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

(Stock code : 3993)

Interim Report 2007

*For identification purposes only

CONTENTS

CORPORATE INFORMATION

Directors

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

Non-executive Directors
Xu Jun
Zhang Yufeng

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

Supervisors

Shu Hedong
(Chairman of Supervisory Committee)
Yin Dongfang
Deng Jiaoyun

Joint Company Secretaries

Ho Siu Pik *(ACS, ACIS)*
Lo Yee Har Susan *(FCS, FCIS)*

Board Secretary

He Feng

Qualified Accountant

Fang Ying *(FCCA)*

Authorized Representatives

Li Chaochun
Lo Yee Har Susan *(FCS, FCIS)*

Alternate Authorized Representative

Ho Siu Pik *(ACS, ACIS)*

Audit Committee

Ng Ming Wah, Charles
(Chairman of Audit Committee)
Gao Dezhu
Gu Desheng
Zhang Yufeng

Auditors

Deloitte Touche Tohmatsu

Compliance Advisor

Guotai Junan Capital Limited

Legal Advisors

Sidley Austin
Llinks Law Offices

Principal Bankers

China Merchants Bank, Zhengzhou Branch
China Everbright Bank, Zhengzhou Branch, Wenhua Road Sub-Branch
China CITIC Bank, Zhengzhou Branch
Zhongke Building Sub-Branch
Agricultural Bank of China, Luanchuan County Sub-Branch
China Construction Bank, Luanchuan County Sub-branch
Bank of China, Luoyang Sub-branch
Industrial Bank, Zhengzhou Branch, Zi Jin Shan Sub-branch
Industrial and Commercial Bank of China, Luanchuan County Sub-branch

Hong Kong H Share Registrar

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

Registered Office in the PRC

West Junshan Road
Luanchuan County
Luoyang City
Henan Province
PRC

Principal Place of Business in Hong Kong

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

Share Information

Stock code:	3993
Listing date:	26 April 2007
Number of H shares:	1,311,156,000 H shares
Nominal value:	RMB0.20 per share
Stock name:	CMOC

Financial Calendar

Interim Results Announcement	22 August 2007
Closure of register of members	N/A
Payment of interim dividend	N/A

Investor Relations

The Company:	Mr. He Feng No. 374 West Junshan Road Luanchuan County Luoyang City Henan Province PRC
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Financial Public Relation Consultant and Media Enquiry:	Wonderful Sky Financial Group Ltd. Unit 3102-3105, 31/F Office Tower Convention Plaza 1 Harbour Road Wanchai Hong Kong
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Facsimile:	(852) 28151352

Company's website

www.chinamoly.com

MARKET REVIEW

(The following information is derived from China Commodity Marketplace (www.chinaccm.com) in which the relevant commodity prices are inclusive of value-added tax)

Due to robust demand and short supply of molybdenum products in the first half of 2007, the domestic and international price of molybdenum remained strong. The domestic average price of molybdenum concentrate, molybdenum oxide and ferromolybdenum in early June surged by approximately 16% to 19% since the beginning of this year. The PRC domestic average price of molybdenum concentrate, molybdenum oxide and ferromolybdenum tax inclusive from January to June were RMB4,080/metric tonne unit, RMB4,349 / metric tonne unit and RMB279,600 /base tonne (60% grade), respectively, remaining the same in the corresponding period last year. The international average price of molybdenum oxide and ferromolybdenum at the end of June 2007 rose by approximately 31%-39%over the beginning of the year. The international average price of molybdenum oxide and ferromolybdenum from January to June were approximately US$28.6/pound and US$31.7/pound, respectively, representing an increase of approximately 18% to 23% over the corresponding period last year.

Domestic industry policies

1. Administration of processing trade

On 28 March 2007, according to《中華人民共和國進出口稅則》and the macro-economic policy, the Ministry of Commerce, the General Administration of Customs and the State Administration Environmental Protection Administration of China issued a category of prohibited processing trade products. In addition, roasted molybdenum ores (i.e. molybdenum oxide) and concentrates are restricted from import, whereas ferromolybdenum, molybdenum powder, unwrought molybdenum (including bars and rods simply by sintering), molybdenum waste and scrap are restricted from export. Material processing and imported material processing businesses that engage in the export of imported molybdenum concentrates and molybdenum oxide after simple processing are accordingly restricted under the policy.

2. Export Licenses

On 29 March 2007, the Ministry of Commerce issued the Urgent Notice Regarding Temporary Adjustment of the Terms of Export Licenses for Indium and Molybdenum (《關於臨時調整鉬出口許可證有效期的緊急通知》), pursuant to which the terms of export licenses for indium and molybdenum have been temporarily adjusted to 30 days and no extension is permitted.

On 31 May 2007, pursuant to the Application Standards and Procedures of Export Licenses for Indium and Molybdenum《銦、鉬出口許可證申請標準和申報程序》, the Ministry of Commerce published a list of enterprises eligible for application for indium and molybdenum export licenses. Molybdenum manufacturers, without export licenses are restricted to be engaged in the export of molybdenum. It is confirmed that the Company and Luoyang High Tech, a subsidiary of the Company, are eligible for application an export license of molydeum.

3. Adjustment of Export Tariffs

On 22 May 2007, the policy of adjusting the import and export tariff rate of certain commodities was considered and approved by the ninth meeting of the Tariff Regulations Committee of the State Council, effective from 1 June. The export tariff for molybdenum oxide and molybdates increased to 15% and export tariff for ferromolybdenum remained at 10%.

4. Export Quota

On 11 June 2007, pursuant to the notice issued by the Ministry of Commerce of the PRC and the General Ministry of Customs, an export quota and licensing system for indium, indium products, molybdenum and molybdenum products was implemented effective from 18 June 2007. Enterprises eligible for application for indium and molybdenum export licenses can make application to the issuing bodies of provincial regulatory authorities on commerce for an export quota license. Export licence is required to complete the customs clearance procedures.

5. Export Tax Rebate

On 19 June 2007, the Ministry of Finance and the State Administration of Taxation issued the Notice on Lowering the Export Tariff Rebate Rate of Certain Commodities,《關於調低部分商品出口退稅的通知》effective from 1 July 2007. The export tariffs for ammonium molybdates, oxide of molybdenum, hydroxide, other molybdates reduced to 0%, whereas the export tax rebates for wrought molybdenum bars, wrought molybdenum rods and profile, molybdenum threads and other molybdenum products were lowered to 5%.

In addition, on 9 April 2007, the Ministry of Finance and the State Administration of Taxation issued the Notice Regarding Adjusting Export Tax Rebate in Steel Products,《關於調整鋼材出口退稅率的通知》effective from 15 April 2007. The policy covers 76 items of high-end steel products such as special steel products, stainless steel, cold rolling products, with the tax rebate falling from 8% to 5%, and export tax rebate for 83 items of ordinary steel products were also abolished.

6. Resource Consolidation in Henan Province

Subsequent to the issuance of the No. 108 document "The Notice Regarding the Opinions by Governmental Authorities such as Ministry of Land and Resources on Consolidation of Mineral Resources Exploration" issued by the State Council last year, the Opinions by the Mineral Resources Consolidation Leading Group of Henan Province Regarding Further Consolidation of Mineral Resources（河南省礦產資源整合領導小組關於進一步深化礦產資源整合工作的意見）was published in the end of January in 2007 in Henan Province, demanding a quicker consolidation of important mineral resources including various types of metals such as molybdenum with a particular focus on restoring mineral exploitation of important minerals in various regions including Luanchuan.

BUSINESS REVIEW

In the first half of 2007, the Group captured market opportunities and took advantage of its strength in resources, production scale and integrated production chain, contributing to an increase in production of various types of products over the corresponding period last year. From January to June 2007, its production of molybdenum concentrates, molybdenum oxide and ferromolybdenum were approximately 13,761 tonnes, 9,608 tonnes and 6,558 tonnes, respectively, representing an increase of 64.9%, 84.4% and 178%, respectively over the corresponding period last year. In addition, the Group also produced approximately 1,173 tonnes of other processed molybdenum products of different types. The ratio of domestic sales to export was approximately 65% to 35%. The ratio of domestic and export was generally the same as that of last year.

We are a leading producer of molybdenum in the PRC and are capitalizing on our tungsten reserves by producing tungsten and other precious metals. We will strive to be a leader in the domestic and international markets on the quest of technological innovation and construction of environmentally-friendly mines, transforming the Company to a leading mining group in precious metals around the world.

In the first half of 2007, in terms of the core business of molybdenum production, the Group has been planning and constructing auxiliary facilities in open-pit mine; accomplished a renovation project of 5,000 tonnes per day at the No. 3 Ore Processing Branch; completed molybdenum processing projects such as 300 tonnes/year production lines of high temperature molybdenum powder, 160 tonnes/year production lines of molybdenum threads and 800 tonnes/year production lines of products by sintering. To facilitate acid production by tail gas in existing smelting factories, the Company has commenced preparation for the establishment of a new roasting smelter with a production capacity of 40,000 tonnes in co-operation with Climax Molybdenum Company.

For the tungsten business, the company has commenced construction work of a tungsten recovery project with processing capacity of 6,000 tonnes per day to process the tailings from No.1 Branch and Sanqiang Plant. The Company has commenced conducting site selection studies and design of another tungsten recovery plant with process capacity of 9,000 tonnes per day. The Company is undertaking feasibility study of an APT project.

FINANCIAL REVIEW

Summary

As at 30 June 2007, profit attributable to equity holders of parent entity was RMB1,104.3 million, representing a rise of 85.3% over the same period in 2006, outperforming the estimated base figures of RMB950 million as stated in the Company's prospectus by RMB154.3 million, The comparative analysis between the financial positions as at 30 June 2007 and 30 June 2006 is as follows:

Operating results

	For the six months ended 30 June							
	2007				2006			
	Sales volume *(tonne)*	**Average selling price *(RMB/tonne)***	**Sales income *(RMB million)***	**Percentage in sales income *(%)***	Sales volume *(tonne)*	Average selling price *(RMB/tonne)*	Sales income *(RMB million)*	Percentage in sales income *(%)*
Molybdenum Ore	**35,298.5**	**84.0**	**3.0**	**0.1**	658,898.0	39.2	25.8	1.8
Molybdenum concentrate	**2,450.3**	**163,412.1**	**400.4**	**13.9**	2,401.7	158,304.4	380.2	25.8
Molybdenum oxide	**2,391.9**	**220,435.7**	**527.3**	**18.3**	2,414.0	185,666.9	448.2	30.5
Ferromolybdenum	**6,609.0**	**244,793.0**	**1,617.8**	**56.1**	2,115.7	224,421.8	474.8	32.3
Other products	**N/M**	**N/M**	**333.3**	**11.5**	N/M	N/M	142.6	9.7
Total			**2,881.8**	**100.0**			1,471.6	100.0

As at 30 June 2007, the Group recorded a turnover of RMB2,881.8 million, representing an increase of RMB1,410.2 million or 95.8% over RMB1,471.6 million in the same period last year.

