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

Stock Code 3993

2010 Annual Report

* For identification purposes only

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This annual report includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that the Company expects or anticipates may or will occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. The Company's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various variables. The Company makes the forward-looking statements referred to herein as at 26 January 2011 and undertakes no obligation to update these statements.

COMPANY PROFILE

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

The Company and its subsidiaries (collectively, the "Group") is one of the leading molybdenum producers in the PRC. Our Sandaozhuang Mine contains one of the largest defined reserves of molybdenum and the second largest defined reserves of tungsten in the world. The Sandaozhuang Mine possesses various advantages such as abundant reserves and high-grade reserves which is suitable for open-pit mining. Our primary business operations involve molybdenum mining, flotation, roasting, smelting and downstream processing. We occupy a position of unparalleled strategic importance and are well situated at a market-steering foothold. In addition, we are a fast-growing producer of tungsten concentrates and an emerging producer of precious metals. We have an experienced and dedicated senior management team in the molybdenum and tungsten industries.

FINANCIAL HIGHLIGHTS

	For the year ended 2010 RMB'000	2009 RMB'000	Increase
Revenue	**4,396,369**	3,045,649	44.4%
Gross profit	**1,597,398**	829,969	92.5%
Profit before taxation	**1,345,618**	723,186	86.1%
Profit for the year	**1,001,692**	534,610	87.4%
Total comprehensive income attributable to:			
Owners of the Company	**965,549**	503,315	91.8%
Non-controlling interests	**36,143**	31,295	15.3%
Earnings per share - Basic	**RMB0.20**	RMB0.10	
Dividend			
Final dividend proposed	**RMB0.404**	RMB0.08	

	As at 31 December 2010 RMB'000	2009 RMB'000	Increase
Equity attributable to owners of the Company	**11,543,956**	10,970,502	5.2%
Non-controlling interests	**444,883**	320,272	38.9%
Total equity	**11,988,839**	11,290,774	6.2%
Bank borrowings	**796,650**	281,242	183.3%
Total assets	**14,121,422**	12,684,397	11.3%
Gearing ratios			
Debt/equity gearing ratio *(Note 1)*	**6.64%**	2.49%	166.7%
Debt/asset gearing ratio *(Note 2)*	**5.64%**	2.22%	154.1%

Notes:

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2010. On behalf of the board of directors (the "Board") and all employees of the Company, I hereby express my sincere gratitude for all your support.

RESULTS AND DIVIDENDS

In 2010, the Group recorded a turnover of RMB4,396.4 million, representing an increase of 44.4% from 2009. Profit attributable to owners of the Company was RMB965.5 million, representing an increase of 91.8% from 2009. Earnings per share of the Company was RMB0.2. On 26 January 2011, the Board recommended the payment of a final dividend of RMB0.404 per share (including tax) for the year ended 31 December 2010.

MARKET REVIEW

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

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

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

BUSINESS REVIEW

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

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

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

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

CHAIRMAN'S STATEMENT

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

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

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

PROSPECT

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

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

CHAIRMAN'S STATEMENT

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

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

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

Duan Yuxian
Chairman

Luoyang, the PRC
26 January 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 December 2010, profit before taxation was RMB1,345.6 million, representing an increase of RMB622.4 million or 86.1% from RMB723.2 million for the year ended 31 December 2009. For the year ended 31 December 2010, profit for the year attributable to the owners of the Company was RMB965.5 million, representing an increase of RMB462.2 million or 91.8% from RMB503.3 million for the year ended 31 December 2009.

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

OPERATING RESULTS

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

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

The table below sets out the turnover, operating cost, gross profit and gross profit margin of our products in 2010 and 2009:

	For the year ended 31 December							
	2010				2009			
Product Name	**Turnover** ***(RMB million)***	**Operating cost** ***(RMB million)***	**Gross profit** ***(RMB million)***	**Gross profit margin** ***(%)***	Turnover *(RMB million)*	Operating cost *(RMB million)*	Gross profit *(RMB million)*	Gross profit margin *(%)*
Domestic market								
— Molybdenum additive materials	**3,119.4**	**1,920.7**	**1,198.7**	**38.4%**	2,272.1	1,574.8	697.3	30.7%
— Tungsten concentrate (containing 65% $W0_3$)	**304.7**	**122.5**	**182.2**	**59.8%**	188.7	124.6	64.1	34.0%
— Processed tungsten & molybdenum products	**124.8**	**118.7**	**6.1**	**4.9%**	177.5	169.3	8.2	4.6%
— Gold and silver	**224.6**	**165.7**	**58.9**	**26.2%**	185.2	151.4	33.8	18.3%
— Sulfuric acid (92.5% concentration)	**8.3**	**22.5**	**-14.2**	**-171.0%**	1.9	14.0	-12.1	-636.8%
— Other	**225.6**	**211.2**	**14.4**	**6.4%**	121.0	116.9	4.1	3.4%
Sub-total	**4,007.4**	**2,561.3**	**1,446.1**	**36.1%**	2,946.4	2,151.0	795.4	27.0%
International market								
— Molybdenum additive materials	**356.4**	**206.7**	**149.7**	**42.0%**	94.1	59.9	34.2	36.3%
— Processed tungsten & molybdenum products	**32.6**	**31.0**	**1.6**	**4.9%**	5.0	4.8	0.2	4.0%
— Other								
Sub-total	**389.0**	**237.7**	**151.3**	**38.9%**	99.1	64.7	34.4	34.7%
Total	**4,396.4**	**2,799.0**	**1,597.4**	**36.3%**	3,045.5	2,215.7	829.80	27.2%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

OTHER INCOME AND GAINS

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

SELLING AND DISTRIBUTION EXPENSES

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

ADMINISTRATIVE EXPENSES

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

OTHER EXPENSES AND LOSSES

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

FINANCE COSTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHARE OF RESULTS OF ASSOCIATES

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

SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

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

INCOME TAX EXPENSE

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

NON-CONTROLLING INTERESTS

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

PROFIT OR LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 December 2010, the profit for the year attributable to owners of the Company amounted to RMB965.5 million, representing an increase of RMB462.2 million or 91.8% from RMB503.3 million for the year ended 31 December 2009. This was mainly due to the increase in profit for the year ended 31 December 2010.

FINANCIAL POSITION

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

CURRENT ASSETS

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

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

DEBT TO TOTAL ASSETS RATIO

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

CASH FLOW

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

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

During the period, there was a modest increase in the market prices of molybdenum products at home and abroad as a result of a weakening greenback as affected by the monetary policy of Quantitative Easing in the United States and the implementation of management on total mining since molybdenum being shortlisted as a protective mining mineral starting from 2011. During 2010, the Group implemented strict internal management and energy saving measures, thus maintaining sound operation status and healthy financial position. As at the end of 2010, the Company had sufficient capital which enabled it to operate smoothly or satisfied the liquidity needed for production capacity expansion. It also ensured funding support for any possible mergers and acquisition as well as expansion of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE

The Group conducts its operations in the PRC. As the production capacity of the Group increases along with the market expansion and recovery in the overseas molybdenum market, export sales to different countries by the Group or its subsidiary established in Hong Kong are expected to increase. We mainly settle transactions of export sales in US dollars. Due to periodicity in calculating the amount of export income, the foreign currency risks of the Group are primarily generated from the sales of products in foreign currencies.

Currently, the Group has no formal hedging policies in place. The Group has not entered into any foreign currency exchange contracts or derivatives to hedge against the Group's currency risks.

EXPOSURE TO THE PRICE FLUCTUATION OF MOLYBDENUM PRODUCTS

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

EXPOSURE TO INTEREST RATE

The exposure to interest rate of the Group is mainly related to our short-term and long-term borrowings and deposits. The interest rate of outstanding liabilities of the Group is calculated based on the base rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. As of the date of this report, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

EMPLOYEES

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

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

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

USE OF PROCEEDS

As at 31 December 2010, the Company applied an aggregate of approximately RMB7,147 million of the proceeds raised from our initial public offering in April 2007, mainly as follows:

- approximately RMB781 million to repay various short-term bank borrowings and interest;
- approximately RMB826 million to repay current liabilities and supplementing general working capital;
- approximately RMB361 million to prepay the remaining consideration in respect of the mining rights of the Sandaozhuang Mine;
- approximately RMB338 million to construct auxiliary facilities of ores;
- approximately RMB550.3 million for the expansion of Mining Branches, Sanqiang Company and construction of scheelite recovery plant;
- approximately RMB1,586 million for the construction of the smelting plant of Yongning Gold & Lead and merger and acquisition project of precious metals;
- approximately RMB744 million to construct a smelting plant of molybdenum with a capacity of 40,000 tonnes per year;
- approximately RMB58 million for technological improvement at Luoyang High-Tech;
- approximately RMB1,481 million for the acquisition of Shangfanggou Mine;
- approximately RMB106 million for carrying out preliminary exploitation in the mine located in Hami, Xinjiang;
- approximately RMB105 million for the extension construction of tailing storage;
- approximately RMB150 million for financing the plants selection, technological improvement and research and development for the purpose of mining; and
- approximately RMB60 million for the construction of Tungsten and Molybdenum High-tech Industrial Park (鎢鉬高新技術工業園).

A. MATERIAL EVENTS

1. The Group was honoured as "Top 10 Leading Enterprise on Pollutants Emission Reduction in Henan Province" and "Excellent Enterprise on Pollutants Emission Reduction in Henan Province"

In March 2010, the Group was acclaimed as "Top 10 Leading Enterprise on Pollutants Emission Reduction in Henan Province" and "Excellent Enterprise on Pollutants Emission Reduction in Henan Province" at the award presentation ceremony organized by Henan Environment Federation and Henan Daily Press Group.

2. Our General Manager Mr. Wu Wenjun was elected as the vice president of Luoyang Association of Science and Technology

In March 2010, our general manager Mr. Wu Wenjun was elected as the vice president of Luoyang Association of Science and Technology at the sixth representatives meeting of Luoyang Association of Science and Technology and Luoyang City science and technology award presentation ceremony.

3. The Group's "Research on Key Technologies and Industrialization of Molybdenum and Tungsten Processing" project was approved

On 19 March 2010, the "Research on Key Technologies and Industrialization of Molybdenum and Tungsten Processing" project undertaken by the Group successfully passed the review, examination and approval by relevant experts of Henan Science and Technology Department.

4. The Group and Molymet entered into a joint venture contract and established a Sino-foreign equity joint venture

On 22 March 2010, the Group and Molymet signed a joint venture contract at Luoyang Mudu-Lee Royal International Hotel. On 11 May 2010, the Sino-foreign equity joint venture, Luoyang High-Tech was established by the Group and Eastern Special Metals Hong Kong Limited (a subsidiary wholly-owned by Molymet).

5. The Group won designation of "Enterprise with Grade A Taxation Credit"

On 1 April 2010, the Group won designation of "Enterprise with Grade A Taxation Credit" by local taxation bureau of Luoyang City.

6. The Group acquired 100% equity interest in Luoyang Construction Investment and Mining Co., Ltd.* (洛陽建投礦業有限公司) and Luanchuan Huqi Mining Company Limited* (欒川縣滬七礦業有限公司)

The Group has acquired 100% equity interest in Luoyang Construction Investment and Mining Co., Ltd.* and 100% equity interest in Luanchuan Huqi Mining Company Limited* on 22 April 2010 and 5 May 2010 respectively. As a result, the Group indirectly holds 55% equity interest in Shangfanggou (上房溝) molybdenum mine in Luanchuan. The Group has confirmed, approved and ratified the acquisition on the extraordinary general meeting convened on 31 October 2010 in accordance with the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). For details, please refer to the Company's announcement dated 31 October 2010.

