(11,022)	(18,149)	—	(383,361)
Eliminated on disposals	1,254	4,123	291	637	—	6,305
At 31 December 2011	(701,340)	(535,231)	(69,691)	(64,806)	—	(1,371,068)
CARRYING VALUES						
At 31 December 2011	3,040,850	906,793	97,463	26,652	339,177	4,410,935
At 31 December 2010	3,244,511	1,012,711	98,972	40,458	150,949	4,547,601

Note: The amount represented the adjustment on cost estimation for building transferred from construction in progress in prior period.

The Group's buildings and mining structures are situated in Luoyang, the PRC under medium-term lease.

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Buildings and mining structures	8-45 years
Plant and machinery	8-10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	8 years

16. LAND USE RIGHTS

	2011	2010
	RMB'000	*RMB'000*
CARRYING AMOUNT		
At beginning of the year	**558,845**	411,469
Additions	**166,610**	186,585
Disposals	**(25,001)**	(5,937)
Disposal of a subsidiary	**—**	(24,176)
Charged to profit or loss	**(13,896)**	(9,096)
At end of the year	**686,558**	558,845

Analyse of the carrying amount of land use rights is as follows:

	2011	2010
	RMB'000	*RMB'000*
Land use rights/prepaid lease payments	**686,558**	558,845
Less: Portion to be charged to profit or loss in the coming twelve months and shown as current assets	**(16,531)**	(8,437)
Amount due after one year	**670,027**	550,408

The land use rights/prepaid lease payments were under medium term lease and were acquired with the lease period of 50 years and were situated in the PRC. The land use rights/prepaid lease payments were amortised over their lease periods.

17. MINING RIGHTS

	RMB'000
COST	
At 1 January 2010	401,486
Additions	66,676
At 31 December 2010	468,162
Additions	4,330
At 31 December 2011	472,492
ACCUMULATED AMORTISATION	
At 1 January 2010	(90,896)
Amortisation	(29,759)
At 31 December 2010	(120,655)
Amortisation	(32,716)
At 31 December 2011	(153,371)
CARRYING VALUES	
At 31 December 2011	319,121
At 31 December 2010	347,507

The Group obtained the molybdenum mining right certificate in 2006 at a consideration of RMB401,486,000 which will expire in year 2021. In the opinion of the directors, the PRC government will renew the mining right certificate upon its expiration.

The mining rights obtained in years 2011 and 2010 are related to the gold and silver mining rights in which the initial license period are ranging from 10 to 15 years.

18. EXPLORATION ASSETS

	RMB'000
CARRYING AMOUNT	
Additions during the year and as at 31 December 2011	1,065,053

During the year, the Group acquired the exploration assets from 河南省地質礦產勘查開發局第二地質勘察院 (No. 2 Geological Institution of Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource) in relation to 新疆哈密市東戈壁鉬礦勘探, a molybdenum mine located in Xinjiang, PRC, at a consideration of RMB1,036,000,000. The exploration certificate is with an initial license period of 2 years, which is renewable with relevant government authorities continuously at minimal charges.

19. TRADEMARKS

	RMB'000
COST	
At 1 January 2010	890
Addition	77
At 31 December 2010	967
Addition	36
At 31 December 2011	1,003
ACCUMULATED AMORTISATION	
At 1 January 2010	(234)
Amortisation	(98)
At 31 December 2010	(332)
Amortisation	(293)
At 31 December 2011	(625)
CARRYING AMOUNTS	
At 31 December 2011	378
At 31 December 2010	635

The above trademarks have finite useful lives. Such trademarks are amortised on a straight-line basis over 5 years.

20. GOODWILL

	RMB'000
COST	
At 1 January, 2010	—
Arising on acquisition of a subsidiary	3,934
Impairment of goodwill	(3,934)
At 31 December, 2010 and 2011	—

Goodwill acquired in a business combination is allocated to cash generating units ("CGUs") that are expected to benefit from that business combination. The directors consider each subsidiary represents a separate CGU for the purpose of goodwill impairment testing.

Goodwill arising on acquisition of subsidiaries was impaired at the date of acquisition.

21. INTERESTS IN ASSOCIATES

	2011 **RMB'000**	2010 RMB'000
Capital contribution	**29,852**	29,852
Share of post-acquisition profits, net of dividends received	**126,622**	48,689
	156,474	78,541

Details of the Group's associates are set out as follows:

Name of company	Date of establishment	Place of establishment and operation	Paid-up capital/ registered capital	Proportion of equity held directly by the Company 2011	2010	Principal activities
洛陽豫鷺礦業有限責任公司 Luoyang Yulu Mining Co., Ltd. ("Luoyang Yulu") (Note)	24 April 2002	PRC — Limited liability company	RMB50,000,000	**40%**	40%	Manufacturing of tungsten concentrate
上海宇華鉬業公司 Shanghai Yuhua Molybdenum Co., Ltd. ("Shanghai Yuhua")	27 October 2005	PRC — Limited liability company	RMB5,000,000	**33%**	33%	Trading of molybdenum products
Caly Nanomoly Development, Inc. 美國凱立納米鉬有限公司	1 January 2010	United States of America — Limited liability company	—	**40%**	40%	Research of molybdenum processing

Note: Pursuant to the shareholders' agreement, the Group is entitled to 50% of the associate's profit and net asset from 1 January 2008.

The summarised combined financial information in respect of the Group's associates is set out below:

	2011 **RMB'000**	2010 RMB'000
Total assets	**450,518**	241,436
Total liabilities	**(114,155)**	(61,385)
Net assets	**336,363**	180,051
Group's share of net assets of associates	**156,474**	78,541
Revenue	**1,207,946**	1,001,477
Profit for the year	**236,128**	74,130
Group's share of results of associates for the year	**117,933**	32,574

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

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 2011	Equity interest attributable to the Group 2010	Principal activities
徐州環宇鉬業有限公司 Xuzhou Huanyu Molybdenum Co., Ltd. ("Xuzhou Huanyu")	19 June 1995	PRC	RMB50,446,614	**50%**	50%	Investment holding
洛陽高科鉬鎢材料有限公司 Luoyang High-Tech Metals Co., Ltd. ("Luoyang High-Tech") *(Note 1)*	14 January 2005	PRC	RMB530,000,000	**50%**	50%	Manufacturing of molybdenum powder, tungsten powder and related products
洛陽富川礦業有限公司 Luoyan Fuchuan Mining Co., Ltd. ("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 partial 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%.