From January to June, sales volume of molybdenum concentrate amounted to approximately 2,450.3 tonnes, an increase of 2% over the same period last year, mainly attributable to more allocation of molybdenum concentrate for the production of molybdenum oxide and a generally stable volume of molybdenum concentrate available for sale. Over the same period, sales volume of molybdenum oxide amounted to approximately 2,391.9 tonnes, a decrease of 0.9% over the same period last year, mainly due to a allocation of molybdenum oxide for the production of ferromolybdenum, whereas sales volume of ferromolybdenum was approximately 6,609.0 tonnes, an increase of 212.4% over the same period last year, primarily attributable to increase in processing capacity and robust market demand. In addition, other molybdenum products and other products of the Group recorded an increase of 133.7% over the same period last year, mainly attributable to the rise in processing capacity and strong market demand. The percentages of domestic sales and export were 65% and 35%, respectively.

Cost

	For the six months ended 30 June					
		2007			2006	
	Cost of sales	**Gross Profit**	**Profit margin**	Cost of sales	Gross Profit	Profit margin
	(million)	***(RMB million)***	***(%)***	*(million)*	*(RMB million)*	*(%)*
Total	**1,073.1**	**1,808.7**	**62.8**	473.3	998.3	67.8

As at 30 June 2007, cost of sales of the Group was RMB1,073.1 million, representing a rise of 126.7% over the RMB473.3 million in the same period last year. The main reasons behind the increase in the cost of sales were (1) expansion in the scale of mining and ore processing; (2) a levy of 10% to 15% of export tax for the export of molybdenum oxide and ferromolybdenum; (3) procurement of products in market price from parties other than the Group by its trading subsidiaries, Dachuan High Tech Company; and (4) amortization of the consideration for the acquisition of the Sandaozhuang Mine mining right.

Gross profit and profit margin

For the 6 months period ended 30 June 2007, the gross profit of the Group amounted to RMB1,808.7 million, representing an increase of RMB810.5 million or 81.2% as compared with RMB998.3 million in the same period last year. The significant growth was mainly driven by substantial increase in sales volume.

As at 30 June 2007, the profit margin of the Group was 62.8%, representing a fall of 5.0% as compared with 67.8% in the same period last year. Such fall was due to: (1) export tariff being levied against the export of molybdenum oxide and molybdenum ore products; (2) procurement of products in market price from parodies other than the Group by its trading subsidiaries, Dachuan High Tech Company; (3) amortization of the consideration for the acquisition of the Sandaozhuang Mine mining right.

Other income

For the 6 months period ended 30 June 2007, other income and gains of the Group amounted to RMB 262.3 million, representing an increase of RMB247.1 million or 1,623.1% over RMB15.2 million for the corresponding period last year. Such increase was mainly due to bank interest income of RMB213.10 million arising from the oversubscription of new shares and an interest income of RMB48.2 million generated from proceeds from our listing during the first half of 2007.

Selling and distribution costs

As at 30 June 2007, the selling and distribution costs of the Group amounted to RMB9.4 million, representing a decrease of RMB1.7 million or 15.0% from RMB11.1 million for the corresponding period last year. Such decrease was mainly due to the reduction of our advertising expenses.

Administrative expenses

As at 30 June 2007, the administrative expenses of the Group was RMB119.8 million, representing an increase of RMB74.4 million or 164% from RMB45.4 million for the corresponding period last year, mainly due to: (1) increase in the administrative expenses and intermediary expediture for the listing; and (2) stamp duty incurred from the increase in our registered capital.

Other expenses

As at 30 June 2007, other expenses of the Group amounted to RMB98.1 million, representing an increase of RMB95.9 million over RMB2.2million for the corresponding period last year. Such increase was mainly due to the statutory functional currency of the Group being Renminbi, while proceeds from listing of the Company was accounted in Hong Kong dollars. Since the listing of the Company, Renminbi has appreciated against Hong Kong dollars, resulting in an increased loss on exchange.

Finance costs

As at 30 June 2007, the finance costs of the Group amounted to RMB25.6 million, representing an increase of RMB10.8 million or 73.0% over RMB14.8 million for the corresponding period last year. Such increase was mainly due to an increase in outstanding bank loans and the interest expense for the outstanding consideration for the Sandazhuang Mine mining right.

Income tax expenses

As at 30 June 2007, the income tax expenses of the Group amounted to RMB590.2 million, representing an increase of RMB309.7 million or 110.4% over RMB280.5 million for the corresponding period last year. Such increase was mainly due to an increase in operating profit.

Minority interest

As at 30 June 2007, the minority interests of the Group amounted to RMB129.1 million, representing an increase of RMB62.3 million or 93.3% over RMB66.8 million for the corresponding period last year. Such increase was mainly due to the consolidation of non-wholly owned subsidiaries of the Company namely Sanqiang, Jiuyang and Dadongpo in the Group in January, February and March 2006, respectively.

Liquidity, Financial Resources and Capital Structure

On 30 June 2007, the total assets of the Company amounted to approximately RMB 11,121.0 million, comprising non-current assets of approximately to RMB3,209.5 million and current assets of approximately RMB7,911.5 million. On 30 June 2007, the cash and cash equivalents of the Company amounted to approximately RMB6,710.8 million, while interest-bearing bank and other loans amounted approximately to RMB335.0 million. The Company had already utilized part of the proceeds from listing and cash generated from operations to settle the liabilities. The Company continues to maintain a healthy financial position.

Debt to Total Assets Ratio

The debt to total assets ratio of the Group decreased from 52.7% as of 31 December 2006 to 15.5% as of 30 June 2007. Debt to total assets ratio is equivalent to total liabilities divided by total assets and then multiplied by 100%. Such decrease in ratio was mainly due to the net proceeds from listing of H Shares of the Group on the Main Board of The Stock Exchange of Hong Kong Limited which resulted in an increase in total assets of the Group. The Group used the proceeds from the listing and its cash to repay the bank loans, thus, led to a decrease in total debts of the Group.

Exposure to Fluctuations in Exchange Rate

The Company conducts operations mainly in the PRC. Except for export sales which are mainly transacted in the United States dollars, the Group currently receives its sales revenue in Renminbi. In addition, the proceeds raised in Hong Kong by the Company on April 2007 amounted approximately to HK$8.1biillion. According to administrative regulations on foreign exchange in the People's Republic of China, we cannot translate all proceeds to Renminbi, thereby we are exposed to foreign exchange risks, which mainly come from products sold in foreign currencies and proceeds deposited in accounts denominated in Hong Kong dollars. The Group did not have any formal hedging polices in place and have not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

Exposure to the Price Fluctuation of Molybdenum Products

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

Exposure to Interest Rate

The exposure to interest rate of the Group is mainly related to our long-term and short-term bank borrowings. The interest rate of outstanding liabilities of the Group is calculated on basis of the base rate amended by PBOC from time to time, whereas the interest rate of the deposits of the Group is calculated on basis of the base rate amended by PBOC and inter-bank market in Hong Kong from time to time. If the prevailing interest rate increases, our interest cost and interest income will increase simultaneously. So far, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate.

MATERIAL EVENTS

Increase capital in Luoyang Hi-tech Molybdenum & Tungsten Materials Co., Ltd.

On 26 June 2007, the Company contributed a sum of RMB400 million to increase the registered capital of one of its wholly-owned subsidiaries namely, Luoyang Hi-tech Molybdenum & Tungsten Materials Co., Ltd. ("Luoyang Hi-tech"). Subsequent to the capital injection, the registered capital of Luoyang Hi-tech increased from RMB130million to RMB530million. Luoyang Hi-tech engages in the production of molybdenum powder, tungsten power, molybdenum products and tungsten products.

Increase capital in China Molybdenum Group Refining Co., Ltd.

On 9 July 2007, the Company contributed a sum of RMB800 million to increase the registered capital of one of its wholly-owned subsidiaries namely, China Molybdenum Group Refining Co., Ltd.("Luomu Group Refining"). Subsequent to the capital injection, the registered capital of Luomu Group Refining increased from RMB5.66 million to RMB805.66 million. Luomu Group Refining engages in smelting processing of serial products of molybdenum and tungsten, smelting processing of other non-ferrous metals, inspection of non-ferrous metals and ore products. The increase of capital will be used to invest in a new roasting and smelting plant with a capacity of 40,000 tonnes per year.

Establish China Molybdenum Group Precious Metals Investment Co., Ltd.

On 3 July 2007, the Company established China Molybdenum Group Precious Metals Investment Co., Ltd. in Luoyang City, Henan Province as its wholly-owned subsidiary with a registered capital of RMB1 billion. The company engages in investment and sales of precious metals, and will serve an investment and integration platform for the Group's expansion in the precious metals sector.

Establish China Molybdenum Group Tungsten Co., Ltd.

On 20 July 2007, the Company established China Molybdenum Group Tungsten Co., Ltd. in Luanchuan Municipal, Henan Province as its wholly-owned subsidiary with a registered capital of RMB1 billion. The company engages in the processing, sales and investment of precious metals, and will serve as a platform for the Group's development in the tungsten industry.

Litigation with Beijing University of Technology Zhiyuan Science & Technology Development Co., Ltd.

The litigation between the us and Beijing University of Technology Zhiyuen Science & Technology Development Co., Ltd. ("Gongda Zhiyuan") pertaining to the disqualification of Gongda Zhiyuan's 25% equity interest in Luoyang Dachuan & Tungsten Technology and to rescind the joint venture agreement with Gongda Zhiyuan (as detailed in the Company's prospectus dated 13 April 2007). Gongda Zhiyuan appealed to the Intermediate People's Court of Luoyang City against the judgement of the People's Court of Luanchuan dated 9 February 2007. Our PRC legal advisor engaged in such litigation advised us that the Intermediate People's Court has completed reviewing the documents submitted. However, as at the latest practicable date, we have not yet received any judgement.