7. The Group was honoured as "Leading Enterprise on Energy Saving and Emission Reduction in China 2009"

On 15 May 2010, the Group was honoured as "Leading Enterprise on Energy Saving and Emission Reduction in China 2009" at the "2nd Chinese Green Industry Economic Forum" and "Award Presentation Ceremony for Outstanding Persons, Outstanding Enterprises and Leaders, Leading Enterprises on Energy Saving and Emission Reduction in China 2009" jointly organized by All-China Environment Federation and China Enterprise News Agency in Beijing.

MATERIAL EVENTS

8. **The Group ranked 29th of the China Nonferrous Metals Enterprises 2009 (二零零九年度中國有色金屬企業排行榜)**

   In July 2010, the Group ranked 29th in the top 50 nonferrous metals enterprises with nationwide business according to the statistics of China Non-ferrous Metals Industry Association.

9. **Opening of the Group's Luoyang Nanometer Research Centre (洛陽納米研究中心)**

   On 8 August 2010, Luoyang Nanometer Materials Research Centre (洛陽納米材料研究中心), jointly established by the Group and Kelley Nanometer Molybdenum Company (凱利納米鉬公司) from USA, was officially launched in Gaoxin district, Luoyang.

10. **Registration and Issue of Non-financial Corporate Debt Financing Instruments**

    On 16 August 2010, the Board approved the proposal to register with the China Inter-bank Market Trading Association (中國銀行間市場交易協會) with respect to the issue of non-financial corporate debt financing instruments with an outstanding balance of not exceeding RMB4 billion.

11. **Donation of RMB10.00 million to the disaster area in Luanchuan**

    On 16 August 2010, the Company agreed to donate RMB10.00 million to the stricken area in Luanchuan struck by the once-in-a-century floods.

12. **Xuan Yuan MSA-1 Brand (軒轅MSA-1) of the Group was honoured as "Famous-brand Products of Henan Province" ("河南省名牌產品")**

    In November 2010, the Group's Xuan Yuan MSA-1 Brand (軒轅MSA-1) was honoured as "Famous-brand Products of Henan Province" by Henan Bureau of Quality and Technical Supervision.

13. **The Group was allowed to establish the Postdoctoral Scientific Research Station(博士後科研工作站)**

    In November 2010, upon approval of Ministry of Human Resources and Social Security of China and National Postdoctoral Management Committee (中國博士後管理委員會), the Group established the Postdoctoral Scientific Research Station.

14. **Xinjiang Luomu Mining Co., Ltd.* (新疆洛鉬礦業有限公司), a non-wholly-owned subsidiary of the Company, acquired the exploration rights of a molybdenum mine located in East Gobi, Hami, Xinjiang**

    In November 2010, Xinjiang Luomu Mining Co., Ltd.* (新疆洛鉬礦業有限公司), a non-wholly owned subsidiary of the Company, together with No.2 Geological Institution of Henan Provincial Bureau of Geo-exploration and Mineral Development and other parties entered into an exploration rights transfer agreement on 12 November 2010, pursuant to which, No.2 Geological Institution of Henan Provincial Bureau of Geo-exploration and Mineral Development has agreed to transfer, and Xinjiang Luomu Mining Co., Ltd.* has agreed to acquire, the exploration rights in relation to a molybdenum mine located in East Gobi, Hami, Xinjiang, the PRC at a consideration of RMB1.036 billion. Please refer to the Company's announcement dated 15 November 2010 for further details.

15. **Kick-off of the Group's initial public offering and listing of domestic shares on the Shanghai Stock Exchange**

    On 10 December 2010, the Company convened the third extraordinary meeting of the second session of the Board, where resolutions relating to the initial public offering and listing of domestic shares on the Shanghai Stock Exchange (hereafter as "A Share Issue and Listing") and other related resolutions were considered and approved. Matters in relation to this A Share Issue and Listing of the Company were considered and approved by the shareholders at the Company's extraordinary general meeting held on 26 January 2011.

16. The Group was honoured as "Advanced and Open Enterprise of Henan Province"(河南省對外開放工作先進單位)

In December 2010, the Group was honoured as "Advanced and Open Enterprise of Henan Province" ("河南省對外開放工作先進單位") by the People's Government of Henan Province.

17. The Group was honoured as "Advanced Green Model Unit of Henan Province'' (河南省綠化模範單位)

On 27 December 2010, the Group was honoured as ''Advanced Green Model Unit of Henan Province'' (河南省綠化模範單位) by the Green Committee of Henan Province (河南省綠化委員會).

B. DOMESTIC INDUSTRY POLICIES

1. Export Quota

On 29 December 2009 and 8 July 2010, the Ministry of Commerce of the PRC promulgated the first notification on export quota of ordinary trading industrial commodities for 2010 and the second notification on export quota of ordinary trading industrial commodities for 2010 respectively, which set out that the Company was entitled to export 4,877 tonnes and 3,310 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 46 tonnes and 35 tonnes of molybdenum chemical products and 88 tonnes and 52 tonnes of molybdenum products respectively. The quotas for molybdenum products of Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd., a joint venture of the Company, were 97 tonnes and 66 tonnes.

On 29 December 2010, the Ministry of Commerce of the PRC promulgated the notification on export quota of the first batch of ordinary trading industrial commodities for year 2011, which set out that the Company was entitled to export 5,423 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 68 tonnes of molybdenum chemical products and 83 tonnes of molybdenum products, respectively.

2. Adjustment on Implementation of Tariffs

On 22 June 2010, according to the notice jointly issued by the State Administration of Taxation and the Ministry of Finance, and as approved by the State Council, that starting from 15 July 2010, export rebates for molybdenum products, wrought molybdenum bars, wrought molybdenum rods and profile and other tungsten products were cancelled.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2010.

CORPORATE GOVERNANCE OF THE COMPANY

The Board recognizes their mission of creating values and maximizing returns to the shareholders, while at the same time fulfilling their corporate responsibilities. To this end, the Company has strived to promote and uphold the highest standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules.

The Board has reviewed the corporate governance practices of the Company and in the opinion of the Directors, the Company has adopted and complied with the code provisions set out in the CG Code throughout the period from 1 January 2010 to 31 December 2010.

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

THE BOARD

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

Responsibilities

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

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

Board Composition

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

The list of all Directors is set out under "Corporate Information" from page 34 to 35 and the independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The Board of the Company comprises the following Directors:

Executive Directors

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

Non-executive Directors

Shu Hedong
Zhang Yufeng

Independent Non-executive Directors

Gao Dezhu
Zeng Shaojin
Gu Desheng
Ng Ming Wah, Charles

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

During the year ended 31 December 2010, the Board, at all times, met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

Chairman and General Manager

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

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

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

Appointment and Re-election of Directors

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

Induction and Continuing Development for Directors

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

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

Board Meetings

Board Practices and Conduct of Meetings

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

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

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

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

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

Directors' Attendance Records

The attendance records of each Director at the meetings of the Board, remuneration committee and audit committee during the year ended 31 December 2010 are set out below:

	Attendance/Number of Meetings		
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**
Mr. Duan Yuxian	7/7	N/A	N/A
Mr. Li Chaochun	7/7	N/A	N/A
Mr. Wu Wenjun	7/7	N/A	N/A
Mr. Li Faben	6/7	N/A	N/A
Mr. Wang Qinxi	7/7	N/A	N/A
Mr. Shu Hedong[(1)]	7/7	1/1	N/A
Mr. Zhang Yufeng[(2)]	6/7	N/A	2/2
Mr. Gao Dezhu[(1)]	7/7	1/1	N/A
Mr. Zeng Shaojin[(2)]	7/7	N/A	2/2
Mr. Gu Desheng[(1)]	6/7	1/1	N/A
Mr. Ng Ming Wah, Charles[(2)]	6/7	N/A	2/2

Notes:

(1) The remuneration committee comprises three members, namely Mr. Gao Dezhu, Mr. Gu Desheng and Mr. Shu Hedong, with Mr. Gao Dezhu as the Chairman.

(2) The audit committee comprises two independent non-executive Directors, namely Mr. Ng Ming Wah, Charles and Mr. Zeng Shaojin, and one non-executive Director, namely Mr. Zhang Yufeng, with Mr. Ng Ming Wah, Charles as the Chairman.

SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

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

DELEGATION BY THE BOARD

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

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

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

The Board has established a number of committees, including, the remuneration committee, audit committee and strategic committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company were established with defined written terms of reference. The proposed establishment of a nomination committee of the Board was considered and approved at the extraordinary general meeting held on 26 January 2011. The nomination committee comprises six Directors as follows: Mr. Duan Yuxian (executive Director), Mr. Li Chaochun (executive Director), Mr. Gao Dezhu (independent non-executive Director), Mr. Zeng Shaojin (independent non-executive Director), Mr. Gu Desheng (independent non-executive Director) and Mr. Ng Ming Wah, Charles (independent non-executive Director), with Mr. Duan Yuxian and Mr. Gao Dezhu serving as the chairman and vice-chairman of the nomination committee, respectively.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies regarding remuneration of Directors and senior management personnel of the Company. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2010 are set out in note 12 to the consolidated financial statements.

REMUNERATION COMMITTEE

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

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

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

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

The remuneration committee held one meeting during the year ended 31 December 2010 and the attendance records are set out under "Directors' Attendance Records" on page 18.

AUDIT COMMITTEE

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

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

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

The main duties of the audit committee include the following:

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board;

- To acquaint with the work performed by the auditor, their fees and terms of engagement to review the relationship between the Company and the external auditor, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors;

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;

- To review the drafts of annual report, including reports submitted by the general manager and the management;

- To supervise Directors to ensure that they perform annual review in respect of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, the training programmes and the budget;

- To review the audit activities with external and internal auditors at least once every six months, and the internal auditor shall specify the important issues and results which the Committee shall know or pay attention to. To prepare for such review, the internal auditor will provide internal audit reports or report summaries of the Group to members of the committee through the Secretary of the committee when necessary. Report on the activities of the committee in each financial year will also be submitted to the Board; and

- To communicate with executive Directors, other executives or employees, external auditor and internal auditor without any restrictions. External auditor and internal auditor are entitled to consult the committee without notifying the management. The committee is also entitled to consult the external auditors and internal auditors without notifying the management or consult the management without notifying the external auditors and internal auditors.

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

During the year ended 31 December 2010, the audit committee reviewed the interim results for the six months ended 30 June 2010 and the annual results for the year ended 31 December 2010. The audit committee also reviewed the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes and the re-appointment of the external auditor.

The audit committee held two meetings during the year ended 31 December 2010 and the attendance records are set out under "Directors' Attendance Records" on page 18.

STRATEGIC COMMITTEE

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

NOMINATION COMMITTEE

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

SUPERVISORY COMMITTEE

As at the date of this report, the supervisory committee of the Company comprises three members, namely Mr. Zhang Zhenhao (chairman), Mr. Yin Dongfang and Mr. Deng Jiaoyun. The supervisory committee is responsible for exercising supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. During the year ended 31 December 2010, the supervisory committee held two meetings to review the financial positions of the Company and launched various activities to adhere to the principle of good faith.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2010.

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

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

INTERNAL CONTROLS

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

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

During the year ended 31 December 2010, the Board has conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board has not identified any major issues during their course of review.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 36.