Summarised financial information relating to the Group's interests in jointly controlled entities is set out below:

	2011 *RMB'000*	2010 *RMB'000*
Non-current assets	**1,385,396**	1,413,772
Current assets	**336,423**	274,772
	1,721,819	1,688,544
Non-current liabilities	**(2,967)**	(3,725)
Current liabilities	**(193,889)**	(151,166)
	(196,856)	(154,891)
Net assets	**1,524,963**	1,533,653
Revenue	**226,942**	151,755
Loss for the year	**(8,690)**	(6,742)

23. INVESTMENTS IN DEBT SECURITIES

	2011 *RMB'000*	2010 *RMB'000*
Investments in debt securities represented:		
Investment plans arranged by banks	**87,181**	172,865
Analysed for reporting purposes as:		
Current assets	**87,181**	89,793
Non-current assets	**—**	83,072
	87,181	172,865

As at 31 December 2011, the amount represented unlisted investment plans arranged by banks for investment in various debt securities. The underlying debt securities invested by banks are analysed as follows:

	2011 *RMB'000*	2010 *RMB'000*
Unlisted corporate entities' debts	**—**	89,793
Debentures and bonds issued by central government and banks	**87,181**	83,072
	87,181	172,865

In 2010, the Group was entitled to a 100% principal protection clause for the investment plans of the unlisted corporate entities debts. The interest income from the investment plans were determined based on the interest income generated from the underlying debt securities after deduction of bank charges and commission.

The investment plans were stated at amortised cost less any impairment loss. They will be matured during the period from May 2012 to August 2012 (2010: mature during the period from November 2011 to August 2012) with effective interest rate at 3.7% (2010: 3.7% to 6.5%) per annum.

24. AVAILABLE-FOR-SALE INVESTMENTS

	2011 *RMB'000*	2010 *RMB'000*
Unlisted securities		
— equity securities at cost	**2,300**	2,300

The above unlisted investments represent equity investments in private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

25. DEFERRED TAX ASSETS

The followings are the deferred tax assets recognised and movements thereon during the year:

	Impairment of property, plant and equipment *RMB'000*	Allowance for inventories *RMB'000*	Allowance for receivables *RMB'000*	Tax losses *RMB'000*	Deferred income *RMB'000*	Accrued expenses *RMB'000*	Unrealised profit *RMB'000* *(Note)*	Held-for-trading investments *RMB'000*	Total *RMB'000*
At 1 January 2010	44	183	4,039	30,834	6,933	22,265	119,663	1,544	185,505
Disposal of a subsidiary	—	—	115	(5,671)	—	(1,315)	(986)	(514)	(8,371)
(Charge) credit to profit or loss	—	(82)	(527)	(13,237)	(587)	11,005	(51,082)	2,446	(52,064)
At 31 December 2010	44	101	3,627	11,926	6,346	31,955	67,595	3,476	125,070
Credit (charge) to profit or loss	—	5,712	58	(11,926)	1,178	(6,191)	7,606	(570)	(4,133)
At 31 December 2011	44	5,813	3,685	—	7,524	25,764	75,201	2,906	120,937

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

25. DEFERRED TAX ASSETS *(Continued)*

At the end of the reporting period, the Group has unused tax losses of RMB126,370,000 (2010: RMB116,898,000) available for offset against future profits. A deferred tax asset has been recognised in respect of nil (2010: RMB47,705,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB126,370,000 (2010: RMB69,193,000) due to the unpredictability of future profit streams of subsidiaries. Included in unrecognised tax losses are losses that will expire in the following year:

	2011	2010
	RMB'000	*RMB'000*
Expire in 2013	**64,135**	32,029
Expire in 2014	**13,089**	68,935
Expire in 2015	**10,175**	15,934
Expire in 2016	**38,971**	—
	126,370	116,898

Deferred tax assets is recognised if it is probable that all of the deferred tax assets will be realised through the recovery of taxes previously paid and/or future taxable income. The directors have reviewed its deferred tax assets at the end of the reporting period and considered that it was probable that the deferred tax assets of the Group will be realised through future taxable income based on directors' assessment of the probability that taxable profits will be available over the year which the deferred tax assets can be realised or utilised.

26. LONG TERM DEPOSITS PAID

	2011	2010
	RMB'000	*RMB'000*
Deposit paid for acquisition of land use rights	**8,660**	68,660
Deposits paid for exploration assets *(Note a)*	**50,000**	400,000
Deposit paid for acquisition of property, plant and equipment	**35,611**	35,611
Other deposits paid *(Note b)*	**30,000**	30,000
	124,271	534,271

Notes:

(a) The amount represented advance to 河南省地質礦產勘查開發局第二地質勘察院 (No. 2 Geological Institution of Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource) for the acquisition of exploration assets in Xinjiang, Tibet and Yunnan.

(b) The amount represented deposit paid to government authority for construction of a museum where the Group will be allocated with certain showroom areas for promoting the Group's products.

27. INVENTORIES

	2011	2010
	RMB'000	*RMB'000*
Raw materials	**461,555**	598,375
Work in progress	**684,843**	518,836
Finished goods	**470,738**	325,664
	1,617,136	1,442,875

28. TRADE AND OTHER RECEIVABLES

	2011 RMB'000	2010 RMB'000
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
	2,239,140	1,755,892
Breakdown of advances to suppliers		
Third parties	263,537	45,842
Advance to a jointly controlled entity	92,912	77,665
	356,449	123,507

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

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

The Group normally allows credit period of no longer than 90 days to its trade customers, but a longer credit period is 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 RMB'000	2010 RMB'000
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
	1,686,801	1,387,302

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. As at 31 December 2011, approximately 99% (2010: 99%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

As at 31 December 2011, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB15,022,000 (2010: RMB2,573,000) which past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days (2010: 300 days).