Commencement of production at No.3 Ore Processing Branch

On 25 July 2007, No.3 Ore Processing Branch had finished its technological improvement and structural expansion to achieve a flotation capacity of 5,000 tonnes per day, which was about one month earlier than the scheduled completion time.

A roasting and smelting plant of 40,000 tonnes per year

The Group intends to construct a roasting and smelting plant with a capability of 40,000 tonnes per year. Through technological collaboration with Climax Molybdenum Company, a subsidiary of Phelps Dodge (as disclosed in the Company's propections dated 13 April 2007), the Group will construct a new plant for roasting and smelting, with technological equipment, craftsmanship and workflow as well as environmental management of international standards. Currently, the research and initial design of the project has been completed, we are approaching to the stage of site selection and evaluation.

Tungsten recovery project of 6,000 tonnes per day

We are in the process of constructing a plant to engage in tungsten recovery process, with a processing capacity of 6,000 tonnes per day. The plant is designed to recover tungsten in tailings of processed molybdenum from No.1 Ore Processing Branch and Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd. ("Sanqiang"). Construction work commenced on 30 May 2007. We anticipate that the plant will be able to commence its production in 2008.

Tungsten recovery project of 9,000 tonnes per day

We are also in the process of designing another plant to engage in tungsten recovery process, with a processing capacity of 9,000 tonnes per day. The plant is designed to recover tungsten in tailings of processed molybdenum from No.3 Ore Processing Branch and Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. Site selection and feasibility studies have been completed and construction is expected to commence in the third quarter this year.

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

By order of the Board
Duan Yuxian
Chairman

Luanchuan, the PRC, 22 August 2007

DIRECTORS AND SUPERVISORS

Our Board consists of 11 Directors, pursuant to the Articles of Association, our Directors have a term of three years, renewable upon re-election.

Executive Directors:	Duan Yuxian, Li Chaochun, Wu Wenjun, Li Faben, Wang Qinxi
Non-executive Directors:	Xu Jun, Zhang Yufeng
Independent Non-executive Directors:	Gao Dezhu, Zeng Shaojin, Gu Desheng, Ng Ming Wah, Charles
Supervisors:	Shu Hedong, Yin Dongfang, Deng Jiaoyun

EMPLOYEES

The Group had approximately 5,237 employees as of 30 June 2007. The remuneration package of the employees includes salary, bonuses and allowances. Employees also receive welfare benefits including medical care, housing subsidies, child care and education, retirement and other miscellaneous items.

SHARE CAPITAL

	As at 30 June 2007	
	Number of shares	**Amount RMB**
Domestic shares at a nominal value of RMB0.20 per share	3,565,014,525	713,002,905
H shares at a nominal value of RMB0.20 per share	1,311,156,000	262,231,200
Total	4,876,170,525	975,234,105

SHARE CAPITAL STRUCTURE

As at 30 June 2007, the share capital structure of the Company were as follows:

	As at 30 June 2007	
Holders of domestic shares or H shares	**No. of shares**	**Approximate percentage of total share capital**
Holders of domestic shares		
Luoyang Mining Group Co., Ltd.	1,796,593,475	36.84%
Cathay Fortune Corporation	1,768,421,050	36.27%
Holders of H shares	1,311,156,000	26.89%
Total	4,876,170,525	100.00%

Class of shares	No. of shares	Approximate percentage of total share capital
Domestic shares	3,565,014,525	73.11%
H shares	1,311,156,000	26.89%
Total shares	4,876,170,525	100.00%

SUBSTANTIAL SHAREHOLDERS

To the best knowledge of our Directors and Supervisors' knowledge, as at 30 June 2007, the persons or companies who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings were as follows:

Shareholders

Holders of Domestic shares	No. of shares	Approximate percentage of domestic share capital
Luoyang Mining Group Co., Ltd.	1,796,593,475	50.40%
Cathay Fortune Corporation	1,768,421,050	49.60%

Holders of H shares	No. of shares	Approximate percentage of total issued H share capital
National Council for Social Security Fund（中國全國社會保障基金理事會）	119,196,000	9.09%
Baring Asset Management Limited	85,369,000	6.51%
Northern Trust Fiduciary Services (Ireland) Limited	67,240,000	5.13%

DIRECTORS INTEREST

Directors' and Supervisors' Interest in Contracts

As at 30 June 2007, none of the Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the same period.

Directors' and Supervisors' Interests and Short Positions in Shares

As at 30 June 2007, none of Directors and Supervisors and their respective associates had any interests and 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), which would be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or which would be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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 director 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 to enable the Directors or Supervisors to acquire such rights in any other body corporate.

Use of Proceeds

As at 30 June 2007, the Company has applied the proceeds from the initial public offering totaling RMB1,669.77 million as follows:

During May and June 2007, the Company used RMB780.55 million in repaying bank borrowings and interest.

During May and June 2007, the Company used RMB825.89 million in repaying current liabilities, topping up general working capital.

During May and June 2007, the Company used RMB52.67 million in acquiring heavy machineries at Mining Branch, used RMB277.65 million in technological upgrade at No. 3 Ore Processing Branch.

On June 2007, the Company used RMB7.891 million for the expansion of the Company's No.1 Ore Processing Branch, Sanqiang Company and the construction of the tungsten recovery plant.

DIVIDENDS

At the board meeting held on 22 August 2007, the Directors did not recommend payment of an interim dividend for the six months ended 30 June 2007.

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

The Company's H shares were listed on the Stock Exchange on 26 April 2007. The Company and its subsidiaries did not purchase, sell or redeem any securities of the Company during the six months ended 30 June 2007.

CORPORATE GOVERNANCE

The Company is committed to improving its corporate governance, and enhancing the transparency to shareholders. For the six months ended 30 June 2007, in the opinion of the Board, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The Board of the Company consists of 11 Directors, namely 5 executive directors, 2 non-executive directors and 4 independent non-executive directors. For the six months ended 30 June 2007, The Board convened 7 meetings (with an average attendance rate of 98%), in which all 5 executive directors attended all Board meetings.

SUPERVISORY COMMITTEE

The Company has a supervisory committee comprising three supervisors to exercise supervision over the Board and its members and senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. The committee covered one meeting during the six months ended 30 June 2007 (with an attendance rate of 100%).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiries, the Company confirms that all Directors complied with the required standard set out in the Model Code for the six months ended 30 June 2007.

AUDIT COMMITTEE

Written terms of reference of the audit committee based on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board of Directors. The audit committee provides an important link between the Board of Directors and the Company's auditors in matters falling within the scope of the audit of the Company and the Group. The audit committee will review the effectiveness of the external audit and of internal controls, evaluate risks and will provide comments and advice to the Board of Directors. The board audit committee comprises one non-executive Director and three independent non-executive Directors, namely, Mr. Ng Ming Wah, Charles, Mr. Zhang Yufeng, Mr. Gao Dezhu and Mr. Gu Desheng. The board audit committee has reviewed the audited financial results of the Company for the six months ended 30 June 2007.

NON-COMPETITION AGREEMENT

As disclosed in the Company prospectus dated 13 April 2007, our independent non-executive directors will review, on an annual basis, the exercise or non-exercise of the Option to Acquire CRB, and the First Right Options to Purchase CRB's Products under the Non-competition Agreement. Non-competition Agreement took effect on 26 April 2007.

Deloitte.
德勤

TO THE DIRECTORS 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 20 to 76, which comprises the consolidated balance sheet as at 30 June 2007, and the consolidated income statement, the consolidated statements of changes in equity and the consolidated cash flow statement for the period from 1 January 2007 to 30 June 2007 and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirement of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, 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 as to 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 and true and fair presentation of the consolidated financial statements 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 30 June 2007 and of the Group's profit and cash flows for the period from 1 January 2007 to 30 June 2007 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw to your attention that the comparative consolidated income statement, the comparative consolidated cash flow statement and comparative consolidated statement of changes in equity for the six months period ended 30 June 2006 and related notes disclosed in the consolidated financial statements have not been audited.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
22 August 2007

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Six months ended 30 June	
		2007	2006
	NOTES	***RMB'000***	*RMB'000*
			(unaudited)
Turnover	5	**2,881,810**	1,471,587
Cost of sales		**(1,073,061)**	(473,326)
Gross profit		**1,808,749**	998,261
Other income	6	**262,338**	15,225
Selling and distribution expenses		**(9,446)**	(11,108)
Administrative expenses		**(119,777)**	(45,374)
Other expenses	7	**(98,059)**	(2,184)
Finance costs	8	**(25,622)**	(14,811)
Share of results of associates		**5,370**	3,078
Profit before taxation		**1,823,553**	943,087
Taxation	9	**(590,164)**	(280,459)
Profit for the period	10	**1,233,389**	662,628
Attributable to:			
Equity holders of the Company		**1,104,333**	595,870
Minority interests		**129,056**	66,758
		1,233,389	662,628
Earnings per share – Basic	13	**RMB0.27**	RMB0.17

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	**30.6.2007** **RMB'000**	31.12.2006 RMB'000
Non-current assets			
Property, plant and equipment	14	**2,526,190**	2,004,462
Land use rights — non-current portion	15	**228,310**	211,037
Mining rights	16	**378,803**	392,413
Deposits paid for acquisition of property, plant and equipment		**8,000**	8,000
Interests in associates	17	**38,465**	45,095
Available-for-sale investments	18	**2,300**	2,300
Deferred tax assets	19	**27,432**	16,868
		3,209,500	2,680,175
Current assets			
Inventories	20	**222,850**	220,680
Trade and other receivables	21	**839,946**	680,974
Amount due from an associate	22	**67,855**	2,630
Land use rights — current portion	15	**5,320**	5,271
Held-for-trading investments	23	**59,277**	101,493
Pledged bank deposits	24	**5,501**	6,909
Bank balances and cash	25	**6,710,765**	827,447
		7,911,514	1,845,404
Current liabilities			
Trade and other payables	26	**(558,434)**	(800,421)
Dividend payables	27	**(106,720)**	(193,156)
Tax payable		**(360,867)**	(300,059)
Bank borrowings — due within one year	28	**(135,000)**	(555,250)
		(1,161,021)	(1,848,886)
Net current assets (liabilities)		**6,750,493**	(3,482)
Total assets less current liabilities		**9,959,993**	2,676,693