During the year ended 31 December 2010, the remuneration paid to the Company's auditors, Messrs. Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA Ltd., is set out below:

Category of services	**Fee paid/payable** *RMB'000*
Annual audit service	2,900
Interim review services	600
Other services	100

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The 2011 Annual General Meeting ("AGM") will be held on Friday, 1 April 2011. The notice of AGM has been sent to shareholders at least 20 clear business days before the AGM.

SHAREHOLDER RIGHTS

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

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

REPORT OF THE DIRECTORS

Dear Shareholders,

The Directors of the Company are pleased to present their 2010 report and the audited consolidated financial statements of the Company for the year ended 31 December 2010.

ESTABLISHMENT OF THE COMPANY

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

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

PRINCIPAL ACTIVITIES

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

FINAL DIVIDEND

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

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

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

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

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

REPORT OF THE DIRECTORS

FINANCIAL INFORMATION SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the Company's audited consolidated financial statements for the year ended 31 December 2010, is set out on page 95. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution as at 31 December 2010, calculated in accordance with PRC rules and regulation, was RMB1,972.3 million.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling RMB11.4 million (2009: RMB1.5 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the proportions of purchase and sales from our major suppliers and major customers to our total purchase and sales were as follows:

Purchase

The total purchase from our largest supplier was approximately 2.4% of our total purchase value.

The total purchase from our five largest suppliers was approximately 6.7% of our total purchase value.

Sales

The total sales to our largest customer was approximately 6.9% of our total sales value.

The total sales to our five largest customers was approximately 22.6% of our total sales value.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Supervisors

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

Senior Management

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

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and supervisors of the Company and the senior management of the Group are set out on pages 30 to 33 of the annual report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

DIRECTORS' AND SUPERVISORS' MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

As of 31 December 2010, none of the Directors, chief executives and supervisors and their respective associates had interests or short positions in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which require the Company and the Stock Exchange to be notified pursuant to Part XV of the SFO or which, pursuant to section 352 of the SFO, require such interests or short positions to be entered into the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors and supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement which enabled the Directors or supervisors of the Company to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

To the best knowledge of all Directors and supervisors, as at 31 December 2010, the persons or companies (other than a Director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Capacity	Class of Share	Approximate percentage of shareholding in relevant class of shares
Luoyang Mining Group Co., Ltd. ("LMG") (1)	1,796,593,475	Beneficial owner	Domestic share	50.40%
Cathay Fortune Corporation ("CFC") (2)	1,726,706,322	Beneficial owner	Domestic share	48.43%
National Council for Social Security Fund of the PRC	119,196,000	Beneficial owner	H share	9.09%

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

(2) Mr. Yu Yong holds 90% of equity interests in CFC.

Save as disclosed above, as at 31 December 2010, the Directors were not aware of any other person (other than a Director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

As at 31 December 2010, the Group's bank loans of RMB100 million were guaranteed by LMG.

On 19 April 2010, Luoyang Arbitration Commission granted the arbitration award in favour of the Company pursuant to which the Company and LMG were obliged to, among other things, complete the transfer of 100% equity interest in 洛陽建投礦業有限公司 (Luoyang Construction Investment and Mining Co., Ltd.) and 欒川縣滬七礦業有限公司 (Luanchuan Huqi Mining Company Limited). The Company acquired 100% equity interests in Luoyang Construction Investment and Mining Co., Ltd. and Luanchuan Huqi Mining Company Limited on 22 April 2010 and 5 May 2010, respectively. Please refer to the announcements made by the Company on 17 May 2010 and 31 October 2010, and the circular made by the Company on 14 September 2010 for details.

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

NON-COMPETE AGREEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

In order to determine the list of holders of H Shares who are entitled to attend the AGM of the Company and to receive the final dividend for the year ended 31 December 2010, the H Share register of members will be closed from Wednesday, 2 March 2011 to Friday, 1 April 2011, both days inclusive, during which period no transfer of shares will be effected. In order to attend and vote at the AGM and to qualify for the receipt of final dividend, holders of H Shares of the Company whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Tuesday, 1 March 2011. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2010 were audited by Deloitte Touche Tohmatsu. The auditor has to retire at the end of the year, but is eligible to be reappointed as auditor at the next annual general meeting of the Company. The Company has not changed its auditor in the past three years.

By order of the Board
Duan Yuxian
Chairman

Luoyang, the PRC
26 January 2011

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

I. MEETINGS CONVENED DURING THE REPORTING PERIOD

During the reporting period, the supervisory committee held two meetings. Apart from holding supervisory committee meetings, the supervisory committee of the Company had also attended and observed the Board meetings of the Company for 7 times, general meetings for 3 times and had listened to and adopted the proposals and resolutions from the Company. We understood the formation process of the material decisions of the Company, had a grasp on the operational results of the Company, and at the same time performed the functions of acknowledgement, monitoring and investigation of the supervisory committee.

II. MAJOR DUTIES OF THE SUPERVISORY COMMITTEE

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

During the reporting period in 2010, the current session of the supervisory committee is primarily engaged in the following activities:

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

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

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

In 2010, in accordance with the requirements of relevant PRC laws, regulations and Articles of Association, the supervisors of the Company exercised inspection and supervision over the procedures for convening general meetings and Board meetings of the Company, items to be resolved, execution of resolutions passed on general meetings by the Board, the conduct codes of senior management of the Company and internal control system of the Company. Upon inspection, the supervisory committee of the Company is of the view that the decision making procedures on the general meetings and on each of the Board meetings of the Company are lawful, and the internal control system of the Company is well established. No violation of any laws, regulations and Articles of Association or any act which might jeopardize the benefits of the Company and the interests of the shareholders had been found in the performance of duties of each of the Directors and senior management.

3. Inspection of the Company's daily operating activities

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

4. Inspection of the Company's financial status

In 2010, the supervisory committee of the Company exercised effective supervision and inspection over the financial work of the Company. Upon inspection, the supervisory committee is of the view that the financial operation of the Company was conducted in strict compliance with the financial management and the internal control system of the Company. Through the inspection over each auditing materials (including the financial information) provided by the Company, the supervisory committee is of the opinion that the Company has basically built a relatively sound financial internal control system, which could guarantee the efficient operation of corporate funding and the safety and integrity of the Company's properties. The Company has neither acted against the wishes of the shareholders nor violated the internal management system of the Company during the course of business. The utilization of fund is in the interests of the shareholders and fit in the principle of maximizing the Company's benefits. The financial position of the Company was solid and the financial data was valid.

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

In 2010, the supervisory committee of the Company exercised timely supervision over the execution of relevant PRC laws and regulations and the resolutions of the general meetings and Board meetings by the Board and senior management of the Company. No violation of the Company Law, the Articles of Association and other laws and management systems of the Company was found during the implementation of the management systems by the Directors and senior management of the Company. The supervisory committee deeply appreciated the efforts of Directors and senior management of the Company in overcoming obstacles and carrying out resolutions approved at the general meetings and Board meetings with such outstanding performance.

III MAJOR AREAS OF DUTIES OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2011

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

Our overall working framework for the year 2011: we will adapt to new dynamics and requirements of the Company, improve supervisory responsibilities and constantly refine our working methods with a view to enhancing supervision. We will step up day-to-day supervision and, by various means, understand and keep abreast of any material decisions, significant business management and material abnormality of the Company. We will foster continued improvement on internal control and continued standardization of business management, whilst facilitating improvement on the legal person governance regime of the Company with reference to new governance requirements imposed on listed companies by regulatory authorities. We will achieve better and faster development of the Company as a whole. The committee will primarily strive for excellence in the following aspects:

1. In strict compliance with the Company Law and the Articles of Association of the Company, we will carry out our day-to-day operation diligently. Subject to the practical needs of the Company, we will hold regular and ad hoc supervisory committee meetings to review all proposals and strengthen our daily supervision and inspection for greater supervisory efficiency and vigilance. With diligence, we will complete specific reviews, inspections as well as supervisions and assessments in compliance with relevant requirements stipulated by regulatory authorities of listed companies and provide specific advice on reviews.

2. We will advocate a new approach to business and actively commence supervision as scheduled, so as to best serve our role as an internal corporate supervisor. We will reinforce our liaison with shareholders and protect the interest of the staff. Apart from enforcing supervision and inspection on the Company, we will also reinforce our supervision on holding subsidiaries and joint stock companies.

3. We will stress on internal learning of supervisors by putting extra efforts on research and training, fostering self-development and conducting surveys and research. We will keep abreast of new requirements of regulatory authorities, put additional efforts on learning and training and continue to improve the supervisory committee.

4. We will strengthen our link with regulatory authorities and adapt to the supervisory needs of listed companies. We will actively liaise and communicate with the Municipal Securities Supervision Bureau (市證監局) and other regulatory authorities for greater support and assistance. According to the requirements of regulatory authorities, we will urge the Company to, apart from dedicating itself to a specific governance campaign for the year 2011, constantly improve its corporate governance structure and establish a long-term effective mechanism of standardized corporate governance in compliance with the requirements of relevant laws and regulations, with a view to protecting the interests of the Company and the shareholders as a whole.

Zhang Zhenhao
Chairman of the supervisory committee

Luoyang, the PRC
26 January 2011

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Duan Yuxian, aged 57, Senior Economist and Senior Engineer, has been our chairman since August 2006. Mr. Duan graduated from the Academy of the Henan Province Chinese Communist Party (CCP member) Committee in 1995. From May 1986 to January 1999, Mr. Duan served at Luanchuan County Metallurgical and Chemical Company ("LCMCC") where he held various positions including head of the finance section, deputy manager and manager. From January 1999 to August 2006, he served as vice chairman, general manager, and chairman of Luoyang Luanchuan Molybdenum Group Co., Ltd. ("LLMG"). From January 2006 to December 2006, Mr. Duan was also the chairman of Luoyang Baima Group. Mr. Duan is currently a director and the chairman of LMG as well as a director of Luoyang High-Tech and China Molybdenum (Hong Kong) Company Limited ("China Moly-HK"), and is elected as the deputy of the eleventh National People's Congress.

Mr. Li Chaochun, aged 34, has been our Director and vice chairman since January 2007. Mr. Li graduated from Shanghai Jiaotong University with a bachelor's degree in law in July 1999. From July 1999 to December 1999, he was a staff accountant of the tax division of Arthur Andersen (Shanghai) Business Consulting Co., Ltd. He was with Arthur Andersen Hua Qiang CPA from January 2000 to March 2002, where his last position was first year senior of the tax division. From April 2002 to February 2003, he was an assistant manager of planning and strategy implementation of the general representative office of The Hong Kong and Shanghai Banking Corporation Limited. From July 2003 to January 2007, Mr. Li was an executive director of the investment department of CFC, one of the promoters of the Company. Mr. Li is a director of Luoyang High-Tech and China Moly-HK.

Mr. Wu Wenjun, aged 44, Senior Engineer, has been our Director and general manager since January 2007. Mr. Wu graduated from the Luoyang Institute of Technology in July 1987 with a bachelor's degree in machinery processing and equipment and from Tsinghua University School of Economics and Management in June 1993 with a master's degree in technological economics. Between July 1993 and February 1994, Mr. Wu worked as an engineer with CITIC Heavy Machinery Inc. Computing Center and between February 1994 and December 2000, he worked as department manager and deputy general manager of CITIC Heavy Machinery Inc. Foreign Trade Company ("CITIC Foreign Trade"). From December 2000 to March 2003, he served as the general manager of CITIC Foreign Trade. From March 2003 to December 2006, he was appointed as the deputy mayor of the Luanchuan County. In March 2010, Mr. Wu was elected as the vice president of Luoyang Association of Science and Technology at the sixth representatives meeting of Luoyang Association of Science and Technology and Luoyang City science and technology award presentation ceremony.