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired:

	2011 **RMB'000**	2010 *RMB'000*
91-180 days	**2,684**	—
181-365 days	**11,401**	1,617
Over 1 year	**937**	956
	15,022	2,573

Movement in the allowance for doubtful debts of trade receivables

	2011 **RMB'000**	2010 *RMB'000*
Balance at beginning of the year	**10,187**	12,636
Amounts recovered during the year	**(2,663)**	(828)
Disposal of a subsidiary	**—**	(1,583)
Amounts written off	**—**	(38)
Increase in allowance recognised in profit or loss	**1,350**	—
Balance at end of the year	**8,874**	10,187

Movement in the allowance for doubtful debts of other receivables

	2011 **RMB'000**	2010 *RMB'000*
Balance at beginning of the year	**8,269**	15,468
Amounts recovered during the year	**(2,712)**	(7,199)
Increase in allowance recognised in profit or loss	**307**	—
Balance at end of the year	**5,864**	8,269

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of RMB8,874,000 (2010: RMB10,187,000) and RMB5,864,000 (2010: RMB4,320,000), respectively. The individually impaired receivables related to customers that were in financial difficulties and the directors consider the recoverability of these debts is remote.

29. AMOUNT DUE FROM AN ASSOCIATE

	2011 **RMB'000**	2010 *RMB'000*
Trade receivables from Shanghai Yuhua	**75,879**	47,936

The amounts are unsecured and interest-free. Trade receivables are aged within 90 days.

30. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	2011 **RMB'000**	2010 *RMB'000*
Xuzhou Huanyu	**17,200**	17,200
Luoyang Fuchuan	**27,506**	28,736
	44,706	45,936

The amounts are unsecured, interest free and repayable on demand. The directors are of the opinion that the amounts will be recovered within 12 months.

31. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments comprise:

	2011 **RMB'000**	2010 *RMB'000*
Listed securities *(Note 1)*		
Equity securities listed in Hong Kong	**1,461**	2,386
Equity securities listed in PRC	**10,173**	11,713
	11,634	14,099
Other securities		
Quoted debenture *(Note 2)*	**50,000**	50,000
Total	**61,634**	64,099

Notes:

(1) The fair values are determined based on the quoted market bid prices of underlying securities available on the relevant exchanges.

(2) The fair values were determined based on quoted prices by financial institutions which are publicly available. Quoted debenture carried effective annual interest rate at 2.83% for the years ended 31 December 2011 and 2010, with maturity date on 12 May 2012.

32. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits

The amount represents deposits pledged to banks to secure short-term banking facilities granted to the Group, and were therefore classified as current assets. The restricted bank deposits will be released upon the settlement of relevant bank borrowings. The deposits carry fixed interest rate as follows:

	2011	2010
Average interest rate per annum	**0.50%**	0.36%

Bank balances and cash

Bank balances carry interest at prevailing market rates ranging from 0.50% to 3.30% per annum (2010: ranging from 0.36% to 1.98% per annum).

The Group's bank balances and cash that are denominated in currencies other than functional currencies of the relevant group entities were as follows:

Currency

	2011 **RMB'000**	2010 *RMB'000*
Hong Kong Dollars *("HKD")*	**256**	243
USD	**54,571**	43,245

33. TRADE AND OTHER PAYABLES

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

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 RMB'000	2010 RMB'000
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
	518,880	514,760

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 RMB'000	2010 RMB'000
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

34. SHORT-TERM FINANCING BONDS

	2011 **RMB'000**	2010 *RMB'000*
Principal amount	**2,000,000**	—
Accrued interests	**54,717**	—
	2,054,717	—

The Company received a notice of acceptance of registration dated 24 May 2011 (Zhong Shi Xie Zhu [2011] No. CP107) from the National Association of Financial Market Institutional Investors that the issuance of a short-term financing bill with a principal amount of RMB2,000,000,000 ("Short-term financing bonds") had been duly registered with the National Association of Financial Market Institutional Investors. The issuance of short-term financing bonds is in connection with replenishment of the working capital of the Company's subsidiaries and repayment of bank loans. The short-term financing bonds were issued at fixed interest rate of 4.69% per annum and hold a term of 365 days. Interest will be paid upon maturity.

The Company issued the short-term financing bonds on 2 June 2011, and the amount of the proceeds were received on 3 June 2011.

35. DIVIDEND PAYABLES

	2011 **RMB'000**	2010 *RMB'000*
Dividend payables to the non-controlling shareholders of subsidiaries	**40,846**	103,644

36. BANK BORROWINGS

	2011 **RMB'000**	2010 *RMB'000*
Fixed-rate bank loans — unsecured	**100,000**	211,650
Variable-rate bank loans — unsecured	**264,275**	585,000
	364,275	796,650
The maturity profile of the above borrowings are as follows:		
Within one year	**364,275**	786,650
More than two years but not exceeding five years	**—**	10,000
	364,275	796,650
Less: Amounts due within one year shown under current liabilities	**(364,275)**	(786,650)
	—	10,000

As at 31 December 2011, bank loan of RMB190,000,000 (2010: RMB100,000,000) was guaranteed by Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) ("LMG"), a substantial shareholder with significant influence over the Company.

36. BANK BORROWINGS *(Continued)*

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

	2011 RMB'000	2010 RMB'000
Bank deposits	**80,869**	23,947

The carrying amount and ranges of interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Carrying amount		Interest rates	
	2011 ***RMB'000***	2010 *RMB'000*	**2011**	*2010*
Fixed-rate borrowings				
— RMB	**100,000**	211,650	**6.31%**	4.78% or 5.56%
Variable-rate borrowings				
— RMB	**141,600**	585,000	**100% of benchmark interest rate in People's Bank of China**	90% to 100% of benchmark interest rate in People's Bank of China
— USD	**122,675**	—	**London Interbank Offer Rate plus 1.8%**	N/A
	364,275	796,650		

37. PROVISION

	2011 RMB'000	2010 RMB'000
Provision for restoration, rehabilitation and environmental costs	**44,746**	42,615
Movement during the year:		
At beginning of the year	**42,615**	40,586
Interest expense	**2,131**	2,029
At end of the year	**44,746**	42,615

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group's existing mines. The provision for restoration, rehabilitation and environmental costs has been determined by the directors based on their best estimates. The effective interest rate is 5% (2010: 5%) per annum.