	NOTES	30.6.2007 *RMB'000*	31.12.2006 *RMB'000*
Non-current liabilities			
Bank borrowings –			
due after one year	28	**(200,000)**	(490,000)
Provision	29	**(35,936)**	(35,060)
Long term payables	30	**(331,093)**	(12,777)
		(567,029)	(537,837)
		9,392,964	2,138,856
Capital and reserves			
Share capital	31	**975,234**	736,842
Reserves		**8,257,160**	1,122,646
Attributable to equity holders of the Company		**9,232,394**	1,859,488
Minority interests		**160,570**	279,368
Total equity		**9,392,964**	2,138,856

The consolidated financial statements on pages 20 to 76 were approved and authorised for issue by the Board of Directors on 22 August 2007 and are signed on its behalf by:

Duan Yuxian
DIRECTOR

Wu Wenjun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Capital reserve**	**Statutory surplus reserve**	**Statutory public welfare fund**	**Retained profits**	**Attributable to equity holders of parent entity**	**Minority interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000* *(Note 32)*	*RMB'000* *(Note 32)*	*RMB'000* *(Note 32)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	280,020	—	230,655	23,221	8,014	508,709	1,050,619	140	1,050,759
Conversion to a joint stock limited company	419,980	—	(223,766)	(196,214)	—	—	—	—	—
Issue of shares	36,842	16,874	—	—	—	—	53,716	—	53,716
Profit for the year	—	—	—	—	—	1,515,263	1,515,263	199,202	1,714,465
Dividends	—	—	—	—	—	(760,110)	(760,110)	—	(760,110)
Transfer from/to reserves	—	—	—	280,105	(8,014)	(272,091)	—	—	—
Transfer *(Note)*	—	—	187,371	—	—	(187,371)	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	77,315	77,315
Winding up of a subsidiary	—	—	—	—	—	—	—	(289)	(289)
Capital injection from a minority shareholder	—	—	—	—	—	—	—	3,000	3,000
At 31 December 2006 and at 1 January 2007	736,842	16,874	194,260	107,112	—	804,400	1,859,488	279,368	2,138,856
Issue of shares	238,392	7,762,656	—	—	—	—	8,001,048	—	8,001,048
Share issue expense	—	(433,270)	—	—	—	—	(433,270)	—	(433,270)
Profit for the period	—	—	—	—	—	1,104,333	9,232,394	129,056	1,233,389
Dividends	—	—	—	—	—	(1,299,205)	(1,299,205)	(247,854)	(1,547,059)
Transfer from/to reserves	—	—	—	69,276	—	(69,276)	—	—	—
Transfer *(Note)*	—	—	88,169	—	—	(88,169)	—	—	—
At 30 June 2007	975,234	7,346,260	282,429	176,388	—	452,083	9,232,394	160,570	9,392,964

	Attributable to equity holders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000* *(Note 32)*	Statutory surplus reserve *RMB'000* *(Note 32)*	Statutory public welfare fund *RMB'000* *(Note 32)*	Retained profits *RMB'000*	Attributable to equity holders of parent entity *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
At 1 January 2006	280,020	—	230,655	23,221	8,014	508,709	1,050,619	140	1,050,759
Profit for the period	—	—	—	—	—	595,870	595,870	66,758	662,628
Dividends	—	—	—	—	—	(760,110)	(760,110)	—	(760,110)
Transfer from/to reserves	—	—	—	172,993	(8,014)	(164,979)	—	—	—
Transfer *(Note)*	—	—	82,122	—	—	(82,122)	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	77,315	77,315
At 30 June 2006 (unaudited)	280,020	—	312,777	196,214	—	97,368	886,379	144,213	1,030,592

Note: Pursuant to regulations in the People's Republic of China ("PRC") relating to the mining industry, the Group is required to transfer an amount to the capital reserve account, and such amount is entitled as additional deduction from operating income for PRC tax and accounting purposes. The amount is calculated as the shortfall of the amount of depreciation on property, plant and equipment in respect of mines and the amount calculated based on the volume of molybdenum ore extracted each year and at the applicable rate per tonne of molybdenum ore. The utilisation of the amount in the capital reserve account will be subjected to the rules in the PRC Companies Law and is not available for distribution to shareholders.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Operating activities		
Profit before taxation	**1,823,553**	943,087
Adjustments for:		
Interest income	**(261,251)**	(5,891)
Interest expenses	**25,622**	14,811
Depreciation for property, plant and equipment	**59,377**	29,562
Amortisation of land use rights	**2,335**	1,641
Amortisation of mining right	**13,610**	—
Loss (gain) on disposal of property, plant and equipment	**308**	(931)
Share of results of associates	**(5,370)**	(3,078)
Allowance for (written back of) doubtful debts	**16,090**	(656)
Loss on disposal on held-for-trading investments	**22**	—
Change in fair value on held-for-trading investments	**2,076**	—
Discount on acquisition of a subsidiary	**—**	(5,102)
Goodwill written off on acquisition of subsidiaries	**—**	3,439
Operating cash flows before movements in working capital	**1,676,372**	976,882
(Increase) decrease in inventories	**(2,170)**	17,104
(Increase) decrease in trade and other receivables	**(175,062)**	37,342
Increase (decrease) in trade and other payables	**84,937**	(48,105)
Increase in amount due from an associate	**(65,225)**	(11,403)
Decrease (increase) in held-for-trading investments	**40,118**	(490)
Decrease in early retirement cost payable included in long term payables	**(1,872)**	(1,873)
Cash generated from operations	**1,557,098**	969,457
PRC Enterprise Income Tax paid	**(539,920)**	(332,197)
Net cash from operating activities	**1,017,178**	637,260

	NOTE	Six months ended 30 June **2007** ***RMB'000***	 2006 *RMB'000* (unaudited)
Investing activities			
Interest received		**261,251**	5,891
Dividend received from an associate		**12,000**	—
Purchases of property, plant and equipment		**(580,464)**	(410,082)
Deposit paid for property, plant and equipment		**—**	(8,000)
Purchases of land use right		**(19,657)**	(2,025)
Proceeds from disposal of property, plant and equipment		**310**	1,898
Acquisition of subsidiaries	33	**—**	9,368
Increase in deposit		**—**	(80,000)
Decrease in loan receivables		**—**	13,100
Decrease (increase) in pledged bank deposits		**1,408**	(168,842)
Net cash used in investing activities		**(325,152)**	(638,692)

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Financing activities		
Interest paid	**(32,741)**	(13,976)
Dividends paid to shareholders	**(1,492,361)**	(282,040)
Dividends paid to minority shareholders of subsidiaries	**(141,134)**	—
New bank borrowings raised	**563,000**	1,309,050
Repayment of bank borrowings	**(1,273,250)**	(524,050)
Issue of shares	**8,001,048**	—
Share issue expense	**(433,270)**	—
Net cash generated from financing activities	**5,191,292**	488,984
Net increase in cash and cash equivalents	**5,883,318**	487,552
Cash and cash equivalents at 1 January	**827,447**	357,557
Cash and cash equivalents at the end of the period	**6,710,765**	845,109
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**6,710,765**	845,109

1. GENERAL

The Company was established in the People's Republic of China (the ''PRC") on 22 December 1999 as a wholly state-owned company with limited liability as a result of the merger of two state-owned enterprises. The registered capital was RMB251,000,000 upon establishment. As part of the corporate restructuring in September 2004, Cathay Fortune Corporation Holdings 鴻商控股有限公司, later renamed as Cathay Fortune Corporation 鴻商產業控股集團有限公司 ("CFC") subscribed for 49% of equity interest in the Company with the subscription price of approximately RMB137,210,000 being paid into the registered capital of the Company. In addition, the corporate restructuring also resulted in the repayment of paid-in capital of RMB92,369,000 and distribution of certain land use rights of the Group to its shareholder amounting to RMB15,821,000. Accordingly, the registered capital of the Company was then changed to RMB280,020,000. The People's Government of Luoyang City held the 51% equity interest in the Company until 5 December 2005 when it authorised the State-owned Assets Supervision and Administration Commission of the People's Government in Luoyang City ("Luoyang SASAC") to hold the interest in the Company. In August 2006, Luoyang SASAC transferred the 51% equity interest to Luoyang Mining Group Co., Ltd. ("LMG"). The Company was transformed into a joint stock limited company on 25 August 2006 by converting its registered capital and reserves as at 31 May 2006 into 700,000,000 shares of RMB1 each.

In September 2006, the Company issued 36,842,105 shares with a nominal value of RMB1.00 each to Luoyang Huamu Investment Co., Ltd. ("Luoyang Huamu"). In September 2006, Luoyang Huamu transferred 26,157,895 shares to LMG and 10,684,210 shares to CFC.

Pursuant to a resolution passed on 3 December 2006, the Company undertook a share split whereby each of the then issued ordinary share was split into 5 ordinary shares with effect from 13 April 2007. Accordingly, the total number of shares increased from 736,842,105 shares to 3,684,210,525 shares and the nominal value of each share was changed from RMB1.00 each to RMB0.20 each.

On 26 April 2007, the Company's shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by issuance of 1,083,600,000 H shares of RMB0.20 each. On 4 May 2007, as a result of the exercise of the over-allotment option, the Company issued additional 108,360,000 H shares of RMB0.20 each.

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 and molybdenum concentrate. The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the interim report.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied, for the first time, a number of new standard, amendment and interpretations (hereinafter collectively referred to as "new IFRSs") issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are effective for the Group's financial year beginning 1 January 2007. The adoption of the new IFRSs has no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

At the date of issue of the consolidated financial information, the following new and revised standards, and interpretations were in issue but not yet effective for the period reported:

IAS 23 (Revised)	Borrowing costs [1]
IFRS 8	Operating segments [1]
IFRIC 11	IFRS 2: Group and treasury share transactions [2]
IFRIC 12	Service concession arrangements [3]
IFRIC 13	Customer Loyalty Programmes[4]
IFRIC 14	IAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interation[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

The directors anticipate that the adoption of these standards, and interpretations in future periods will have no material impact on the financial position and the result of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies adopted are as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement 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 used in line with those used by the Group.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combination

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the fair values of the identifiable net assets, liabilities and contingent liabilities on the date of acquisition is recognised as goodwill. Any excess of the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition on the date of acquisition (i.e. discount on acquisition), after reassessment, is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, 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 the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination after reassessment. Discount on acquisition is recognised immediately in profit or loss.

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 balance sheet 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 associates), 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

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 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.