Mr. Li Faben, aged 47, Professor-level Senior Engineer, has been our Director and executive deputy general manager since August 2006. Mr. Li is also a director of China Moly-HK. Mr. Li graduated from the Central South Mining & Metallurgical College with a bachelor's degree in engineering in 1983 (major in mining engineering) and the Xi'an Construction Technology University with a master's degree in engineering in 2004 (specialised in mining engineering). Mr. Li is a senior engineer and has over 20 years of experience in the PRC mining industry. Mr. Li was appointed as a national class mining inspector by the Ministry of Land and Resources of the PRC ("MLR") from 2002. From August 1988 to January 1999, Mr. Li held various positions at Luoyang Luanchuan Molybdenum Company ("LLMC"), in which he served as the deputy head and head of the technical division of LLMC, head of various mines of LLMC, head of the open-pit mining construction department of LLMC and deputy manager of LLMC. Mr. Li served as deputy general manager of LLMG between January 1999 and November 2002. From November 2002 to September 2006, Mr. Li was the deputy general manager and vice chairman of LLMG and as well as a director of LMG.

Mr. Wang Qinxi, aged 46, Senior Engineer, has been our Director and deputy general manager since August 2006. Mr. Wang graduated from Beijing Steel College with a bachelor's degree in engineering majoring in ore flotation in 1987. Mr. Wang has over 19 years of experience in ore flotation. From 1987 to January 1999, Mr. Wang was a technician and workshop head of No.1 ore processing branch of Luanchuan Molybdenum Mine of Henan Province, head of the ore processing plant of LLMC Mucheng Company, deputy manager of LLMC Mucheng Enterprise Company, deputy head of Majuan Ore Processing Plant of LLMC and deputy manager of LLMC. From January 1999 to August 2006, Mr. Wang served as vice chairman and deputy general manager of LLMG. From January 2006 to December 2006, Mr. Wang also served as vice chairman of Luoyang Baima Group.

Non-executive Directors

Mr. Shu Hedong, aged 47, has been our non-executive Director since August 2009. Mr. Shu concurrently acts as executive director and general manager of Shanghai CFC Puyuan Investment Management Co., Ltd.* (上海鴻商普源投資管理有限公司), executive director and general manager of Shanghai CFC Datong Industrial Co., Ltd.* (上海鴻商大通實業有限公司), executive director and general manager of Shanghai Shanglue Trading Co., Ltd.* (上海商略貿易有限公司), executive director and general manager of Beijing Huiqiao Investment Co., Ltd.* (北京匯橋投資有限公司), and executive director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司). Mr. Shu graduated from Nanjing University in 1985 with a bachelor's degree in radio-geology and from the Third Institute of the Ministry of Nuclear Industry in 1988 with a master's degree in radio-geology. From January 1989 to March 1993, Mr. Shu worked for the former Ministry of Energy, and from April 1993 to January 1995, he served as the business development manager of Unisono Limited. Subsequently from February 1995 to November 1998, Mr. Shu served as business development manager of PowerGen International. From December 1998 to March 2001, Mr. Shu served as the director of corporate strategy and new business development of Unisono Limited and from April 2001 to March 2004, he served as the deputy general manager of Beijing Leader & Harvest Technology Co., Ltd.* (北京利德華福技術有限公司). Since April 2004, Mr. Shu has been an assistant to the president of CFC and an executive director of CFC. From August 2006 to August 2009, Mr. Shu acted as supervisor and chairman of the Supervisory Committee of the Company.

Mr. Zhang Yufeng, aged 36, has been our non-executive Director since August 2006. Mr. Zhang concurrently acts as an executive director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司). Mr. Zhang graduated from Shanghai Jiaotong University(上海交通大學) in 1996 with a bachelor's degree in engineering. Mr. Zhang is a non-practicing member of CICPA (Chinese Institute of Certified Public Accountants). From January 1997 to August 1998, Mr. Zhang was engaged in project development for Shanghai Caohejing Hi-Tech Park West Zone Development Co., Ltd.* (上海漕河涇開發區西區發展有限公司) and from August 1998 to July 2001, he served in the investment and consultancy department of DTZ Debenham Tie Leung Limited* (戴德梁行). From July 2001 to September 2002, Mr. Zhang worked for Shanghai Bao Rui Technology Investment Company* (上海寶瑞科技投資公司). Mr. Zhang was engaged in investment services for China Fortune Securities Co., Ltd.* (中富證券有限責任公司) from December 2002 to July 2003. From August 2003 to the present, Mr. Zhang has been the general manager of the No. 2 Investment Department of CFC. Mr. Zhang has been a director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司) since November 2010.

Independent Non-executive Directors

Mr. Gao Dezhu, aged 71, has been our independent non-executive Director since October 2006. Mr. Gao is a senior economist and is currently the executive vice chairman of the China Non-ferrous Metals Industry Association. Mr. Gao graduated from the Chinese Language Department of the Fushun College of Education in September 1962. Mr. Gao had been appointed as a part-time professor in various universities in the PRC including the Graduate School of the People's Bank of China, Renmin University of China, Liaoning University and Central South University. Mr. Gao has more than 36 years of experience in the banking industry and he was the general manager of the credit department and vice president of the headquarters of the Bank of China. From 1998 to present, Mr. Gao has been serving as deputy chief of the State Non-ferrous Metals Industry Administration. In the past, Mr. Gao also served as chairman of ONFEM Holdings Limited in Hong Kong and chairman of Oriental Metals (Holdings) Company Limited in Hong Kong as well as the independent non-executive director of Hunan Zhuye Torche Metals Co., Ltd. (now known as "Zhuzhou Smelter Group Co., Ltd."), a PRC company listed on the Shanghai Stock Exchange (stock code: 600961), Western Mining Co., Ltd., a PRC company listed on the Shanghai Stock Exchange (stock code: 601168) and Anhui Tongdu Copper Co., Ltd. (now known as "Tongling Nonferrous Metals Group Co Ltd."), a PRC company listed on the Shenzhen Stock Exchange (stock code: 000630). Mr. Gao currently serves as independent non-executive director of Jiangxi Copper Company Limited, a PRC company whose A shares are listed on the Shanghai Stock Exchange (stock code: 600362) and whose H shares are listed on the Hong Kong Stock Exchange (stock code: 00358), London Stock Exchange (secondary listing) and The Bank of New York (Level I American Depository Receipt), Macau Investment Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 02362), Rising Nonferrous Metals Share Co., Ltd., a PRC company listed on the Shanghai Stock Exchange (stock code: 600259) and Ningxia Orient Tantalum Industry Co., Ltd., a PRC company listed on the Shenzhen Stock Exchange (stock code: 000962).

Mr. Zeng Shaojin, aged 67, has been our independent non-executive Director since October 2006. Mr. Zeng is a professor-grade senior engineer entitled to special subsidies from the State Council. Mr. Zeng is currently the executive deputy president of China Mining Association* (中國礦業聯合會). He graduated from the department of geophysical exploration (地球物理勘探系) of Chengdu College of Geology* (成都地質學院) in 1967. From 1968 to 1982, Mr Zeng was a technician and team head of two geological survey teams in Henan Province, and was deputy team head and general engineer of the Henan Province Geophysical Exploration Team* (河南省物探隊). From July 1983 to June 1990, Mr. Zeng was appointed as the deputy chief, chief and department head of Henan Province (Bureau) Department of Geology and Mineral Resources* (河南省地質礦產(局)廳). From June 1990 to July 1996, Mr Zeng was the chief of the Department of Geological Survey of Ministry of Geology and Mineral Resources* (地質礦產部地質勘查司) and from June 1996 to June 1999, Mr. Zeng served as the president of the Chinese Academy of Geological Survey Technologies* (中國地質勘查技術院). Mr. Zeng also served as chief of the Department of Mineral Exploitation of the MLR* (國土資源部礦產開發司) from July 1999 to January 2005. From 2004 to 2009, Mr. Zeng acted as the executive deputy president of the China Association for Geology and Mineral Economics* (中國地質礦產經濟學會). Mr. Zeng concurrently serves as an independent non-executive director of Zhongjin Gold Corporation Limited* (中金黃金股份有限公司).

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Gu Desheng, aged 73, has been our independent non-executive Director since October 2006. Mr. Gu is a professor and an academic advisor to Ph.D. students at Central South University. Mr. Gu graduated from Central South Mining & Metallurgical College in July 1960 and joined the faculty thereafter as a professor, academic advisor to Ph.D. students, department head, head of the research institute and member of the degree-awarding committee. He is specialised in theories of continuous mining of metal ore and oscillation ore drawing technology. In 1995, Mr. Gu became a fellow of the Chinese Academy of Engineering. Mr. Gu has received various awards including the first prize at the National Technology Advancement Award, second prize at the National Technological Advancement Awards, and the State Major Technology Contribution and Breakthrough Award. He has authored and published more than 180 professional articles. Mr. Gu was the member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference and a member of the evaluation committee of the National Natural Science Foundation. In the past, Mr. Gu also served as the independent non-executive director of Western Mining Co., Ltd., a PRC company listed on the Shanghai Stock Exchange (stock code: 601168). Mr. Gu currently serves as an independent non-executive director of Hunan Nonferrous Metals Corporation Limited, a PRC company whose H shares are listed on the Stock Exchange (stock code: 02626).

Mr. Ng Ming Wah, Charles, aged 61, has been our independent non-executive Director since December 2006. Mr. Ng graduated from Loughborough University in England in 1972 with a Bachelor of Science degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies in England in 1974 with a Master of Science Degree in Business Studies. He is a director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. Mr. Ng has more than thirty years of experience in corporate finance and investment banking. Mr. Ng was an independent non-executive director of Stone Group Holdings Limited (stock code: 00409), the listing of which was withdrawn from the close of business on 6 November 2009, between 1 September 2004 to 9 November 2009. He is currently a non-executive director of Goldlion Holdings Limited (stock code: 00533) and an independent non-executive director of each of China Everbright Limited (stock code: 00165) and Dalian Port (PDA) Company Limited (stock code: 02880). In addition, Mr. Ng is a member of the Board of Governors of Hong Kong Arts Centre.

SUPERVISORS

Mr. Zhang Zhenhao, aged 37, has been our supervisor and chairman of the supervisory committee since August 2009. Mr. Zhang concurrently acts as an executive director in Ledong Binhai City Construction Development Co., Ltd.*(樂東濱海城市建設開發有限公司). Mr. Zhang graduated from Tianjin Polytechic University with a bachelor's degree in textile engineering. Mr. Zhang also obtained a master degree in finance from the Graduate School of The Chinese Academy of Social Sciences and the CFA qualification from the CFA Institute. Mr. Zhang is certified as a Class 2 Securities Professional by the Securities Association of China. He is also registered as a dealer of the Shanghai Stock Exchange. From 1993 to 1999, Mr. Zhang held positions with Tianjin Colour Weaving Company, Tianjin Weaving Materials Exchange, Hainan Zhongshang Futures Exchange* (海南中商期貨交易所). From May 1999 to December 2001, Mr. Zhang was employed by Zhongfu Securities Dealer Co. Ltd. as member of the planning committee, general manager of the business management department and supervisor of the company. From January 2002 to May 2007, Mr. Zhang was employed by Zhongfu Securities Co. Ltd. as member of the planning committee, general manager of the sales department of Haikou Securities, executive director of the sales management department, secretary to the board of directors of the company and general manager of the chief executive office and the human resources department. Since June 2007, Mr. Zhang has been the general manager of the finance department of CFC and concurrently acted as a director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司).