38. DEFERRED INCOME

	2011 RMB'000	2010 RMB'000
At beginning of the year	**24,879**	27,347
Government grants received	**10,029**	—
Released to profit or loss	**(5,317)**	(2,468)
At end of the year	**29,591**	24,879

38. DEFERRED INCOME *(Continued)*

In 2009, the Group received a government grant amounting to RMB5,936,000 from relevant PRC local authorities in respect of the Group's acquisition of land use rights during year ended 31 December 2009. It is recognised as deferred income and released to income over the lease term of the land use rights.

During the current year, the Group received a government grant amounting to approximately RMB10,029,000 from 河南省財政廳 (Henan Provincial Department of Finance) in connection with the Group's research project for the processing of molybdenum and tungsten products. It is recognised as deferred income and released to income at the time the relevant expenses recognised in profit or loss.

39. LONG TERM PAYABLE

Long term payable comprised of:

	2011	2010
	RMB'000	*RMB'000*
Payable for acquisition of exploration assets	**246,000**	—

As at 31 December 2011, an amount of RMB246,000,000 (31 December 2010: nil) represented payable to 河南省地質礦產勘查開發局第二地質勘察院 (No.2 Geological Institution of Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource) for the acquisition of exploration assets in Xinjiang, which is non-interest bearing and payable on 30 June 2013. Details of such acquisition are set out in note 18.

40. SHARE CAPITAL

	Number of shares		
	Domestic shares *(Note a)*	**H shares** *(Note b)*	**Amount** *RMB'000*
At 1 January 2010, 31 December 2010 and 31 December 2011	3,565,014,525	1,311,156,000	975,234

Notes:

(a) Domestic shares are ordinary shares subscribed for and credited as fully paid up in RMB by PRC government and/or PRC incorporated entities only.

(b) H shares are ordinary shares subscribed for and credited as fully paid up in RMB by persons other than PRC government and/or PRC incorporated entities.

Other than the specific requirements on the holders of the shares as set out in Notes (a) and (b) above, all the shares rank pari passu in all respects with other shares in issue.

41. RESERVES

Capital reserve

Pursuant to regulation in the PRC, the Group is required to transfer an annual amount to reform specific development fund in capital reserve at RMB18 per tonne of molybdenum concentrates mined during the year. The fund can only be used for the future improvement of the mining facilities and is not available for distribution to shareholders. In addition, the Group is also required to transfer an additional amount at RMB4 per tonne of molybdenum concentrates mined as safety fund in capital reserve. The fund is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

The utilisation of the amount in the capital reserve account will be subjected to relevant regulations in the PRC. Upon utilisation of the funds, the corresponding amount will then be transferred from the capital reserve account to retained profits.

Statutory surplus reserve

Statutory surplus reserve represents the appropriation of 10% of profit after taxation calculated in accordance with the PRC accounting standards and regulations and the Articles of Association of the Company and its subsidiaries. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the Company's and its subsidiaries' registered capital. According to the Company's Articles of Association, statutory surplus reserve can be used to make up prior year losses, to expand production operation or to increase share capital. The Company or its subsidiaries may capitalise the statutory surplus reserve by way of bonus issues provided that the amount of the statutory surplus reserve remaining after such appropriation shall not be less than 25% of the registered capital of the Company or its subsidiaries.

42. RELATED PARTY TRANSACTIONS

Other than disclosed in notes 28, 29, 30, 33 and 36, the Group has the following significant transactions with related companies:

(i) Transactions with government-related entities in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significant influenced by the PRC government (hereinafter collectively referred to as "Government-related entities"). In addition, the Group itself is a Government-related entities. LMG, a substantial shareholder with significant influence over the Group, is wholly-owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Luoyang City (洛陽市人民政府國有資產監督管理委員會) ("Luoyang SASAC"), which holds the interests on behalf of the People's Government of Luoyang City. During the year, except as disclosed below, the Group did not have any individually significant transactions with other Government-related entities in its ordinary and usual course of business.

(a) Transactions with LMG and its subsidiaries

During the year ended 2010, LMG completed transfer of 100% equity interest of Luoyang Construction and Huqi Mining (defined in note 43(a)) to the Company. Details of which are disclosed in note 43(a).

As at 31 December 2011, bank loan of RMB190,000,000 (2010: RMB100,000,000) was guaranteed by LMG.

	2011 ***RMB'000***	2010 *RMB'000*
Sales of goods		
洛陽礦業集團欒川田豐礦業有限公司 *(Note)*	**2,367**	4,470
Purchases of goods		
洛陽礦業集團嵩縣黃金礦業有限公司 *(Note)*	**7,685**	20,565

Note: Subsidiaries of LMG, a substantial shareholder with significant influence over the Company, for the year 2010. LMG disposed of these subsidiaries during year 2011.

As at 31 December 2010, an amount of RMB590,000 included in trade payable was due to 洛陽礦業集團嵩縣黃金礦業有限公司. The amounts were unsecured, interest free and repayable on demand.

(b) Transactions with other government-related entities in the PRC

During the year ended 2010, the Group paid deposit amounting to RMB30,000,000 to government authority for construction of a museum. Amount remained in long term deposit as at 31 December 2010 and 31 December 2011.

During the current year, the Group completed its acquisition of the exploration assets for a molybdenum mine from a Government-related entity. Details of such are set out in note 18.

In addition, the Group has also entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks which are Government-related entities in its ordinary course of business. Over 90% (2010: over 90%) of its banks deposits and borrowings are with government-related entities.

As at 31 December 2011, the Group has deposit amounting to RMB50,000,000 (2010: RMB400,000,000) for a Government-related entity relating to its acquisition of the exploration assets as detailed in note 26.

(c) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2011 ***RMB'000***	2010 *RMB'000*
Short-term benefits	**11,035**	10,982
Post-employment benefit	**50**	50
	11,085	11,032

The remuneration of key management is determined having regard to the performance of individuals and market trends.

42. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Transactions with other related parties

(a) Sales and purchases of goods

	2011 **RMB'000**	2010 *RMB'000*
Sales of goods		
Shanghai Yuhua *(Note 1)*	**338,259**	276,354
Purchases of good		
Luoyuan Fuchuan *(Note 2)*	**182,971**	135,226
Luoyang Fuchuang *(Note 2)*	**1,009**	—

Notes:

(1) An associate of the Group.

(2) Jointly controlled entities of the Group.

(b) Balance with a jointly controlled entity

As at 31 December 2011, nil (2010: RMB5,565,000) included in other payables was due to Luoyang High-Tech. The amount is unsecured, interest free and repayable on demand.

43. ACQUISITION OF SUBSIDIARIES

There are no acquisition of subsidiaries by the Group during the year ended 31 December 2011. The details of the acquisition of subsidiaries in 2010 are set out below.

(a) The Company had advanced a loan to Luoyang Construction pursuant to the Loan Agreement in 2009. Prior to the acquisition by the Group, Luoyang Construction acquired 50% equity interest in Xuzhou Huanyu. Xuzhou Huanyu holds 90% equity interest in Luoyang Fuchuan. The remaining 10% equity interest in Luoyang Fuchuan was held by Luanchuan Huqi Mining Company Limited (欒川縣滬七礦業有限公司) ("Huqi Mining"). Huqi Mining was wholly-owned by LMG. In addition, all the equity interests in Luoyang Construction were transferred to LMG during the year ended 2010 pursuant to the administrative direction by the State-owned Assets Supervision and Administrative Commission of the People's Government of Luoyang City.

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

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

On 19 April 2010, the Luoyang Arbitration Commission granted an award in favour of the Company (the "Arbitration Award"). Pursuant to which LMG should, among other things, transfer 100% equity interests in Luoyang Construction and Huqi Mining to the Company for a consideration of approximately RMB276.3 million (the "Consideration") within 30 days of LMG's receipt of the Arbitration Award (that is on or before 18 May 2010). The Consideration was determined based on the appraised value of the equity interest in Luoyang Construction and Huqi Mining as at 31 March 2010 in accordance with the terms of the Supplemental Agreement and confirmed by the Luoyang Arbitration Commission. Luoyang Construction and Huqi Mining became subsidiaries of the Group at the date the control was passed to the Group. LMG completed the transfer to the Company of 100% equity interests in Luoyang Construction and Huqi Mining in April 2010 and May 2010 respectively.

Consideration transferred

	RMB'000
Cash	276,295

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

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition as follows

	RMB'000
Non-current assets:	
Property, plant and equipment	20,439
Interest in a jointly controlled entity	1,286,569
Current assets:	
Inventories	26,658
Other receivables	95,114
Bank balances and cash	3,609
Current liabilities:	
Amount due to the Company *(Note)*	(1,105,000)
Trade and other payables	(51,094)
	276,295

Note: The amount was utilised by Luoyang Construction for the acquisition of all or any part of the equity interest in Xuzhou Huanyu or Luoyang Fuchuan.

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

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

The amounts of revenue and profit of Luoyang Construction and Huqi Mining since the acquisition date included in the consolidated statement of comprehensive income for the year ended 31 December 2010 was insignificant.

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

(b) During the year 2010, the Group acquired 100% of the issued share capital of 欒川縣富潤礦業有限公司 for consideration of RMB8,773,000. This acquisition was accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was RMB3,934,000. 欒川縣富潤礦業有限公司 is engaged in sales and processing of molybdenum. 欒川縣富潤礦業有限公司 was acquired so as to continue the expansion of the Group's operations.

43. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Consideration transferred

	RMB'000
Cash	8,773

Acquisition-related costs were excluded from the cost of acquisition. The costs were insignificant and recognised as an expenses in the year 2010, within the administrative expenses in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	RMB'000
Non-current assets:	
Property plant and equipment	6,163
Current asset:	
Trade and other receivables	1,380
Current liabilities:	
Bank balance	2,855
Trade and other payables	(5,559)
	4,839

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

	RMB'000
Goodwill arising on acquisition:	
Consideration transferred	8,773
Less: Net assets acquired	(4,839)
Goodwill arising on acquisition	3,934
Net cash outflow on acquisition:	
Cash consideration paid	(8,773)
Less: Cash and cash equivalent balances acquired	2,855
	(5,918)

Impact of acquisition on the results of the Group

The amounts of revenue and profit of 欒川縣富潤礦業有限公司 since the acquisition date included in the consolidated statement of comprehensive income for the current period was insignificant.

Had the acquisition of 欒川縣富潤礦業有限公司 been effected at 1 January 2010, the financial impact to the revenue and profit for the period of the Group was insignificant. The proforma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 January 2010, nor was intended to be a projection of future results.

44. DISPOSAL OF A SUBSIDIARY

On 3 December 2009, the Group entered into a legally binding term sheet with an independent third party pursuant to which the Group agreed to sell 50% of the equity interests in Luoyang High-Tech, a wholly owned subsidiary of the Company. Luoyang High-Tech became a jointly control entity of the Group after the completion of the disposal. The business of Luoyang High-Tech included the manufacturing of molybdenum powder, tungsten powder and related products. The disposal of the 50% equity interest in Luoyang High-Tech was completed on 11 May 2010 and gain on disposal RMB8,010,000 was recognised during the year ended 31 December 2010.

Net assets disposed of:

	As at 11 May 2010 *RMB'000*
Property, plant and equipment	128,651
Land use rights	48,647
Deferred tax assets	8,371
Inventories	50,392
Trade and other receivables	116,402
Held-for-trading investments	7,678
Tax recoverable	1,162
Bank balances and cash	166,490
Trade and other payables	(20,141)
	507,652
Transferred to interests in jointly controlled entities at fair value *(Note)*	(253,826)
	253,826
Gain on disposal	8,010
Total consideration	261,836
Satisfied by:	
Cash	261,836
Net cash inflow arising on disposal:	
Cash consideration received	261,836
Bank balances and cash disposed of	(166,490)
	95,346

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

45. MAJOR NON-CASH TRANSACTIONS

During the current year, the capital injection of RMB390,000,000 from non-controlling shareholders of a subsidiary was injected to acquire the exploration asset which is disclosed in note 18.

46. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments contracted for but not provided in the consolidated financial statements:

	2011 **RMB'000**	2010 *RMB'000*
Acquisition of:		
Property, plant and equipment	**5,936**	61,074
Land use rights	**56,495**	80,633
Exploration assets	**450,000**	246,000
	512,431	387,707

47. RETIREMENT BENEFITS PLAN

The PRC employees of the Group are members of state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions paid/payable to the scheme by the Group at rate specified in the rules of the scheme included in staff costs are disclosed in notes 11 and 12 for employees and directors, respectively.

48. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance in order to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings and equity attributable to owners of the Company, comprising issued share capital, capital reserve and retained profits.

The Group's board of directors reviews the capital structure on a continuous basis. As a part of this review, the board of directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from prior years.

(b) Categories of financial instruments

	2011 **RMB'000**	2010 *RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)		
— investments in debts securities	**87,181**	172,865
— other loans and receivables	**4,886,898**	4,585,660
	4,974,079	4,758,525
Held-for-trading investments	**61,634**	64,099
Available-for-sale investments (at cost)	**2,300**	2,300
Financial liabilities		
Amortised cost	**3,503,998**	1,882,745

48. FINANCIAL INSTRUMENTS *(Continued)*

(c) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 3.

(d) Financial risk management objectives and policies

The Group's principal financial instruments comprise of trade and other receivables, held-for-trading investments, available-for-sale investments, investments in debt securities, amounts due from associates, jointly controlled entities, trade and other payables, short-term financing bonds, long term payable, dividend payables, bank borrowings, restricted bank deposits and bank balances and cash.

The Group's business is mining. The Group only sells commodities it has produced. In the long term, natural hedges operate in a number of ways to help to protect and stabilise earnings and cash flow, obviating the need to use derivatives or other forms of synthetic hedging for this purpose. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has exposure to such trading or speculative holdings through its investments in associates and jointly controlled entities.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(e) Interest rate risk management

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets, mainly interest bearing bank balances and variable-rate bank borrowings at prevailing market interest rates. The directors monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable interest bearing bank balances and variable-rate bank borrowings at the end of reporting period assuming the stipulated changes taking place at the beginning of the reporting period and held constant throughout the reporting period.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2011 ***RMB'000***	2010 *RMB'000*
Increase/decrease in profit for the year	**777**	257

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings, investments in debt securities, short-term financing bonds and quoted debentures. The directors continuously monitor interest rate exposure and will consider hedging interest rate risk should the need arise.

(f) Foreign currency risk management

The Group undertakes certain sales transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise. In addition, the Group is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated bank balances and bank borrowings.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

	Liabilities		**Assets**	
	2011 ***RMB'000***	2010 *RMB'000*	**2011** ***RMB'000***	*2010* *RMB'000*
USD	**122,675**	—	**54,571**	43,245
HKD	**—**	—	**256**	243

The Group does not carry out active currency hedging. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the board of directors.

48. FINANCIAL INSTRUMENTS *(Continued)*

(f) Foreign currency risk management *(Continued)*

Foreign currency sensitivity

The Group is mainly exposed to foreign currency risk in USD and HKD against RMB. The following table details the Group's sensitivity to a 10 per cent change in RMB against the respective foreign currencies. The 10 per cent is the rate used when reporting foreign currency risk internally to key management personnel and represents directors assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the end of the reporting periods and held constant throughout the reporting period. A negative number indicates a decrease in profit where RMB strengthens against the respective currencies which is mainly attributable to the exposure of outstanding USD and HKD bank balances. A positive number indicates an increase in profit where RMB strengthens against the respective currencies and is mainly attributable to USD borrowings. If RMB weakens against the respective currencies, there would be an equal and opposite impact on the profit.

	USD Impact		HKD Impact	
	2011 **RMB'000**	2010 *RMB'000*	**2011** **RMB'000**	2010 *RMB'000*
Profit and loss	**5,133**	(3,243)	**(19)**	(18)

In directors' opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(g) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and quoted debentures. The directors manage this exposure by maintaining a portfolio of investments with different risks and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in natural resources and transportation sector quoted in The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity and debenture price risks at the reporting date.

If equity prices had been 20% higher/lower, profit for the year ended 31 December 2011 would increase/decrease by RMB2,326,000 (2010: RMB2,820,000).

If debenture prices had been 5% higher/lower, profit for the year ended 31 December 2011 would increase/decrease by RMB2,500,000 (2010: RMB2,500,000).

This is mainly due to the changes in fair value of held-for-trading investments and quoted debentures.

(h) Credit risk

The Group, trades only with recognised, creditworthy third parties. Trade receivables consist of a large number of customers, spread across diverse geographical areas. Products are sold only to companies whose credit information does not indicate payment irregularities. Credit limits have been set for most of the customers and they are monitored systematically. For overseas sales, document payments are in use, such as letters of credit. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is not significant.

The credit risk on liquid fund is limited because the counterparties are banks with high credit-ratings.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2010: 100%) of the total trade receivables as at 31 December 2011.

Loan receivables normally carry interest at rates with reference to banks' lending rates and are secured by collaterals. The Group has concentration of credit risk of the Group's loan receivables from a few entities. In order to minimise the credit risk, the directors continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or to recover overdue balances.

With respect to credit risk arising from the other financial assets of the Group which comprise, other receivables, amounts due from associates and amounts due from jointly controlled entities, the Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are large government related entities with good credit standing and the Group does not expect any significant loss for uncollected advances to these entities.

48. FINANCIAL INSTRUMENTS *(Continued)*

(h) Credit risk *(Continued)*

The credit risk on investments in debt securities and debentures is limited because the majority of the counterparties are reputable banks or state-owned banks and the PRC government.

The carrying amount of financial assets recorded in the consolidated statement of financial position, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

(i) Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The directors managed liquidity risk by ensuring that the Group has sufficient funds to meet all its potential liabilities as they fall due, including shareholders distributions. This is true not only of normal market conditions but also of negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group's holdings of cash and short-term deposits, together with net cash flow from operations, are expected to be sufficient to cover the operating cost of the Group in the next financial year. The directors consider that the Group have adequate source of funding to finance the Group and manage the liquidity position.