Dividend income from investments is recognised when the Group's rights to receive payment has been established.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 retranslation of monetary items, are included in profit or loss for the period.

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 charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assts. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense 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 the results for the period. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement 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 balance sheet date.

Deferred tax is recognised on 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 and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences are related to goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to profit or loss.

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.

Other property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Provision for restoration, rehabilitation and environmental expenses is recognised as part of the cost of buildings and mining structure. 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 provided to write off the cost of other property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period in which the item is derecognised.

Land use rights

These relate to payment for obtaining land use right which are consolidated as prepaid operating lease payment and are charged to profit or loss over the period of the right using the straight-line method.

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.

Impairment of tangible assets and intangible assets

At each balance sheet date, 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 as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet 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

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial assets is under a contract whose terms require delivery of the assets within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss", "held-to-maturity investments", "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.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling in the near term, the financial asset 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 as well as all derivatives that are not designated and effective hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 37.

Effective interest rate 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.

Debt instruments that are loans and receivables recognise interest income on an effective interest rate basis.

Loans and receivables

Trade and other receivables, amount due from an associate, pledged bank deposits and bank balances that have fixed or determinable payments and are not quoted in an active market are classified as "loan and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at cost. The available-for-sale equity investments 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 each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset 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 losses will not reverse in subsequent periods.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are 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 impacted. For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable 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.

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

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

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

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet when the obligation specified in the relevant contract is discharged, canceled or expires. 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 carried 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.

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.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Provision

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect 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. Spending estimates are 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.

Government grants

Government grants are recognised as income when there is reasonable assurance that the conditions attaching to such grants are complied with and the rights to receive payment have been established.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the balance sheet date 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. Spending estimates are 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, in so far 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 near term. 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.

Allowances for doubtful debts

The management regularly reviews 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 management's 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.

5. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold, less sales taxes and return, for the period. An analysis of the Group's turnover is as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Sales of goods		
– molybdenum concentrate	**400,401**	380,237
– molybdenum oxide	**527,259**	448,202
– ferromolybdenum	**1,617,846**	474,835
– molybdenum ore	**2,965**	25,755
– others	**333,339**	142,558
	2,881,810	1,471,587

The Group's turnover and profit for the period are almost entirely derived from the production and sale of molybdenum related products. The directors consider that these activities constitute one single business segment since the products are related and are subject to common risks and returns.

Primary reporting segment – geographical segments

The Group primarily operates in PRC, sales are made to overseas customers as well as customers in the PRC. The Group's turnover and segment result by geographical locations of customers are determined by the final destination to where the products are delivered:

Consolidated income statements

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Turnover		
PRC	**1,874,180**	958,509
Korea	**294,158**	322,106
Others	**713,472**	190,972
	2,881,810	1,471,587
Segment result		
PRC	**1,162,027**	640,679
Korea	**204,349**	215,299
Others	**432,927**	127,648
	1,799,303	983,626
Interest income	**261,251**	5,891
Other income (excluding interest income)	**1,087**	9,334
Share of results of associates	**5,370**	3,078
Unallocated expenses	**(217,836)**	(44,031)
Finance costs	**(25,622)**	(14,811)
Profit before taxation	**1,823,553**	943,087
Taxation	**(590,164)**	(280,459)
Profit for the period	**1,233,389**	662,628

Assets and liabilities

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Segment assets		
PRC	**301,003**	270,724
Korea	**49,890**	57,841
Others	**448,117**	304,894
	799,010	633,459
Unallocated assets	**10,322,004**	3,892,120
Consolidated total assets	**11,121,014**	4,525,579

In the opinion of the directors, it is not practicable and meaningful to separate all the cost and expenses for each geographical segment except direct cost of sales and certain directly attributable selling and distribution expenses. In addition, except for trade receivables from the customers in the respective segment, the remaining consolidated total assets and the entire consolidated liabilities are presented as unallocated.

No geographical segment for other information is disclosed as additions of property, plant and equipment are substantially come from the PRC. No carrying amount of segment assets by geographical location of the assets is disclosed as all of the production facilities of the Group located in the PRC.

6. OTHER INCOME

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Interest income		
– bank deposits	**48,199**	2,875
– arising from global offering of the Company's shares	**213,052**	—
– loan receivables	**—**	3,016
Discount on acquisition of a subsidiary	**—**	5,102
Gain on disposal of property, plant and equipment	**—**	931
Net gain on sales of scrap materials	**295**	527
Government grants recognised *(Note)*	**—**	2,020
Others	**792**	754
	262,338	15,225

Note:

The amounts represented unconditional government grants received by the Group from the relevant PRC government to facilitate the business operation of the Group.

7. OTHER EXPENSES

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Loss on disposal of property, plant and equipment	**308**	—
Foreign exchange losses	**94,275**	90
Penalty expenses	**444**	131
Donations	**1,200**	410
Others	**1,832**	1,553
	98,059	2,184

8. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Interests on bank borrowings wholly repayable within five years	**32,741**	24,506
Other interest expenses	**10,065**	835
Less: Amount included in the cost of qualifying assets	**(17,184)**	(10,530)
	25,622	14,811

Borrowing costs included in the cost of qualifying assets on the general borrowing pool and are calculated by applying a capitalisation rate of 6.1% per annum for the six months ended 30 June 2007 (six months ended 30 June 2006: 6.6%), to expenditure on such assets for the period.

9. TAXATION

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
The charge comprises PRC Enterprise Income Tax:		
Current taxation	**600,728**	283,860
Deferred taxation		
– current period	**(12,572)**	(3,401)
– attributable to a change in tax rate	**2,008**	—
	590,164	280,459

The Group, except for Luoyang High Tech (see note 38), was subject to PRC Enterprise Income Tax levied at a rate of 33% of taxable income determined in accordance with the relevant laws and regulations in the PRC. Luoyang High Tech is regarded as a high technology enterprise and is subject to PRC Enterprise Income Tax of 15% with the first two years' result being exempted from Enterprise Income Tax.

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

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Profit before taxation	**1,823,553**	943,087
Tax at the domestic income tax rate of 33%	**601,773**	311,219
Tax effect of expenses not deductible for tax purposes	**11,973**	4,187
Transfer to capital reserve deductible for tax purposes but not charged to income under IFRS	**(29,096)**	(27,100)
Tax effect of global offering of the Company's shares related expense which are not deductible for tax purposes	**5,952**	—
Tax effect of income not taxable for tax purposes	**(674)**	(6,831)
Decrease in opening deferred tax assets resulting from a decrease in domestic income tax rate from 33% to 25% effective from 2008 *(note)*	**2,008**	—
Tax effect of share of results of associates	**(1,772)**	(1,016)
Tax charge for the period	**590,164**	280,459

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

Note: On 16 March 2007, the Tenth National People's Congress enacted the new Enterprise Income Tax Law that unifies the income tax treatment of domestic and foreign enterprise which becomes effective on 1 January 2008. Accordingly, the nominal tax rate applicable to the Group will drop from 33% to 25%.

10. PROFIT FOR THE PERIOD

	Six months ended 30 June 2007 RMB'000	2006 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration *(Note 11)*	**1,267**	85
Other staff's salary, bonus and allowance	**91,162**	79,916
Other staff's contribution to retirement benefit cost	**12,296**	5,381
Total staff costs	**104,725**	85,382
Auditors' remuneration	**2,750**	1,140
Cost of inventories recognised as an expense	**1,073,061**	473,326
Foreign exchange losses	**94,275**	90
Depreciation of owned assets of property, plant and equipment	**59,377**	29,562
Amortisation of land use rights	**2,335**	1,641
Amortisation of mining right (include in cost of sales)	**13,610**	—
Allowance for (written back of) doubtful debts	**16,090**	(656)
Expenses arising from global offering of the Company's shares recognised as an expenses	**23,239**	—
Goodwill written off on acquisition of subsidiaries	**—**	3,439
Share of tax of associates (included in share of results of associates)	**2,652**	1,248
Resources compensation fee *(Note)*	**33,017**	16,823
Loss on disposal on held-for-trading investments	**22**	—
Changes in fair value of financial assets classified as held-for-trading	**2,076**	—

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

11. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Directors' fees	**310**	—
Other emoluments for executive directors		
– basic salaries and allowances	**950**	70
– performance related bonus	**—**	12
– retirement benefits contributions	**7**	3
	1,267	85

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

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Retirement benefit contribution *RMB'000*	Performance related bonus *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2007					
Name of director					
Executive director					
段玉賢 Duan, Yuxian	—	200	2	—	202
吳文君 Wu, Wenjun	—	190	1	—	191
李發本 Li, Faben	—	190	2	—	192
李朝春 Li, Chaochun	—	190	—	—	190
王欽喜 Wang, Qinxi	—	180	2	—	182
	—	950	7	—	957
Non-executive director					
許軍 Xu, Jun	30	—	—	—	50
張玉峰 Zhang, Yufeng	30	—	—	—	30
	60	—	—	—	60
Independent non-executive director					
吳明華 Ng Ming Wah, Charles	100	—	—	—	100
高德柱 Gao, Dezhu	50	—	—	—	50
古德生 Gu, Desheng	50	—	—	—	50
曾紹金 Zeng Shaojin	50	—	—	—	50
	250	—	—	—	250
Total directors' emoluments	310	950	7	—	1,267

	Directors' fees	Basic salaries and allowances	Retirement benefit contribution	Performance related bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2006 (unaudited)					
Name of director					
段玉賢 Duan, Yu Xian	—	24	1	4	29
趙毅 Zhao, Yi	—	—	—	—	—
孫克治 Sun, Ke Zhi	—	—	—	—	—
許軍 Xu, Jun	—	—	—	—	—
陳剛 Chen, Gary	—	—	—	—	—
李發本 Li, Fa Ben	—	23	1	4	28
王欽喜 Wang, Qin Xi	—	23	1	4	28
	—	70	3	12	85

	Basic salaries and allowances	Retirement benefit contribution	Total
	RMB'000	*RMB'000*	*RMB'000*
For the six months ended 30 June 2007			
Supervisors			
鄧交雲 Deng, Jiaoyun	175	2	177
舒鶴棟 Shu, Hedong	30	—	30
尹東方 Yin, Dongfang	30	—	30
	235	2	237
For the six months ended 30 June 2006 (unaudited)			
Supervisor			
鄧交雲 Deng, Jiaoyun	30	1	31

Highest paid individuals

The five highest paid individuals represented five directors (2006: three) for the period ended 30 June 2007. The emoluments of the remaining two highest paid individuals for the period ended 30 June 2006, are as follows:

	Six months ended 30 June 2006 *RMB'000* (unaudited)
Employees	
– basic salaries and allowances	**116**
– bonus	**20**
– retirement benefits scheme contributions	**4**
	140

The emoluments of each of the five highest paid individuals in the Group during prior period were below RMB1,040,000 (equivalent to HKD1,000,000).