Mr. Yin Dongfang, aged 49, has been our supervisor since January 2007. Mr. Yin concurrently acts as the manager of the investment and management department of the Luoyang City Branch of Henan Province Association of Municipal and Township Collectively-Owned Industries* (河南省城鎮集體工業聯合社洛陽市聯社), vice chairman, director and general manager of Luoyang City State-owned Assets Management Co., Ltd.* (洛陽市國有資產經營有限公司), director of China YTO Group Corporation* (中國一拖集團有限公司) and supervisor of Bank of Luoyang Co., Ltd.* (洛陽銀行股份有限公司). Mr. Yin graduated from Zhengzhou University with a diploma in law in June 1988 and obtained his lawyer's qualification certificate in May 1989. Between 1994 and 1998, Mr. Yin practiced as a lawyer in Luoyang City No. 2 Law Firm* (洛陽市第二律師事務所) and between August 1998 and December 2004, he set up his own legal practice with two other partners. Between August 2002 and December 2004, Mr. Yin was appointed as the executive deputy chairman of Luoyang City Bar Association* (洛陽市律師協會). He has been the manager of the investment and management department of the Luoyang City Branch of Henan Province Association of Municipal and Township Collectively-Owned Industries since May 2005, a supervisor of the Company since January 2007, vice chairman, director and general manager of Luoyang City State-owned Assets Management Co., Ltd.* (洛陽市國有資產經營有限公司) since June 2007, director and deputy general manager of LMG since July 2008, director of China YTO Group Corporation since June 2009, and supervisor of Bank of Luoyang Co., Ltd. since January 2011.

Mr. Deng Jiaoyun, aged 58, has been our supervisor since August 2006. From 1969 to 1984, Mr. Deng worked at the Wood Construction Society, No. 2 Light Industry Bureau, and Planning Committee of Luanchuan County. From 1984 to 1988, Mr. Deng was the deputy chief of Luanchuan County Bureau of Statistics and from 1988 to 1989, he was appointed the deputy head of the policy research office of Luanchuan County CCP Committee. In addition, from April 1983 to March 1999, Mr. Deng served as the head of the finance department, labor and personnel department, and organization department of LLMC. From 1999 to August 2006, Mr. Deng also served as the head of organization department and director of LLMG. He is also the chairman of the labor union of our Company.

JOINT COMPANY SECRETARIES

Ms. Ho Siu Pik, aged 47, is the joint company secretary of the Company for the purpose of Rule 8.17 of the Listing Rules. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. She is currently the joint company secretary of Sands China Ltd. and SITIC International Holdings Company Limited, both companies are listed on the Stock Exchange.

Ms. Lai Sharon Magdalene, aged 30, was appointed as the joint company secretary of the Company in March 2010 for the purpose of Rule 8.17 of the Listing Rules. Ms. Lai is a manager of Corporate Services Division of Tricor Services Limited and an associate member of both the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Lai has over five years of experience in corporate services.

SENIOR MANAGEMENT

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

Mr. Yang Jianbo, aged 45, Senior Engineer, has been our deputy general manager since August 2006. Mr. Yang graduated from Northeast Industrial College in 1988 with a bachelor's degree in ore processing. From 1988 to 1992, Mr. Yang served as a technician of the Lengshui ore processing plant and deputy head of the control center of LLMC. From 1992 to 1999, Mr. Yang served as deputy manager of LLMC, deputy head of the Lengshui ore processing plant and deputy head of the Majuan ore processing plant. From 1999 to 2002, Mr. Yang served as deputy head of the science and technology department of LLMG and manager of the No. 2 ore processing branch company of LLMG. From November 2002 to August 2006, Mr. Yang served as a deputy general manager and director of LLMG.

Mr. Wang Bin, aged 44, has been our deputy general manager since August 2006. Mr. Wang graduated from Central South University of Technology in 1989 with a bachelor's degree in geology. From 1989 to 1996, Mr. Wang was a technician and a deputy head of Luanchuan County Mineral Company. From 1996 to 1998, Mr. Wang served as an office secretary of Luanchuan County People's Government. From 1998 to 1999, Mr. Wang was a deputy manager of LCMCC. From 1999 to 2002, Mr. Wang served LLMG in the positions of board secretary, deputy head of the business planning department, and manager of the mine branch company. From November 2002 to August 2006, Mr. Wang served as a deputy general manager and director of LLMG.

Ms. Gu Meifeng, aged 46, has been our chief financial officer since August 2006. Ms. Gu is a certified public accountant, registered asset appraiser and senior accountant. Ms. Gu graduated from Henan University in 1995 and obtained a master degree in accounting from the Chinese University of Hong Kong in December 2009. From 1986 to 1994, Ms. Gu worked on cost accounting with China YTO Group Corporation Equipment Reparation & Manufacturing Plant* (中國一拖集團有限公司設備修造廠). From 1994 to June 2006, Ms. Gu was a deputy general manager of Luoyang Zhonghua Certified Public Accountants Co., Ltd.* (洛陽中華會計事務所有限責任公司). From 2000 to 2006, she was also an independent supervisor of Luoyang Glass Company Limited* (洛陽玻璃股份有限公司).

Mr. He Feng, aged 47, has been our board secretary, board secretary-general and director of the general manager office since September 2006. Mr. He graduated from Luoyang Normal University in 1987 with a diploma in Chinese. From 1987 to 1989, Mr. He worked in Henan Province Luoyang Luanchuan Molybdenum Mine Workers' Children School and became the Secretary of the Communist Youth League General Branch of the school in 1989. From 1991 to 1995, Mr. He served as an editor and journalist in newspaper office of LLMC. From 1995 to 1999, Mr. He was a secretary in the manager office of LLMC. From 1999 to 2006, Mr. He served LLMG as section chief of general manager office secretary section, deputy director of general manager office and board secretary-general.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Shu Hedong
Zhang Yufeng

Independent Non-executive Directors

Gao Dezhu
Zeng Shaojin
Gu Desheng
Ng Ming Wah, Charles

SUPERVISORS

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

BOARD COMMITTEES

Remuneration Committee

Gao Dezhu *(Chairman)*
Gu Desheng
Shu Hedong

Audit Committee

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

Strategic Committee

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

Nomination Committee

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

Supervisory Committee

Zhang Zhenhao *(Chairman)*
Yin Dongfang
Deng Jiaoyun

BOARD SECRETARY

He Feng

REGISTERED OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

CORPORATE INFORMATION

PLACE OF BUSINESS IN HONG KONG

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

LEGAL REPRESENTATIVE

Duan Yuxian

AUTHORIZED REPRESENTATIVES

Li Chaochun
Ho Siu Pik

ALTERNATE AUTHORIZED REPRESENTATIVE

Lai Sharon Magdalene

JOINT COMPANY SECRETARIES

Ho Siu Pik *(ACS, ACIS)*
Lai Sharon Magdalene *(ACS, ACIS)*

ENQUIRY DEPARTMENT OF THE COMPANY

Board Secretariat

INFORMATION ENQUIRY TELEPHONE NO. OF THE COMPANY

(+86) 379 6681 9810

HONG KONG H SHARE REGISTRAR

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

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

NAME OF THE STOCK

China Molybdenum Co., Ltd.
(CMOC)

STOCK CODE

03993 (Listed on 26 April 2007)

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

As to Hong Kong law:

Kwongs in association with SJ Berwin LLP
Room 3205, 32nd Floor, Lippo Centre Tower Two,
89 Queensway, Hong Kong

As to PRC law:

Llinks Law Offices
21/F, South Tower, Shanghai Stock Exchange Building, 528 South Pudong Road, Shanghai 200120, the PRC

WEBSITE:

www.chinamoly.com

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
洛陽欒川鉬業集團股份有限公司
CHINA MOLYBDENUM CO., LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of 洛陽欒川鉬業集團股份有限公司 China Molybdenum Co., Ltd. (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 37 to 94, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 January 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	5	**4,396,369**	3,045,649
Cost of sales		**(2,798,971)**	(2,215,680)
Gross profit		**1,597,398**	829,969
Other income and gains	7	**140,655**	182,974
Selling and distribution expenses		**(15,107)**	(13,992)
Administrative expenses		**(337,520)**	(248,617)
Other expenses and losses	8	**(23,854)**	(22,346)
Finance costs	9	**(41,786)**	(21,363)
Share of results of associates		**32,574**	16,561
Share of results of jointly controlled entities		**(6,742)**	—
Profit before taxation		**1,345,618**	723,186
Taxation	10	**(343,926)**	(188,576)
Profit for the year	11	**1,001,692**	534,610
Other comprehensive (expenses) income:			
Exchange differences arising on translation of foreign operations and other comprehensive (expenses) income for the year		**(2,001)**	494
Total comprehensive income for the year		**999,691**	535,104
Profit for the year attributable to:			
Owners of the Company		**965,549**	503,315
Non-controlling interests		**36,143**	31,295
		1,001,692	534,610
Total comprehensive income attributable to:			
Owners of the Company		**963,548**	503,809
Non-controlling interests		**36,143**	31,295
		999,691	535,104
Earnings per share — Basic	14	**RMB0.20**	RMB0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	15	**4,547,601**	4,304,002
Land use rights — non-current portion	16	**550,408**	401,252
Mining rights	17	**347,507**	310,590
Trademarks	18	**635**	656
Interests in associates	20	**78,541**	52,765
Interests in jointly controlled entities	21	**1,533,653**	—
Investments in debt securities	22	**83,072**	80,000
Available-for-sale investments	23	**2,300**	2,300
Deferred tax assets	24	**125,070**	181,412
Long term deposits paid	25	**534,271**	159,600
		7,803,058	5,492,577
Current assets			
Inventories	26	**1,442,875**	849,011
Trade and other receivables	27	**1,755,892**	821,537
Amounts due from associates	28	**47,936**	48,616
Amounts due from jointly controlled entities	29	**45,936**	—
Land use rights — current portion	16	**8,437**	10,217
Investments in debt securities	22	**89,793**	1,230,000
Held-for-trading investments	30	**64,099**	108,606
Loan receivables	31	**—**	1,092,824
Restricted bank deposits	32	**23,947**	43,952
Bank balances and cash	32	**2,839,449**	2,775,207
		6,318,364	6,979,970
Assets classified as held for sale	33	**—**	211,850
		6,318,364	7,191,820
Current liabilities			
Trade and other payables	34	**(1,101,820)**	(866,151)
Dividend payables	35	**(103,644)**	(62,218)
Tax payable		**(62,975)**	(100,977)
Bank borrowings — due within one year	36	**(786,650)**	(231,242)
		(2,055,089)	(1,260,588)
Liabilities directly associated with assets classified as held for sale	33	**—**	(13,562)
		(2,055,089)	(1,274,150)
Net current assets		**4,263,275**	5,917,670
Total assets less current liabilities		**12,066,333**	11,410,247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current liabilities			
Bank borrowings — due after one year	36	**(10,000)**	(50,000)
Provision	37	**(42,615)**	(40,586)
Long term payable	38	**—**	(1,540)
Deferred income	39	**(24,879)**	(27,347)
		(77,494)	(119,473)
		11,988,839	11,290,774
Capital and reserves			
Share capital	40	**975,234**	975,234
Reserves		**10,568,722**	9,995,268
Equity attributable to owners of the Company		**11,543,956**	10,970,502
Non-controlling interests		**444,883**	320,272
Total equity		**11,988,839**	11,290,774

The consolidated financial statements on pages 37 to 94 were approved and authorised for issue by the Board of Directors on 26 January 2011 and are signed on its behalf by:

Duan, Yuxian **Wu, Wenjun**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Attributable to owners of the Company								
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Capital reserve** *RMB'000* *(note 41)*	**Statutory surplus reserve** *RMB'000* *(note 41)*	**Translation reserve** *RMB'000*	**Retained profits** *RMB'000*	**Attributable to owners of the Company** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2009	975,234	7,346,260	424,753	542,953	(2,234)	1,950,162	11,237,128	407,957	11,645,085
Profit for the year	—	—	—	—	—	503,315	503,315	31,295	534,610
Exchange difference arising on translation of foreign operations recognised	—	—	—	—	494	—	494	—	494
Total comprehensive income for the year	—	—	—	—	494	503,315	503,809	31,295	535,104
Capital injection from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	22,000	22,000
Dividends	—	—	—	—	—	(770,435)	(770,435)	(140,980)	(911,415)
Transfer of reserves *(note 41)*	—	—	—	68,028	—	(68,028)	—	—	—
Transfer *(note 41)*	—	—	308,954	—	—	(308,954)	—	—	—
Transfer upon utilisation *(note 41)*	—	—	(344,985)	—	—	344,985	—	—	—
At 31 December 2009	975,234	7,346,260	388,722	610,981	(1,740)	1,651,045	10,970,502	320,272	11,290,774
Profit for the year	—	—	—	—	—	965,549	965,549	36,143	1,001,692
Exchange difference arising on translation of foreign operations recognised	—	—	—	—	(2,001)	—	(2,001)	—	(2,001)
Total comprehensive income for the year	—	—	—	—	(2,001)	965,549	963,548	36,143	999,691
Capital injection from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	180,480	180,480
Dividends	—	—	—	—	—	(390,094)	(390,094)	(92,012)	(482,106)
Transfer of reserves *(note 41)*	—	—	—	86,620	—	(86,620)	—	—	—
Transfer *(note 41)*	—	—	370,322	—	—	(370,322)	—	—	—
Transfer upon utilisation *(note 41)*	—	—	(426,082)	—	—	426,082	—	—	—
At 31 December 2010	975,234	7,346,260	332,962	697,601	(3,741)	2,195,640	11,543,956	444,883	11,988,839

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 *RMB'000*	2009 *RMB'000*
Operating activities		
Profit before taxation	**1,345,618**	723,186
Adjustments for:		
Interest income	**(116,585)**	(152,962)
Interest expenses	**41,786**	21,363
Depreciation for property, plant and equipment	**271,633**	257,196
Impairment loss of goodwill	**3,934**	—
Amortisation of land use rights	**9,096**	8,743
Amortisation of mining rights	**29,759**	27,225
Amortisation of trademarks	**98**	179
Loss on disposal of property, plant and equipment	**186**	13,738
Loss on disposal of land use rights	**—**	121
Share of results of associates	**(32,574)**	(16,561)
Share of results of jointly controlled entities	**6,742**	—
Net loss on fair value change of financial assets classified as held for trading	**4,561**	—
Reversal of allowance for doubtful debts	**(8,027)**	(8,195)
Release of deferred income	**(2,468)**	(3,033)
Gain on disposal of a subsidiary	**(8,010)**	—
Reversal of allowance for inventories	**(10,305)**	(12,305)
Operating cash flows before movements in working capital	**1,535,444**	858,695
Increase in inventories	**(563,591)**	(230,041)
Increase in trade and other receivables	**(927,403)**	(178,725)
Decrease in held-for-trading investments	**36,443**	550,558
Decrease in amounts due from associates	**680**	57,275
Increase in trade and other payables	**236,757**	198,352
Decrease in long term payable	**(1,540)**	(3,746)
Cash generated from operations	**316,790**	1,252,368
Enterprise Income Tax of the People's Republic of China (the "PRC") paid	**(330,651)**	(210,722)
Net cash (used in) from operating activities	**(13,861)**	1,041,646

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	2010 RMB'000	2009 RMB'000
Investing activities			
Interest received		**116,585**	152,962
Acquisition of subsidiaries	44(a)	**(272,686)**	—
Acquisition of subsidiaries — Furun	44(b)	**(5,918)**	—
Investment in an associate		**(8,202)**	—
Disposal of a subsidiary	45	**95,346**	—
Deposit paid for acquisition of land use rights		**(68,660)**	—
Dividend received from an associate		**15,000**	10,000
Deposits paid for acquisition of exploration right		**(400,000)**	—
Purchases of property, plant and equipment		**(626,706)**	(661,710)
Deposits paid for acquisition of mines		**—**	(69,800)
Deposits paid for acquisition of property, plant and equipment		**(65,611)**	—
Purchases of land use rights		**(93,661)**	(18,360)
Purchase of trademarks		**(77)**	—
Purchase of investments in debt securities		**(1,530,280)**	(5,496,400)
Proceeds from investments in debt securities upon maturity		**2,667,415**	7,285,400
Proceeds from disposal of land use rights		**5,937**	3,859
Increase in loan receivables		**(12,176)**	(1,092,824)
Advance to an associate		**—**	(35)
Advance to jointly controlled entities		**(45,936)**	—
Proceeds from disposal of property, plant and equipment		**84,984**	6,557
Government grants received		**—**	11,936
Decrease (increase) in restricted bank deposits		**20,005**	(43,952)
Net cash (used in) generated from investing activities		**(124,641)**	87,633
Financing activities			
Interest paid		**(48,845)**	(26,430)
Dividends paid to shareholders		**(390,094)**	(770,435)
Dividends paid to non-controlling shareholders of subsidiaries		**(50,586)**	(130,529)
New bank borrowings raised		**1,671,650**	688,922
Repayment of bank borrowings		**(1,156,242)**	(635,680)
Repayment to a jointly controlled entity		**(53,163)**	—
Capital contribution from non-controlling shareholders		**180,480**	22,000
Net cash from (used in) financing activities		**153,200**	(852,152)
Net increase in cash and cash equivalents		**14,698**	277,127
Cash and cash equivalents at 1 January		**2,824,751**	2,547,624
Cash and cash equivalents at the end of the year	43	**2,839,449**	2,824,751

1. GENERAL

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

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

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

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

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRSs 5 as part of improvements to IFRSs issued in 2008
IAS 27 (Revised 2008)	Consolidated and separate financial statements
IAS 39 (Amendment)	Eligible hedged items
IFRS 2 (Amendment)	Group cash-settled share-based payment transactions
IFRS 3 (Revised 2008)	Business combinations
IFRIC 17	Distributions of non-cash assets to owners

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

IFRS 3 (Revised 2008) "Business combinations"

IFRS 3 (Revised 2008) "Business combinations" has been applied prospectively from 1 January 2010. Its application has affected the accounting for the acquisition as disclosed in note 44 in the current year.

- IFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.
- IFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.
- IFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The impact of adoption of IFRS 3 (Revised 2008) on the acquisition during the current period has been related to the acquisition-related costs. It requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised these costs as an expense in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition. The acquisition costs in the current period were insignificant.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs") *(Continued)*

IAS 27 (Revised 2008) "Consolidated and separate financial statements"

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

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds and these adjustments, if any. The adoption of IAS 27 (Revised 2008) had no material impact in the current period.

In addition, the Group also applied the consequential amendments of the other IFRSs resulting from the issuance of IFRS 3 (Revised 2008) and IAS 27 (Revised 2008). Particularly IAS 31 "Interests in Joint Ventures" for the acquisitions of jointly controlled entities in the current year. The adoption of the consequential amendments had no material impact on the consolidated financial statements.

Amendment to IAS 17 "Leases"

As part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The adoption of Amendment to IAS 17 "Leases" had no material impact on the consolidated financial statements.

New and revised IFRSs in issue but not yet effective

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 except for the amendments to IFRSs 3(as revised in 2008), IAS 1 and IAS 28[1]
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
IAS 32 (Amendments)	Classification of rights issue[6]
IFRS 7 (Amendments)	Disclosures — Transfers of financial assets[5]
IFRS 9	Financial instruments[4]
IFRIC — INT 14 (Amendments)	Prepayments of a minimum funding requirement[3]
IFRIC — INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 January 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 February 2010.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs") *(Continued)*

New and revised IFRSs in issue but not yet effective *(Continued)*

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The application of IFRS 9 will affect the classification and measurement of the Group's available-for-sale investments and might affect the classification and measurement of other financial assets. As at 31 December 2010, no financial liability has been designated as at fair value through profit and loss, the application of IFRS 9 will affect the measurement of such financial liability if designation is made in the future.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests.

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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

When the Group losses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain of assets the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial instrument" Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associated or jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combination

Business combination that took place on or after 1 January 2010

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

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

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

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

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

Interests in associates

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint ventures

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

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

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 including financial assets at fair value through profit and loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Foreign currencies

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

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

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

Retirement benefits schemes

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Taxation

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

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

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

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

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

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

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

Property, plant and equipment

Construction in progress

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Other property, plant and equipment

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

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

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

Land use rights

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

Trademarks

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

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

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.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible assets and intangible assets

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial asset classified as FVTPL.

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

At the end of the reporting period, financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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 in other comprehensive income is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision for restoration, rehabilitation and environmental expenditure

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Allowances for doubtful debts

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

A considerable amount of judgement is required in assessing the ultimate realisation of these trade receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required (see note 27).

Useful lives of property, plant and equipment

The directors determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions and on the assumption that the PRC government will continue to renew the mining rights certificate upon its expiration in year 2021. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles. Director will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Income taxes

As at 31 December 2010, a deferred tax asset in relation to unused tax losses and unrealised profit of RMB11,926,000 (2009: RMB30,834,000) and RMB67,595,000 (2009: RMB119,663,000), respectively, has been recognised in the Group's consolidated statement of financial position. The realisavbility of the deferred tax asset mainly depends on sufficient future profits or taxable temporary differences will be available in the future and in the case of deferred tax asset on unrealised profit, whether the goods are eventually sold outside the Group at a profit. In cases where the actual future profits/sales generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

5. REVENUE

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

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

6. SEGMENT INFORMATION

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

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

(a) Molybdenum related products — domestic

(b) Molybdenum related products — international

(c) Processed molybdenum and tungsten products — domestic

(d) Processed molybdenum and tungsten products — international

(e) Tungsten products

(f) Gold and silver

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the gross profit for the year in each operating segment. This is the measure reported to the Executive Directors of the Company for the purpose of resources allocation and assessment of segment performance. Segment results exclude finance costs, selling and distribution expenses, other income such as investment and interest income and unallocated expenses such as administrative and other expenses.

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

6. SEGMENT INFORMATION *(Continued)*

Information regarding the above segments is reported below.