Liquidity table

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate prevailing at the end of the reporting period.

	Weighted average interest rate %	On demand and within one year *RMB'000*	One to two years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount total *RMB'000*
31.12.2011					
Bank borrowings	**5.83**	**(373,400)**	**—**	**(373,400)**	**(364,275)**
Short-term financing bonds	**4.69**	**(2,094,838)**	**—**	**(2,094,838)**	**(2,054,717)**
Long term payable	**—**	**—**	**(246,000)**	**(246,000)**	**(246,000)**
Trade and other payables	**—**	**(798,160)**	**—**	**(798,160)**	**(798,160)**
Dividend payables	**—**	**(40,846)**	**—**	**(40,846)**	**(40,846)**
		(3,307,244)	**(246,000)**	**(3,553,244)**	**(3,503,998)**

	Weighted average interest rate %	On demand and within one year *RMB'000*	One to two years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount Total *RMB'000*
31.12.2010					
Bank borrowings	5.13	(827,005)	(11,052)	(838,057)	(796,650)
Trade and other payables	—	(976,706)	(5,745)	(982,451)	(982,451)
Dividend payables	—	(103,644)	—	(103,644)	(103,644)
		(1,907,355)	(16,797)	(1,924,152)	(1,882,745)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

48. FINANCIAL INSTRUMENTS *(Continued)*

(j) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31.12.2011			
	Level 1 ***RMB'000***	**Level 2** ***RMB'000***	**Level 3** ***RMB'000***	**Total** ***RMB'000***
Financial assets				
Held-for-trading				
— listed equity securities	**11,634**	**—**	**—**	**11,634**
— quoted debentures	**50,000**	**—**	**—**	**50,000**
Total	**61,634**	**—**	**—**	**61,634**

	31.12.2010			
	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Financial assets				
Held-for-trading				
— listed equity securities	14,099	—	—	14,099
— quoted debentures	50,000	—	—	50,000
Total	64,099	—	—	64,099

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2011 and 2010 are set as follows:

Name of company	Date of establishment/ incorporation	Place of establishment/ incorporation and operation	Paid-up capital/ registered capital	Proportion of equity held directly by the Company 2011	2010	Principal activities
洛陽欒川鉬業集團冶煉有限責任公司 Luomu Group Refining Co., Ltd.	5 June 2002	PRC — Limited liability company	RMB5,660,000 (2010: RMB5,660,000)	100%	100%	Manufacturing of molybdenum oxide, molybdenum steel and related products
洛陽欒川鉬業集團鎢鉬銷售貿易有限公司 Luomu Group Sales and Trading Co., Ltd.	27 March 2001	PRC — Limited liability company	RMB2,000,000 (2010: RMB2,000,000)	100%	100%	Trading of molybdenum products
洛陽大川鉬鎢科技有限責任公司 Luoyang Dachuan Molybdenum & Tungsten Technology Co., Ltd.	10 March 2003	PRC — Limited liability company	RMB157,500,000 (2010: RMB157,500,000)	100%	100%	Manufacturing of ammonium molybdate, and molybdenum powder
欒川縣三強鉬鎢有限公司 Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.	24 March 2003	PRC — Limited liability company	RMB55,480,000 (2010: RMB55,480,000)	51%	51%	Ore processing
欒川縣九揚礦業有限公司 Luanchuan County Jiuyang Mining Co., Ltd.	9 May 2003	PRC — Limited liability company	RMB33,390,000 (2010: RMB33,390,000)	51%	51%	Ore processing
欒川縣大東坡鉬鎢礦業有限公司 Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.	2 June 2003	PRC — Limited liability company	RMB65,654,000 (2010: RMB65,654,000)	51%	51%	Ore processing
洛陽鉬都國際飯店有限公司 Luoyang Mudu International Hotel Co., Ltd.	11 October 2006	PRC — Limited liability company	RMB210,000,000 (2010: RMB210,000,000)	100%	100%	Hotel and catering
洛陽坤宇礦業有限公司 Luoyang Kunyu Mining Co., Ltd.	27 September 2006	PRC — Limited liability company	RMB531,220,000 (2010: RMB500,000,000)	70%	70%	Production of various non-ferrous metals
洛陽鉬業集團金屬材料有限公司 Luomu Group Metal Material Company Limited	27 December 2007	PRC — Limited liability company	RMB650,000,000 (2010: RMB650,000,000)	100%	100%	Manufacturing and trading of molybdenum products
洛陽鉬業(香港)有限公司 China Molybdenum (Hong Kong) Company Limited	3 August 2007	Hong Kong — Limited liability company	HKD1 (2010: HKD1)	100%	100%	Trading of molybdenum products
洛陽鉬業集團貴金屬投資有限公司 Luomu Group Precious Metals Investment Co. Ltd.	6 August 2007	PRC — Limited liability company	RMB500,000,000 (2010: RMB500,000,000)	100%	100%	Sales of precious metals, investment on precious metals
洛陽欒川鉬業集團鎢鉬銷售有限公司 Luomu Group Sales Co., Ltd. (Note)	29 June 2011	PRC — Limited liability company	RMB50,000,000 (2010: Nil)	100%	—	Trading of molybdenum products

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of company	Date of establishment/ incorporation	Place of establishment/ incorporation and operation	Paid-up capital/ registered capital	Proportion of equity held directly by the Company 2011	2010	Principal activities
洛陽永寧金鉛冶煉有限公司 Luoyang Yongning Gold & Lead Refining Co. Ltd.	21 September 2007	PRC — Limited liability company	RMB400,000,000 (2010: RMB400,000,000)	**75%**	75%	Sale and manufacturing of molybdenum oxide
洛陽欒川鉬業集團鎢業有限公司 Luomu Group Tungsten Co., Ltd.	3 August 2007	PRC — Limited liability company	RMB100,000,000 (2010: RMB100,000,000)	**100%**	100%	Sales, processing and recovery of molybdenum and tungsten
洛陽建投礦業有限公司 Luoyang Construction Investment and Mining Co., Ltd.	28 July 2008	PRC — Limited liability company	RMB5,000,000 (2010: RMB5,000,000)	**100%**	100%	Trading of molybdenum products
欒川縣滬七礦業有限公司 Luanchuan Huqi Mining Company Limited	27 July 2004	PRC — Limited liability company	RMB10,000,000 (2010: RMB10,000,000)	**100%**	100%	Trading processing of molybdenum
欒川縣富潤礦業有限公司	19 July 2006	PRC — Limited liability company	RMB1,000,000 (2010: RMB1,000,000)	**100%**	100%	Sales and processing molybdenum products
新疆洛鉬礦業有限公司	9 August 2010	PRC — Limited liability company	RMB1,505,380,000 (2010: RMB1,010,000,000)	**70%**	97.03%	Extracting, processing and sales of molybdenum products
欒川縣啟興礦業有限公司	7 April 2008	PRC — Limited liability company	RMB6,000,000 (2010: RMB6,000,000)	**100%**	100%	Trading molybdenum products