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 period ended 30 June 2007 and 2006.

12. DIVIDENDS

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Special dividend to CFC and LMG	**1,299,205**	760,110

Pursuant to a resolution passed at the board of directors' meeting held on 26 June 2006, it was resolved to declared dividend totaling approximately RMB760,110,000 to LMG and CFC, being the distributable profits for the period from 1 January 2005 to 31 May 2006. The dividend was financed by the Group's internal cash resources and was fully paid by 19 January 2007.

Pursuant to the resolutions of the shareholders passed at the general meeting on 19 October 2006, it is proposed that the distributable profits as at 31 December 2006 and the distributable profits for the period from 1 January 2007 to the date immediately preceding the date of its listing on the Stock Exchange be entirely distributed to LMG and CFC (the "Special Dividend"). And pursuant to a general resolution passed on 25 March 2007, the Company declared part of the Special Dividend out of the distributable profits as at 31 December 2006 totaling RMB720,000,000 to LMG and CFC. The dividend was fully paid in April 2007 and was financed by the Group's internal resources

Pursuant to a resolution passed at the shareholders' meeting held on 25 June 2007, it was resolved to declare and pay the rest of the Special Dividend amounting to RMB579,205,000.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

13. EARNINGS PER SHARE – BASIC

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

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Profit for the period attributable to equity holders of the Company and earnings for the purpose of basic earnings per share (RMB' 000)	**1,104,333**	595,870
Weighted average number of shares for the purpose of basic earnings per share	**4,114,058,000**	3,500,000,000

The number of shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2006 is based on the assumption that the 700,000,000 shares issued and outstanding upon transformation of the Company into a joint stock limited company as at 25 August 2006 had been outstanding as at 1 January 2006 and also has been adjusted for the share split as disclose in note 31(c).

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

14. 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
THE GROUP						
COST						
At 1 January 2006	472,208	239,234	22,151	45,612	565,717	1,344,922
Additions	48,567	38,664	6,558	23,375	714,104	831,268
Acquired on acquisition of subsidiaries	53,169	58,752	454	4,658	11,413	128,446
Disposal of a subsidiary	—	—	(5)	—	—	(5)
Disposals	(21,222)	(23,289)	(3,829)	(12,761)	—	(61,101)
Transfers	776,329	158,878	44,245	258	(979,710)	—
At 31 December 2006	1,329,051	472,239	69,574	61,142	311,524	2,243,530
Additions	19,832	14,841	1,086	54,252	491,712	581,723
Disposals	(122)	(778)	—	(1,034)	—	(1,934)
Transfers	55,474	9,277	693	—	(65,444)	—
At 30 June 2007	1,404,235	495,579	71,353	114,360	737,792	2,823,319
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2006	(96,916)	(82,242)	(4,885)	(16,620)	—	(200,663)
Provided for the year	(28,439)	(28,775)	(9,448)	(5,038)	—	(71,700)
Eliminated on disposals	8,938	15,377	787	8,193	—	33,295
At 31 December 2006	(116,417)	(95,640)	(13,546)	(13,465)	—	(239,068)
Provided for the period	(27,557)	(22,525)	(5,843)	(3,452)	—	(59,377)
Eliminated on disposals	62	569	—	685	—	1,316
At 30 June 2007	(143,912)	(117,596)	(19,389)	(16,232)	—	(297,129)
CARRYING VALUES						
At 30 June 2007	1,260,323	377,983	51,964	98,128	737,792	2,526,190
At 31 December 2006	1,212,634	376,599	56,028	47,677	311,524	2,004,462

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

15. LAND USE RIGHTS

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
CARRYING AMOUNT		
At beginning of the period/year	**216,308**	196,232
Additions	**19,657**	24,069
Charged to consoldiated income statement	**(2,335)**	(3,993)
At end of the period/year	**233,630**	216,308

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

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Land use rights	**233,630**	216,308
Less: Portion to be charged to consolidated income statement in the coming twelve months and grouped under current assets	**(5,320)**	(5,271)
Amount due after one year	**228,310**	211,037

The land use rights were acquired with the lease period of 50 years and were situated in the PRC. The land use rights were amortised over their lease periods.

16. MINING RIGHTS

	RMB'000
COST	
At 1 January 2006	—
Addition	401,486
At 31 December 2006 and at 30 June 2007	401,486
ACCUMULATED AMORTISATION	
At 1 January 2006	—
Amortisation	9,073
At 31 December 2006	9,073
Amortisation	13,610
At 30 June 2007	22,683
CARRYING VALUES	
At 30 June 2007	378,803
At 31 December 2006	392,413

In accordance with relevant PRC rules and regulations, the Group is required to acquire the mining rights with consideration if it undergoes a reorganisation. Accordingly, pursuant to the reorganisation for the purposes of the listing of the Company's H shares on the Main Board of Stock Exchange, the Group purchased the mining rights from the PRC government for an aggregate cash consideration of approximately RMB401 million. In September 2006, the Group obtained the mining right certificate which will expire in year 2021.

The mining rights are amortised over the initial license period of 15 years.

17. INTERESTS IN ASSOCIATES

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Capital contribution	**21,650**	21,650
Share of post-acquisition profits	**16,815**	23,445
	38,465	45,095

Details of the Company's associates are set as follows:

Name of company	Date of establishment	Place of establishment and operation	Issued and fully paid/ registered capital	Proportion of equity held directly by the Company	Principal activities
洛陽豫鷺礦業有限責任公司 Luoyang Yulu Mining Co., Ltd.	24 April 2002	PRC – Limited liability company	RMB50,000,000	40%	Manufacturing of tungsten concentrate
上海宇華鉬業公司 Shanghai Yuhua Molybdenum Co.,Ltd.	27 October 2005	PRC – Limited liability company	RMB5,000,000	33%	Trading of molybdenum products

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

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Total assets	**163,973**	143,450
Total liabilities	**(66,479)**	(29,537)
Net assets	**97,494**	113,913
Group's share of net assets of associates	**38,465**	45,095
Turnover	**350,260**	629,632
Profit for the period/year	**13,581**	17,963
Group's share of result of associates for the period/year	**5,370**	7,048

18 AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Unlisted equity securities:		
– cost	**2,300**	2,300

The above unlisted investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each balance sheet date 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.

19. DEFERRED TAX ASSETS

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

	Impairment of property, plant and equipment	**Allowance for receivable**	**Unrealised profit**	**Total**
	RMB'000	*RMB'000*	*RMB'000* (Note)	*RMB'000*
At 1 January 2006	3,071	4,086	23,293	30,450
Acquisition of subsidiaries	3,521	—	—	3,521
(Charge) credit to consolidated income statement for the year	(2,134)	(259)	(14,710)	(17,103)
At 31 December 2006	4,458	3,827	8,583	16,868
(Charge) credit to consolidated income statement for the period	(56)	3,987	8,641	12,572
Attributable to a change in tax rate	(1,080)	(928)	—	(2,008)
At 30 June 2007	3,322	6,886	17,224	27,432

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

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 management has reviewed its deferred tax assets at each balance sheet date and considered that it was probable that the deferred tax assets of the Group will be realised through future taxable income based on management's assessment of the probability that taxable profits will be available over the period which the deferred tax assets can be realised or utilised.

20. INVENTORIES

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Raw materials	**108,834**	98,155
Work in progress	**42,507**	11,776
Finished goods	**71,509**	110,749
	222,850	220,680

21. TRADE AND OTHER RECEIVABLES

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Trade receivables (net of allowances)	**714,195**	554,208
Bill receivables	**84,815**	79,251
	799,010	633,459
Other receivables and prepayments	**40,936**	47,515
	839,946	680,974

The Group normally allows credit period of no longer than 90 days to its trade customers, which a longer credit period will be allowed for major customers. The aged analysis of trade receivables and bill receivables is as follows:

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
0 – 90 days	**681,238**	582,016
91 – 180 days	**70,011**	36,791
181 – 365 days	**46,551**	676
1 – 2 years	**1,470**	15,975
> 2 years	**20,666**	5,536
	819,396	640,994
Allowance for doubtful debts for trade receivables	**(20,926)**	(7,535)
	799,010	633,459

The fair values of trade and other receivables at each balance sheet date approximate to the corresponding carrying amounts.

	30.6.2007 *RMB'000*	31.12.2006 *RMB'000*
Movement in the allowance for doubtful debts for trade receivables		
Balance at beginning of the period/year	**7,535**	10,455
Amounts recovered during the period/year	**—**	(7,888)
Increase in allowance recognised in profit or loss	**13,391**	4,968
Balance at end of the period/year	**20,926**	7,535

	30.6.2007 *RMB'000*	31.12.2006 *RMB'000*
Movement in the allowance for doubtful debts for other receivables		
Balance at beginning of the period/year	**4,063**	1,927
Increase in allowance recognised in profit or loss	**2,699**	2,136
Balance at end of the period/year	**6,762**	4,063

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The allowance for doubtful debts are allowance for specific trade and other receivables. The impairment represents the difference between the carrying amount of the specific trade and other receivable and present value of the expected cash inflow.

The Group's trade receivables that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	30.6.2007 *RMB'000*	31.12.2006 *RMB'000*
United States Dollars ("USD")	**497,873**	362,578

22. AMOUNT DUE FROM AN ASSOCIATE

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Trade receivables from Shanghai Yuhua Molybdenum Co., Ltd.	**67,855**	2,630

Note: The amount was aged within 90 days. Shanghai Yuhua Molybdenum Co., Ltd. is the associate of the Group at 31 December 2006 and 30 June 2007.

The amount was unsecured, interest free and with a credit period of no longer than 90 days.

The fair value of amounts due from an associate at each balance sheet date approximates to the corresponding carrying amounts.