Segment revenue and results

For the year ended 31 December 2010

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

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2009

	Molybdenum related products		Processed molybdenum and tungsten products							
	Domestic	International	Domestic	International	Tungsten products	Gold and silver	Segment total	Others	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue										
Sales to external customers	2,272,149	94,139	177,541	4,984	188,736	185,226	2,922,775	122,874	—	3,045,649
Intersegment sales	158,546	—	17,632	—	—	—	176,178	—	(176,178)	—
Total	2,430,695	94,139	195,173	4,984	188,736	185,226	3,098,953	122,874	(176,178)	3,045,649
Segment results	697,381	34,220	8,201	230	64,092	33,863	837,987	(8,018)	—	829,969
Other income										182,974
Unallocated expenses										(306,318)
Share of results of associates										16,561
Profit before taxation										723,186
Other segment information included in segment results:										
Depreciation and amortisation	229,631	—	17,512	—	15,104	5,923	268.170	626	—	268,796
Unallocated amounts										24,547
										293,343
Reversal of allowance for inventories	(12,305)	—	—	—	—	—	(12,305)	—	—	(12,305)

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

Information about major customers

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

6. SEGMENT INFORMATION *(Continued)*

Geographical information

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

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

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

7. OTHER INCOME AND GAINS

	2010	2009
	RMB'000	*RMB'000*
Interest income on		
— bank deposits	**51,691**	78,242
— investments in debt securities	**59,413**	71,597
— debentures classified as financial assets at FVTPL	**4,728**	2,039
— loan receivables	**753**	1,084
Total interest income	**116,585**	152,962
Net gain on fair value change of financial assets classified as held-for-trading	**—**	8,342
Release of deferred income *(note 39)*	**2,468**	3,033
Net gain on sales of scrap materials	**705**	399
Gain on disposal of subsidiary *(note 45)*	**8,010**	—
Government grants recognised *(Note)*	**5,511**	13,530
Others	**7,376**	4,708
	140,655	182,974

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

8. OTHER EXPENSES AND LOSSES

	2010 *RMB'000*	2009 *RMB'000*
Loss on disposal of property, plant and equipment	**186**	13,738
Loss on disposal of land use rights	**—**	121
Impairment loss of goodwill *(note 19)*	**3,934**	—
Net foreign exchange losses	**406**	769
Net loss on fair value change of financial assets classified as held for trading	**4,561**	—
Penalty expenses	**312**	215
Donations	**11,405**	1,543
Others	**3,050**	5,960
	23,854	22,346

9. FINANCE COSTS

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

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

10. TAXATION

	2010 *RMB'000*	2009 *RMB'000*
The charge comprises PRC Enterprise Income Tax:		
Current taxation		
— current year	**285,274**	238,701
— underprovision in prior year	**6,588**	4,659
	291,862	243,360
Deferred taxation charge (credit) *(note 24)*		
— current year	**52,064**	(54,784)
	343,926	188,576

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

10. TAXATION *(Continued)*

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

	2010 *RMB'000*	2009 *RMB'000*
Profit before taxation	**1,345,618**	723,186
Tax at the domestic income tax rate of 25% (2009: 25%)	**336,405**	180,797
Tax effect of income not taxable for tax purposes	**(8,250)**	(4,861)
Tax effect of expenses not deductible for tax purposes	**15,641**	11,184
Underprovision in prior year	**6,588**	4,659
Tax effect of tax losses not recognised	**—**	1,270
Tax effect of share of results of associates	**(8,144)**	(4,140)
Tax effect of share of results of jointly controlled entities	**1,686**	—
Utilisation of tax losses previously not recognised	**—**	(333)
Tax charge for the year	**343,926**	188,576

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

11. PROFIT FOR THE YEAR

	2010 *RMB'000*	2009 *RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration *(note 12)*	**7,104**	6,487
Other staff's salary, bonus and allowances	**407,173**	311,221
Other staff's contribution to retirement benefit cost	**58,512**	39,753
Total staff costs	**472,789**	357,461
Auditor's remuneration	**2,900**	2,160
Cost of inventories recognised as an expense	**2,809,276**	2,227,985
Depreciation of property, plant and equipment	**271,633**	257,196
Amortisation of land use rights	**9,096**	8,743
Amortisation of mining rights (included in cost of sales)	**29,759**	27,225
Amortisation of trademarks (included in cost of sales)	**98**	179
Reversal of allowance for doubtful debts (included in administrative expenses)	**(8,027)**	(8,195)
Reversal of allowance for inventories (included in cost of sales) *(Note 1)*	**(10,305)**	(12,305)
Share of tax of associates (included in share of results of associates)	**13,520**	5,740
Resources compensation fee *(Note 2)*	**55,435**	46,205

Note:

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

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

12. DIRECTORS', SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

	2010 **RMB'000**	2009 RMB'000
Directors' fees	**620**	625
Other emoluments for executive directors		
— basic salaries and allowances	**1,900**	1,900
— performance related bonus	**4,560**	3,934
— retirement benefits contributions	**24**	28
	7,104	6,487

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

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

	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 year ended 31 December 2009					
Name of director					
Executive director					
段玉賢 Duan, Yuxian	—	400	9	828	1,237
李朝春 Li, Chaochun	—	380	—	787	1,167
吳文君 Wu, Wenjun	—	380	6	787	1,173
李發本 Li, Faben	—	380	7	787	1,174
王欽喜 Wang, Qinxi	—	360	6	745	1,111
	—	1,900	28	3,934	5,862
Non-executive director					
張玉峰 Zhang, Yufeng	60	—	—	—	60
舒鶴棟 Shu, Hedong (appointed on 18 August 2009)	25	—	—	—	25
許軍 Xu, Jun (resigned on 18 August 2009)	40	—	—	—	40
	125	—	—	—	125
Independent non-executive director					
高德柱 Gao, Dezhu	100	—	—	—	100
曾紹金 Zeng Shaojin	100	—	—	—	100
古德生 Gu, Desheng	100	—	—	—	100
吳明華 Ng Ming Wah, Charles	200	—	—	—	200
	500	—	—	—	500
Total directors' emoluments	625	1,900	28	3,934	6,487

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

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

	Basic salaries and allowances *RMB'000*	Retirement benefit contribution *RMB'000*	Total *RMB'000*
For the year ended 31 December 2009			
Supervisors			
舒鶴棟 Shu, Hedong (resigned on 18 August 2009)	35	—	35
鄧交雲 Deng, Jiaoyun	350	7	357
尹東方 Yin, Dongfang	60	—	60
張振昊 Zhang, Zhenhao (appointed on 18 August 2009)	20	—	20
	465	7	472

Highest paid individuals

The five highest paid individuals represented five directors (2009: five) for the year ended 31 December 2010.

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments for the years ended 31 December 2010 and 2009.

13. DIVIDENDS

Dividends recognised as distribution during the year:

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

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

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

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

14. EARNINGS PER SHARE

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings and mining structures *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2009	2,469,399	1,002,715	114,826	81,841	835,738	4,504,519
Additions	27,512	51,793	43,231	8,448	604,010	734,994
Disposals	(37,794)	(53,043)	(3,266)	(8,009)	(1,297)	(103,409)
Transfers	588,626	277,867	2,522	—	(869,015)	—
Reclassified as held for sale	(16,335)	(47,092)	(366)	(1,363)	(14,536)	(79,692)
At 31 December 2009	3,031,408	1,232,240	156,947	80,917	554,900	5,056,412
Additions	261,560	138,647	13	9,841	225,734	635,795
Disposal	(2,647)	(94,615)	(46)	(1,920)	—	(99,228)
Transfers	451,872	181,333	1,345	—	(634,550)	—
Acquisition of subsidiaries	3,810	4,249	39	277	18,227	26,602
Disposal of subsidiaries	(16,335)	(46,542)	(366)	(1,363)	(13,362)	(77,968)
At 31 December 2010	3,729,668	1,415,312	157,932	87,752	150,949	5,541,613
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2009	(287,723)	(242,420)	(27,856)	(33,364)	—	(591,363)
Provided for the year	(111,298)	(118,846)	(15,746)	(11,306)	—	(257,196)
Eliminated on disposals	32,983	42,947	1,759	5,425	—	83,114
Eliminated on reclassification as held for sale	2,556	9,739	180	560	—	13,035
At 31 December 2009	(363,482)	(308,580)	(41,663)	(38,685)	—	(752,410)
Provided for the year	(126,357)	(117,306)	(17,528)	(10,442)	—	(271,633)
Eliminated on disposals	1,728	11,113	28	1,188	—	14,057
Elimination on disposal of subsidiaries	2,954	12,172	203	645	—	15,974
At 31 December 2010	(485,157)	(402,601)	(58,960)	(47,294)	—	(994,012)
CARRYING VALUES						
At 31 December 2010	3,244,511	1,012,711	98,972	40,458	150,949	4,547,601
At 31 December 2009	2,667,926	923,660	115,284	42,232	554,900	4,304,002

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

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

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

16. LAND USE RIGHTS

	2010 **RMB'000**	2009 *RMB'000*
CARRYING AMOUNT		
At beginning of the year	**411,469**	430,303
Additions	**186,585**	18,360
Disposals	**(5,937)**	(3,980)
Disposal of a subsidiary	**(24,176)**	—
Reclassified as held for sale	**—**	(24,471)
Charged to profit or loss	**(9,096)**	(8,743)
At end of the year	**558,845**	411,469

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

	2010 **RMB'000**	2009 *RMB'000*
Land use rights/prepaid lease payments	**558,845**	411,469
Less: Portion to be charged to profit or loss in the coming twelve months and shown as current assets	**(8,437)**	(10,217)
Amount due after one year	**550,408**	401,252

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

17. MINING RIGHTS

	RMB'000
COST	
At 1 January 2009 and at 31 December 2009	401,486
Additions	66,676
At 31 December 2010	468,162
ACCUMULATED AMORTISATION	
At 1 January 2009	(63,671)
Amortisation	(27,225)
At 31 December 2009	(90,896)
Amortisation	(29,759)
At 31 December 2010	(120,655)
CARRYING VALUES	
At 31 December 2010	347,507
At 31 December 2009	310,590

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

The mining right obtained during the current year is purchased from a non-controlling shareholder of a subsidiary.

The mining rights are amortised over the initial license period ranging from 10 to 15 years.

18. TRADEMARKS

	RMB'000
COST	
At 1 January 2009	890
Addition	—
At 31 December 2009	890
Addition	77
At 31 December 2010	967
ACCUMULATED AMORTISATION	
At 1 January 2009	(55)
Amortisation	(179)
At 31 December 2009	(234)
Amortisation	(98)
At 31 December 2010	(332)
CARRYING AMOUNTS	
At 31 December 2010	635
At 31 December 2009	656

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

19. GOODWILL

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

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

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

20. INTERESTS IN ASSOCIATES

	2010	2009
	RMB'000	*RMB'000*
Capital contribution	**29,852**	21,650
Share of post-acquisition profits, net of dividends received	**48,689**	31,115
	78,541	52,765

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

Name of company	Date of establishment	Place of establishment and operation	Paid-up capital/ registered capital	Proportion of equity held directly by the Company	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% (Note) (2009: 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% (2009: 33%)	Trading of molybdenum products
美國凱立納米粗有限公司 Caly Nanomoly Development, Inc.	1 January 2010	United State-Limited liability	—	40% (2009: N/A)	Research of molybdenum processing

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

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

	2010	2009
	RMB'000	*RMB'000*
Total assets	**241,436**	188,749
Total liabilities	**(61,385)**	(60,560)
Net assets	**180,051**	128,189
Group's share of net assets of associates	**78,541**	52,765
Revenue	**1,001,477**	684,614
Profit for the year	**74,130**	33,369
Group's share of results of associates for the year	**32,574**	16,561

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

As at 31 December 2010, the Group had interests in the following significant jointly controlled entities:

Name of company	Date of establishment	Place of establishment and operation	Registered capital	Equity interest attributable to the Group	Principal activity
Xuzhou Huanyu Molybdenum Co., Ltd. (徐州環宇鉬業有限公司 ("Xuzhou Huanyu")	19 June 1995	PRC	RMB50,446,614	50%	Investment holding
Luoyang High-Tech Metals Co., Ltd. (洛陽高科鉬鎢材料有限公司) ("Luoyang High-Tech")	14 January 2005	PRC	RMB530,000,000	50% *(Note 1)*	Manufacturing of molybdenum powder, tungsten powder and related products
Luoyang Fuchuan Mining Co., Ltd. (洛陽富川礦業有限公司)("Luoyang Fuchuan")	29 September 2003	PRC	RMB50,000,000	55% *(Note 2)*	Holding of mining right and related assets

Note:

(1) Formerly known as Luoyang High Tech Molybdenum & Tungsten Co., Ltd. The company was a former subsidiary and became a jointly controlled entity upon disposal in the current period (see note 45). Luoyang High-Tech was transformed into a sino-foreign equity joint venture on 11 May 2010.