Note: The entity was a branch office of the Group prior to 30 June 2011.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

50. LITIGATION

During the year ended 31 December 2009, the Group was involved in a civil litigation relating to a claim from a mining company (the "plaintiff") for damages arising from the Group's construction of a manufacturing plant which affect the plaintiff's mining activities in the area for an amount of approximately RMB135 million.

During the year ended 31 December 2010, the plaintiff increased the claim by RMB95 million to approximately RMB230 million. The Group has lodged objections for the additional claim as the claim was submitted after the permission period. The court has ruled in favor of the Group and rejected the increased claim.

The directors of the Company are of the view that the Group has complied with relevant laws and regulations in respect of the construction of the manufacturing plant and has appointed lawyers to defend the claim on its behalf. The directors considered that the Group has good defenses to these claims and will continue to defend vigorously. Accordingly, no provision in connection with the legal claim has been made in the consolidated financial statements. The case was heard by the court and the court rejected the claims of the plaintiff. The plaintiff was unwilling to accept the ruling of the Court and had applied for second trial, which has not yet been heard. After obtaining legal advice, in theory, the Group shall not bear the consequences of losing the lawsuit.

51. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company at the end of the reporting period includes:

	2011	2010
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**2,435,686**	2,566,117
Land use rights — non-current portion	**388,974**	259,265
Mining rights	**256,816**	283,370
Other non-current assets	**633,880**	525,558
Investments in subsidiaries	**3,374,346**	3,324,116
Investments in debt securities	**—**	30,000
	7,089,702	6,988,426
Current assets		
Inventories	**147,835**	362,921
Trade and other receivables	**815,563**	1,386,419
Amounts due from subsidiaries	**2,457,268**	2,113,862
Land use rights — current portion	**5,905**	5,457
Investments in debt securities	**—**	89,798
Held-for-trading investments	**60,173**	61,714
Other current assets	**2,883,196**	2,879,072
	6,369,940	6,899,243
Current liabilities		
Trade and other payables	**(198,804)**	(660,714)
Short-term financing bonds	**(2,054,717)**	—
Amounts due to subsidiaries	**(247,634)**	(954,828)
Tax payables	**(20,389)**	(50,304)
Bank borrowings — due within one year	**(150,000)**	(650,000)
Other current liabilities	**(71,554)**	—
	(2,743,098)	(2,315,846)
Non-current liabilities	**(68,816)**	(62,002)
	10,647,728	11,509,821
Capital and reserves		
Share capital	**975,234**	975,234
Reserves	**9,672,494**	10,534,587
Total equity	**10,647,728**	11,509,821

FINANCIAL SUMMARY

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CONSOLIDATED RESULTS					
Revenue	**6,001,706**	4,396,369	3,045,649	5,563,275	5,897,806
Cost of sales	**(4,073,880)**	(2,798,971)	(2,215,680)	(2,843,575)	(2,277,920)
Gross profit	**1,927,826**	1,597,398	829,969	2,719,700	3,619,886
Other income and gains	**66,774**	140,655	182,974	137,507	446,265
Selling and distribution expenses	**(24,626)**	(15,107)	(13,992)	(25,019)	(21,344)
Administrative expenses	**(271,830)**	(220,657)	(248,617)	(253,494)	(208,622)
Other expenses and losses	**(178,768)**	(140,717)	(22,346)	(85,547)	(268,886)
Finance costs	**(95,511)**	(41,786)	(21,363)	(2,939)	(19,871)
Share of results of associates	**117,933**	32,574	16,561	14,792	12,827
Share of results of jointly controlled entities	**(8,690)**	(6,742)	—	—	—
Profit before taxation	**1,553,108**	1,345,618	723,186	2,505,000	3,560,255
Taxation	**(372,282)**	(343,926)	(188,576)	(656,187)	(1,053,333)
Profit for the year	**1,160,826**	1,001,692	534,610	1,848,813	2,506,922
Attributable to:					
Owners of the Company	**1,122,840**	965,549	503,315	1,640,902	2,240,834
Non-controlling interests	**37,986**	36,143	31,295	207,911	266,088
	1,160,826	1,001,692	534,610	1,848,813	2,506,922
Earnings per share — basic *(note)*	**RMB0.23**	RMB0.20	RMB0.10	RMB0.34	RMB0.50

Note: The calculation of basic earnings per share for the year ended 31 December 2007 was based on the profit attributable to owners of the Company for each of the year and the weighted average number of shares had been determined taking into consideration the 700,000,000 shares issued upon the Company's transformation into a joint stock limited company on 25 August 2006 and had been adjusted for the share split which becomes effective on 13 April 2007.

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Total assets	**15,396,732**	14,121,422	12,684,397	12,736,260	11,867,327
Total liabilities	**(3,829,157)**	(2,132,583)	(1,393,623)	(1,091,175)	(1,160,458)
Non-controlling interests	**(868,854)**	(444,883)	(320,272)	(407,957)	(337,602)
Equity attributable to owners of the Company	**10,698,721**	11,543,956	10,970,502	11,237,128	10,369,267

FOR SHAREHOLDERS' INFORMATION

This 2011 annual report ("Annual Report") has been prepared in both English and Chinese. Shareholders who have received either the English version or Chinese version of the Annual Report may request a copy in the other language by writing to the Company through the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at chinamoly@computershare.com.hk.

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

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

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

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