23. HELD-FOR-TRADING INVESTMENTS

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Quoted debentures	**58,272**	60,348
Quoted unit trust	**—**	40,140
Investments funds	**1,000**	1,000
Other debentures	**5**	5
	59,277	101,493

Breakdown of quoted debentures:

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Quoted debentures:		
– 2005年中國工商銀行債券第一期 *(Note 1)*	**9,712**	10,000
– 2005年記賬式(九期)國債 *(Note 2)*	**48,560**	50,348
	58,272	60,348

Note 1: The debentures were unsecured, carry interest at 3.11% per annum and will be matured on 28 August 2015.

Note 2: The debentures carry interest at 2.83% per annum and will be matured on 25 August 2012.

The fair value of the above held for trading investments are determined based on the bid prices quoted by bank.

24. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure banking facilities granted to the Group. The deposits carry fixed interest rate as follows:

	30.6.2007	31.12.2006
Average interest rate	**0.72%**	0.72%

Deposits have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

The fair value of pledged bank deposits at each balance sheet date approximates to the corresponding carrying amounts.

25. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rate ranging from 0.72% to 2.5% per annum (2006: ranging from 0.72% to 2% per annum). The fair value of bank balances and cash at the respective balance sheet dates approximates to the corresponding carrying amount.

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	**30.6.2007** ***RMB'000***	31.12.2006 *RMB'000*
Hong Kong Dollars ("HKD")	**4,833,374**	—
USD	**7,234**	12,493

26. TRADE AND OTHER PAYABLES

	30.6.2007 ***RMB'000***	31.12.2006 *RMB'000*
Trade payables *(Note a)*	**110,730**	93,612
Other payables and accruals *(Note b)*	**447,704**	706,809
	558,434	800,421

Included in trade and other payables are the trade payables as follows:

(a) Trade payables

The aged analysis of trade payables is as follows:

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
0 – 90 days	**92,917**	58,959
91 – 180 days	**5,523**	14,522
181 – 365 days	**3,689**	8,269
1 – 2 years	**8,601**	11,862
	110,730	93,612

Trade payables principally comprise amounts outstanding for trade purchases.

(b) Other payables and accruals

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Payables in respect of mining right *(note 30(a))*	**40,149**	360,337
Other interest payable	**9,189**	—
Advances from customers	**26,550**	24,487
Accrued wages	**56,219**	18,054
Accrued retirement benefit cost	**—**	1,354
Other staff benefits payable	**1,849**	4,865
Payables in respect of purchase of property, plant and equipment and construction materials	**154,834**	170,759
Mineral resources compensation fees payable	**24,977**	26,959
Other tax payables	**81,609**	58,330
Payables in respect of employee settlement cost *(note 30(b))*	**3,886**	4,374
Others	**48,442**	37,290
	447,704	706,809

The fair values of trade and other payables at each balance sheet date approximates to the corresponding carrying amounts.

27. DIVIDEND PAYABLES

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Luoyang SASAC (洛陽市人民政府國有資產監督管理委員會)	**—**	141,844
CFC (鴻商產業控股集團有限公司)	**—**	51,312
Minority shareholders of subsidiaries	**106,720**	—
	106,720	193,156

The fair value of dividend payables at each balance sheet date approximates to the corresponding carrying amount.

28. BANK BORROWINGS

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Bank loans - unsecured	**335,000**	1,045,250
The maturity profile of the above borrowings is as follows:		
On demand or within one year	**135,000**	555,250
More than one year but not exceeding two years	**50,000**	190,000
More than two year but not more than three years	**150,000**	300,000
	335,000	1,045,250
Less: Amounts due within one year shown under current liabilities	**(135,000)**	(555,250)
	200,000	490,000

At the respective balance sheet dates, the Group had banking facilities secured by the following assets of the Group:

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Bank deposits	**5,501**	6,909

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

	2007	2006
Effective interest rate:		
Fixed-rate borrowings	**5.670 to 6.797%**	3.000% to 6.800%

The fair value of the Group's bank borrowings approximates to their carrying amount.

29. PROVISION

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Restoration, rehabilitation and environmental expenses	**35,936**	35,060
Movement during the period/year:		
At beginning of the period/year	**35,060**	33,390
Charged to consolidated income statement	**876**	1,670
At end of the period/year	**35,936**	35,060

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%.

30. LONG TERM PAYABLES

Long term payables comprised of:

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Payables in respect of mining rights *(note a)*	**320,188**	—
Early retirement cost payable *(note b)*	**10,905**	12,777
	331,093	12,777

Note a:

	30.6.2007	31.12.2006
Due within one year included as other payables under current liabilities (note 26 (b))	**40,149**	360,337
Due after one year	**320,188**	—
	360,337	360,337
The amount is repayable as follows:		
Within one year	**40,149**	360,337
Between one to two years	**80,297**	—
Between two to five years	**239,891**	—
	360,337	360,337

Amount represented balance payable in respect of mining right acquired by the Group in 2006 as disclosed in note 16. Pursuant to the notice of Guo Tu Zi Yuan Tin Han [2007] No. 37 <<Installment payments of mining rights>> 國土資源廳函[2007]37號《關於三道莊鉬礦分期繳納採礦權價款有關問題的後函》issued by the Ministry of Land and Resources of the PRC on 30 January 2007. The Group obtained approval for settlement of the balance by installments over a period of 5 years. Such payables by installments are subject to interest expenses at a rate not less than the prevailing bank lending rate for the period. The interest payable during the six months ended 30 June 2007 amounted to approximately RMB9,189,000 (six months ended 30 June 2006: Nil). The effective interest rate for the six months ended 30 June 2007 is 6.1% (six months ended 30 June 2006: Nil).

The directors estimate that the carrying amount approximates its fair value at the balance sheet date.

Note b:

The Company was transformed from a wholly state-owned company to a limited liability company with partial private ownership in September 2004 when CFC subscribed for 49% of equity interest in the Company (the "Restructuring"). As a result of the Restructuring, the employment contract between the employees and the state-owned company was terminated. New employment contracts were signed between the employees and the limited liability company with partial private ownership. As a result, employees reach the statutory retirement age within 5 years or have been working for more than 30 years could either choose an one-off compensation plan and continue to work for the Group or received an early retirement compensation and discontinue service with the Group thereafter. The early retirement compensation is calculated based on factors including the remaining number of years of service from the date of early retirement to the normal retirement date and the salary on the date of early retirement of an employee.

In the opinion of the directors, the fair value as at 30 June 2007, determined based on the present value of the estimated future cash outflows discounted using the prevailing market rate at the balance sheet date approximate to the corresponding carrying amount.

31. SHARE CAPITAL

	Number of shares		
	Domestic shares	**H shares**	**Amount**
	(note f)	*(note g)*	*RMB'000*
At 1 January 2006	280,020,000	—	280,020
Conversion to a joint stock limited company *(Note a)*	419,980,000	—	419,980
Issue of shares *(Note b)*	36,842,105	—	36,842
Share split *(Note c)*	2,947,368,420	—	—
At 31 December 2006	3,684,210,525	—	736,842
Issue of H shares on global offering *(Note d)*	—	1,083,600,000	216,720
Issue of H shares under over-allotment option *(Note e)*	—	108,360,000	21,672
Conversion from domestic shares to H shares	(119,196,000)	119,196,000	—
At 30 June 2007	3,565,014,525	1,311,156,000	975,234

The Company was established in the PRC on 22 December 1999 as a wholly state-owned company under the Company Law of the PRC. The registered and paid-in capital of the Company upon establishment was RMB 251,000,000.

On 31 August 2004, the registered capital of the Company was increased to RMB280,020,000 following the reorganisation on disclosed in Note 1.

Notes:

(a) Pursuant to a resolution passed on 25 August 2006, the Company was transformed into a joint stock limited company under the Company Law of the PRC by converting its paid in capital and reserves as at 31 May 2006 into 700,000,000 shares of RMB1.00 each.

(b) In September 2006, the Company issued 36,842,105 shares with nominal value of RMB1.00 each to Luoyang Huamu, a company owned and controlled by the members of the Company's senior management, for a consideration of approximately RMB53.7 million.

(c) Pursuant to a resolution passed on 3 December 2006, the Company undertook a share split whereby each of the then issued ordinary share was split into 5 ordinary shares with effect from 13 April 2007. Accordingly, the total number of shares increased from 736,842,105 shares to 3,684,210,525 shares and the nominal value of each share was changed from RMB1.0 each to RMB0.2 each.

(d) On 26 April 2007, the Company issued 1,083,600,000 H shares with a nominal value of RMB0.20 each, at a price of HK$6.8 per H share by way of a global offering to Hong Kong and overseas investors.

(e) On 4 May 2007, as a result of the exercise of the over-allotment option by the joint global coordinators of the global offering in connection with the listing of the Company's shares, the Company issued 108,360,000 H shares with a nominal value of RMB0.20 each, at a price of HK$6.8 per H share.

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

(g) 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 only.

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

32. RESERVES

Capital reserve as at 1 January 2006 comprised (i) the difference in revaluation of certain of the Group's assets upon the establishment of the Company on 22 December 1999. A valuation of certain of the Group's assets was carried out during its establishment and a revaluation deficit of RMB33,936,000 was recorded in its accounting records prepared under PRC Accounting Standards (ii) capital contribution from the shareholder prior to 31 December 2005 and (iii) the non-distributable reserve as described in note of the consolidated statements of changes in equity.

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.

Statutory public welfare fund represents the appropriation of profit after taxation according to the requirements of the Company and its subsidiaries' Articles of Association and the Companies Law in the PRC. According to the requirements, the Company and its subsidiaries transfers 10% of profit after taxation calculated in accordance with PRC accounting standards and regulations to the fund. The fund can only be utilised for capital expenditure on employees' collective welfare facilities and cannot be used in staff welfare expenses. Such employee welfare facilities are owned by the Group. The statutory public welfare fund is not distributable to shareholders other than in liquidation. Pursuant to a notice in respect of the financial treatments under new Company Law「關於《公司法》施行後有關企業財務處理問題的通知」issued by the Minister of Finance, there will be no accrual of statutory public welfare fund in 2006. The remaining balance of statutory public welfare fund is transferred to statutory surplus reserve at 1 January 2006.

33. ACQUISITION OF SUBSIDIARIES

During the six months ended 30 June 2006, the Group acquired 51% interest in Sanqiang, Dadongpo and Jiuyang Mining (see note 38) by subscribing new shares in these companies. The acquisition has been accounted for using the purchase method of accounting.

Details of the net assets acquired in the transaction, and the goodwill (discount) arising on acquisition are as follows:

	Sanqiang	**Dadongpo**	**Jiuyang Mining**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Date of acquisition	20 January 2006	21 February 2006	6 March 2006	
Net assets acquired:				
Property, plant and equipment	52,304	52,004	24,138	128,446
Inventories	19,775	27,787	5,629	53,191
Trade and other receivables	32,723	—	—	32,723
Deferred tax assets	1,519	578	1,424	3,521
Bank balances and cash	34,583	42,196	11,396	88,175
Trade and other payable	(69,817)	(57,989)	(12,839)	(140,645)
Bank loan	—	(2,000)	—	(2,000)
Tax payable	(5,602)	—	(24)	(5,626)
	65,485	62,576	29,724	157,785
Minority interests	(32,088)	(30,662)	(14,565)	(77,315)
	33,397	31,914	15,159	80,470

	Sanqiang	Dadongpo	Jiuyang Mining	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discount arising on acquisition recognised in the consolidated income statement	(5,102)	—	—	(5,102)
Goodwill arising on acquisition	—	1,570	1,869	3,439
	28,295	33,484	17,028	78,807
Satisfied by:				
Cash	28,295	33,484	17,028	78,807
Net cash inflow arising on acquisition:				
Cash consideration paid	28,295	33,484	17,028	78,807
Cash and cash equivalents acquired	(34,583)	(42,196)	(11,396)	(88,175)
	(6,288)	(8,712)	5,632	(9,368)

The directors consider that the carrying amounts of the net assets acquired in the above transactions approximate to their fair values.

Sanqiang, Dadongpo and Jiuyang Mining contributed RMB402,733,000 turnover and RMB205,986,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, total group turnover for the period ended 30 June 2006 would have been RMB1,874,320,000, and profit for the period ended 30 June 2006 would have been RMB732,111,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

34. RELATED PARTY TRANSACTIONS

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

(i) Transaction with Luoyang Baima Group (note):

In 2006, the Group has granted certain loans to Luoyang Baima Group of approximately RMB94,900,000. These loans were fully settled in 2006.

During 2006, the Group had given certain guarantees to bank in respect of banking facilities utilised by Luoyang Baima Group. On 12 December 2006, the Company entered into a guarantee release agreement with Luoyang Baima Group, the respective bank and LMG. In accordance with the agreement, LMG has taken up the obligation of guarantee at zero consideration on behalf of the Company on 12 December 2006.

Note: One of the directors of the Company had interest in Luoyang Baima Group and is able to exercise significant influence.

(ii) Transaction with Shanghai Yuhua Molybdenum Co. Ltd. (note):

	Six months ended 30 June	
Nature of transactions	**2007**	2006
	RMB'000	*RMB'000*
		(unaudited)
Sales of goods	**318,992**	218,292

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

(iii) Transactions with other state-controlled entities in the PRC

In the opinion of the directors of the Company, the Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as ''State-Owned Enterprises''). In addition, the Group itself is a State-Owned Enterprise. During the period, the Group had material transactions with some of these State-Owned Enterprises in its ordinary and usual course of business.

The Group has identified the nature and quantified the amounts of its material transactions with State-Owned Enterprises during the period and material balances therewith at the respective balance sheet dates as follows:

(a) Material transactions

Nature of transactions	**Six months ended 30 June 2007** *RMB'000*	2006 *RMB'000*
		(unaudited)
Sales of goods	**249,083**	96,427
Payment for:		
Purchase of raw materials	**70,767**	40,770
Purchase of electricity and fuels	**99,112**	48,426
Acquisition of:		
Property, plant and equipment	**99,671**	42,186
School donation and compensation expenses	**—**	87
Interest income	**2,846**	1,854
Interest expenses	**11,679**	11,736

(b) Material balances

	30.6.2007 *RMB'000*	31.12.2006 *RMB'000*
Trade and other receivables	**99,791**	76,024
Trade and other payables	**12,836**	7,268
Bank balances	**6,413,934**	410,669
Bank borrowings	**160,000**	435,250

(c) **Movement on bank borrowings**

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
At beginning of the period/year	**435,250**	274,190
Additions	**483,000**	685,050
Repayments	**(758,250)**	(523,990)
At end of the period/year	**160,000**	435,250

(iv) Compensation of key management personnel

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

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
		(unaudited)
Short-term benefits	**1,295**	185
Retirement benefits scheme contribution	**12**	7
Performance related bonus	**—**	32
	1,307	224

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

(v) Others

(a) On 29 August 2006, the Company issued 36,842,105 ordinary shares with nominal value of RMB1.00 each to Luoyang Huamu, a company owned and controlled by the members of the Company's senior management, for a consideration of approximately RMB53.7 million. In September 2006, Luoyang Huamu transferred those shares at approximately same consideration to LMG and CFC.

(b) On 16 October 2006, the Group disposed its entire interest in a subsidiary to LMG at a consideration of RMB10,000,000.

(c) In December 2006, the Company entered into several guarantee release agreements with independent third parties, the respective banks and LMG. In accordance with those agreements, LMG has taken up the obligation of guarantees provided by the Company to independent third parties at zero consideration.

35. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**172,410**	92,087

36. 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 note 10 and 11 for employees and directors respectively.

37. 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.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, capital reserve and retained profits. The minimum registered capital of a joint stock limited liability company is RMB5,000,000.

The Group's board of directors reviews the capital structure on a continuous basis. As a part of this review the board of directors considers 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 2006.

(b) 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 asset, financial liability and equity instrument are disclosed in note 3.

(c) Financial risk management objectives and policies

The Group's principal financial instruments comprise of trade receivables and trade payables, bank borrowings 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 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.

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.

(d) Interest rate risk management

An interest rate risk – the possibility that the fair value of a financial instrument (fair value risk) or future cash flows from a financial instrument (cash flow risk) will change due to movement in market interest rates – applies mainly to assets and liabilities with maturities of more than one year. The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings. The management considers the fair value interest rate risk is insignificant due to the Group's bank borrowings due more than one year are minimal.

In the opinion of the directors, the Group do not have significant interest rate risk related to its bank balances.

(e) 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 trade receivables and bank balances.

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

	30.6.2007	31.12.2006
	RMB'000	*RMB'000*
USD	**505,107**	375,071
HKD	**4,833,374**	—

The Group does not generally believe that active currency hedging would provide long term benefits to shareholders. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the board of directors.

(f) Foreign currency risk management

Foreign currency senstivity

The Group is mainly exposed to foreign currency risk between USD/RMB and HKD/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 management's assessment of the possible change in foreign exchange rates. The sensitivity analyses of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the balance sheet dates and held constant throughout the reporting period. A negative number indicates a decrease in profit and equity where RMB strengthens against the respective currency which is mainly attributable to the exposure outstanding USD receivables and HKD bank balances.

	USD Impact		**HKD Impact**	
	30.6.2007	31.12.2006	**30.6.2007**	31.12.2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit and equity	**(50,511)**	(37,507)	**(483,337)**	—

The Group's sensitivity to foreign currency exchange rate fluctuation has increased during the current period mainly due to the increase in overseas sales and the Company's successfully listed in the Main Board of the Stock Exhchange which has resulted in higher USD receivables and higher HKD bank balances respectively.

In management's opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the period. USD denominated sales is higher in the first half of 2007 due to the proposed change in the import and export tax which increase export sales volume, which results in an increment in USD receivables at period end.

(g) *Credit risk*

The Group, in principal, 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, documents 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 assigned by international credit-rating agencies.

With respect to credit risk arising from the other financial assets of the Group which comprise other receivables and amount due from an associate, the Group's exposure to credit risk arising from default of counter parties is limited as the counter parties have good credit standing and the Group does not expect any significant loss for uncollected advances from these entities.

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

(h) *Liquidity risk management*

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 maintaining adequate reserves of cash and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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 management considers that the Group expects to 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 non-derivative financial liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Group is entitled and intends to repay the liability before its maturity. The discount column represents, the possible future cash flows included in the maturity analysis, such as future interest that has not been included in the carrying amount of the financial liability.

30.6.2007	Weighted average effective interest rate	Within one year	One to two years	Two to five years	Discount	Total
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payables in respect of mining rights	6.1	42,598	90,093	298,363	(70,717)	360,337
Bank borrowings	6.1	143,235	56,100	177,450	(41,785)	335,000
		185,833	146,193	475,813	(112,502)	695,337

31.12.2006	Weighted average effective interest rate	Within one year	One to two years	Two to five years	Discount	Total
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Payables in respect of mining rights	—	360,337	—	—	—	360,337
Bank borrowings	6.6	591,897	215,080	359,400	(121,127)	1,045,250
		952,234	215,080	359,400	(121,127)	1,405,587

(i) Fair value of financial instruments

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

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

- the fair value of financial assets and financial liabilities 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 using prices from observable current market transactions.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 30 June 2007 are set as follows:

Name of company	Date of establishment	Place of establishment and operation	Issued and fully paid/ registered capital	Proportion of equity held directly by the Company	Principal activities
洛陽欒川鉬業集團冶煉有限責任公司 Luomu Group Refining Co., Ltd. ("Luomu Group Refining")	5 June 2002	PRC – Limited liability company	RMB5,660,000	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. ("Luomu Group Sales and Trading")	27 March 2001	PRC – Limited liability company	RMB2,000,000	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. ("Dachuan")	10 March 2003	PRC – Limited liability company	RMB50,000,000	75%	Manufacturing of ammonium molybdate, and molybdenum powder.
洛陽高科鉬鎢材料有限公司 Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("Luoyang High Tech")	14 January 2005	PRC – Limited liability company	RMB5,000,000	100%	Manufacturing of molybdenum powder, tungsten powder, and related products

Name of company	Date of establishment	Place of establishment and operation	Issued and fully paid/ registered capital	Proportion of equity held directly by the Company	Principal activities
欒川縣三強鉬鎢有限公司 Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd. ("Sanqiang ")	24 March 2003	PRC – Limited liability company	RMB55,480,000	51%	Ore processing
欒川縣九揚礦業有限公司 Luanchuan County Jiuyang Mining Co., Ltd. ("Jiuyang Mining")	9 May 2003	PRC – Limited liability company	RMB33,390,000	51%	Ore processing
欒川縣大東坡鉬鎢礦業有限公司 Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. ("Dadongpo")	2 June 2003	PRC – Limited liability company	RMB65,654,000	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	RMB30,000,000	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	RMB10,000,000	70%	Production of various non-ferrous metals.

The above table lists the subsidiaries of the Group 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 period.