(2) The Company acquired 100% equity interest of Luoyang Construction Investment and Mining Co., Ltd(洛陽建設礦業有限公司)("Luoyang Construction") and Luanchuan Huqi Mining Company Limited(欒川縣滬七礦業有限公司)("Huqi Mining") during the year. Luoyang Construction holds 50% equity interest of Xuzhou Huanyu. Xuzhou Huanyu holds 90% equity interest in Luoyang Fuchuan. The remaining 10% equity interest in Luoyang Fuchuan was held by Huqi Mining. After the acquisitions, the Group's attributable interest in Luoyang Fuchuan is 55%.

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

	2010
	RMB'000
Non-current assets	1,413,772
Current assets	274,772
	1,688,544
Non-current liabilities	(3,725)
Current liabilities	(151,166)
	(154,891)
	1,533,653
Revenue	151,755
Loss for the year	(6,742)

22. INVESTMENTS IN DEBT SECURITIES

	2010 *RMB'000*	2009 *RMB'000*
Investment in debt securities represented:		
Investment plans arranged by banks	**172,865**	1,310,000
Analysed for reporting purposes as:		
Current assets	**89,793**	1,230,000
Non-current assets	**83,072**	80,000
	172,865	1,310,000

As at 31 December 2010, the amount represented unlisted investment plans arranged by banks for investment in various debt securities. The underlying debt securities invested by banks are analysed as follows:

	2010 *RMB'000*	2009 *RMB'000*
Unlisted corporate entities' debts	**89,793**	450,000
Debentures and bills issued by central government and banks	**83,072**	860,000
	172,865	1,310,000

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

The investment plans were stated at amortised cost less any impairment loss. They will mature during the period from November 2011 to August 2012 (2009: mature during the period from January 2010 to June 2010) with effective interest rate ranged from 3.7% to 6.5% (2009: 2.4% to 6.9%) per annum.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2010 *RMB'000*	2009 *RMB'000*
Unlisted securities — equity securities at cost	**2,300**	2,300

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

24. DEFERRED TAX ASSETS

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

	Impairment of property, plant and equipment *RMB'000*	Allowance for inventories *RMB'000*	Allowance for receivables *RMB'000*	Tax losses *RMB'000*	Deferred income *RMB'000*	Accrued expenses *RMB'000*	Unrealised profit *RMB'000* *(Note)*	Held-for-trading investments *RMB'000*	Undistributed earning of a subsidiary outside PRC *RMB'000*	Total *RMB'000*
At 1 January 2009	3,377	3,259	8,481	3,740	4,707	16,244	90,761	3,160	(3,008)	130,721
(Charge) credit to profit or loss	(3,333)	(3,076)	(4,442)	27,094	2,226	6,021	28,902	(1,616)	3,008	54,784
At 31 December 2009	44	183	4,039	30,834	6,933	22,265	119,663	1,544	—	185,505
Disposal of a subsidiary	—	—	115	(5,671)	—	(1,315)	(986)	(514)	—	(8,371)
(Charge) credit to profit or loss	—	(82)	(527)	(13,237)	(587)	11,005	(51,082)	2,446	—	(52,064)
At 31 December 2010	44	101	3,627	11,926	6,346	31,955	67,595	3,476	—	125,070

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

24. DEFERRED TAX ASSETS *(Continued)*

At the end of the reporting period, the Group has unused tax losses of RMB116,898,000 (2009: RMB167,372,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB47,705,000 (2009: RMB123,336,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB69,193,000 (2009: RMB44,036,000) due to the unpredictability of future profit streams of subsidiaries. Included in unrecognised tax losses are losses that will expire in the following year:

	2010 ***RMB'000***	2009 *RMB'000*
Expire in 2013	**32,029**	53,916
Expire in 2014	**68,935**	113,456
Expire in 2015	**15,934**	—
	116,989	167,372

For the purpose of the financial reporting, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2010 ***RMB'000***	2009 *RMB'000*
Deferred tax assets	**125,070**	181,412
Deferred tax assets associated with assets held for sale *(note 33)*	**—**	4,093
	125,070	185,505

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

25. LONG TERM DEPOSITS PAID

	2010 ***RMB'000***	2009 *RMB'000*
Advance to a non-controlling shareholder of a subsidiary *(Note a)*	**—**	159,600
Deposit paid for acquisition of land use rights	**68,660**	—
Deposit paid for acquisition of exploration right *(Note b)*	**400,000**	—
Deposit paid for acquisition of property, plant and equipment	**35,611**	—
Other deposit paid *(Note c)*	**30,000**	—
	534,271	159,600

Notes:

(a) On 16 January 2008, the Group entered into a legally binding framework agreement with the People's Government of Luoning County and Luoning County Funiu Mining Development Centre ("Funiu Mining") — a non-controlling shareholder of a subsidiary in respect of the proposed acquisition of all the property, plant and equipment, land use rights and mining rights of certain gold mines in Henan ("Proposed Acquisition"). Details of which have been disclosed in the Company's 2007 Annual Report. The Proposed Acquisition has been completed in current year.

(b) The amount represented advance to 河南省地質礦產勘查開發局 (Henan Mineral Exploration Research Centre) for the acquisition of exploration right in Xinjiang.

(c) The amount represented deposit paid to government authority for construction of a museum for promoting the Group's products.

In the opinion of the directors, the carrying amount approximates its fair value at the end of the reporting period.

26. INVENTORIES

	2010 *RMB'000*	2009 *RMB'000*
Raw materials	**598,375**	226,898
Work in progress	**518,836**	87,831
Finished goods	**325,664**	534,282
	1,442,875	849,011

The balance of inventories of the Group at 31 December 2010 which are carried at net realisable value includes:

	2010 *RMB'000*	2009 *RMB'000*
Raw material	**—**	—
Work in progress	**—**	—
Finished goods	**—**	198
	—	198

27. TRADE AND OTHER RECEIVABLES

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

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

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

27. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed once a year. As at 31 December 2010, approximately 99% (2009: 99%) of the trade receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

As at 31 December 2010, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB2,573,000 (2009: RMB4,666,000) which past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 300 days (2009: 319 days).

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

	2010	2009
	RMB'000	*RMB'000*
91 - 180 days	**—**	2,100
181 - 365 days	**1,617**	670
Over 1 year	**956**	1,896
	2,573	4,666

Movement in the allowance for doubtful debts of trade receivables

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**12,636**	18,808
Amounts recovered during the year	**(828)**	(11,224)
Disposal of a subsidiary	**(1,583)**	—
Amounts written off	**(38)**	—
Increase in allowance recognised in profit or loss	**—**	5,052
Balance at end of the year	**10,187**	12,636

Movement in the allowance for doubtful debts of other receivables

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**11,519**	15,115
Amounts recovered during the year	**(7,199)**	(2,086)
Amounts written off	**—**	(1,573)
Increase in allowance recognised in profit or loss	**—**	63
Balance at end of the year	**4,320**	11,519

Included in the Group's allowance for doubtful debts are individually impaired trade receivables and other receivables with an aggregate balance of RMB10,187,000 (2009: RMB12,636,000) and RMB4,320,000 (2009: RMB11,519,000), respectively. The individually impaired receivables related to customers that were in financial difficulties and the directors consider the recoverability of these debts is remote.

28. AMOUNTS DUE FROM ASSOCIATES

	2010 **RMB'000**	2009 *RMB'000*
Trade receivables from Shanghai Yuhua Molybdenum Co., Ltd.	**47,936**	48,581
Other receivables from Luoyang Yulu Mining Co., Ltd.	**—**	35
	47,936	48,616

Note: The amounts are unsecured and interest-free. Trade receivables are aged within 90 days. Both companies are associates of the Group at 31 December 2010 and 31 December 2009.

29. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	2010 **RMB'000**	2009 *RMB'000*
Xuzhou Huanyu	**17,200**	—
Luoyang Fuchuan	**28,736**	—
	45,936	—

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

30. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments comprise:

	2010 **RMB'000**	2009 *RMB'000*
Listed securities *(Note 1)*		
Equity securities listed in Hong Kong	**2,386**	2,856
Equity securities listed in PRC	**11,713**	19,011
	14,099	21,867
Other securities		
Quoted debentures *(Note 2)*	**50,000**	86,718
Other debentures	**—**	21
	50,000	86,739
Total	**64,099**	108,606

Notes:

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

(2) The fair values were determined based on quoted prices by financial institutions which are publicly available. Quoted debentures carried effective annual interest rate ranged from 1.30% to 3.73% (2009: 1.30% to 3.11%) for the end of the reporting period 31 December 2010 and with maturity date 12 May 2012 (2009: ranged from 25 August 2012 to 28 August 2015).

31. LOAN RECEIVABLES

	2010 **RMB'000**	2009 *RMB'000*
Loan receivable from 洛陽建投礦業有限公司 *(Note 1)*	—	1,050,000
Other loan receivable *(Note 2)*	—	42,824
	—	1,092,824

Notes:

(1) On 22 December 2009, the Company entered into a loan agreement (the "Loan Agreement") with Luoyang Construction Investment and Mining Co., Ltd. (洛陽建投礦業有限公司) ("Luoyang Construction") to advance the loan in the aggregate amount of RMB1,150,000,000 to Luoyang Construction of which RMB1,050,000,000 had been drawn down as at 31 December 2009. Luoyang Construction would use the loan to finance the possible acquisition (the "Intended Acquisition") of all or any part of the equity interest in Xuzhou Huanyu or Luoyang Fuchuan Mining Co., Ltd. (**洛陽富川礦業有限公司**) ("Luoyang Fuchuan"). Luoyang Fuchuan owns and operates the Shangfanggou molybdenum mine located in Luanchuan County, Luoyang City, PRC. Xuzhou Huanyu owns 90% equity interest in Luoyang Fuchuan.

The loan had a term of one year from 22 December 2009 to 21 December 2010 and bore an interest calculated at rate at 90% of the benchmark interest rate for loan of one year as quoted by the People's Bank of China.

Under the Loan Agreement, Luoyang Construction granted an option to the Company to acquire (but was not obligated to acquire) Luoyang Construction's interest in Xuzhou Huanyu or Luoyang Fuchuan.

Details of the loan were disclosed in the Group's 2009 annual report.

During the year ended 31 December 2010, additional loan amount of RMB55,000,000 was drawn down. Subsequent to the drawn down, the Intended Acquisition had been completed by Luoyang Construction and the Company eventually holds the entire equity interest of Luoyang Construction with effective from 22 April 2010. Details are disclosed in note 44(a).

(2) The amount represented advance to a supplier with a term of one year commencing from 1 July 2009 to 30 June 2010, which bore interest at 5.31% per annum. The amount was settled during the year.

32. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits

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

	2010	2009
Average interest rate per annum	**0.36%**	0.36%

Deposits have been pledged to secure short-term bank facilities granted by the relevant banks and were therefore classified as current assets. The restricted bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances and cash

Bank balances carry interest at prevailing market rates ranging from 0.36% to 1.98% per annum (2009: ranging from 0.36% to 2.25% per annum).

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

Currency

	2010 **RMB'000**	2009 *RMB'000*
Hong Kong Dollars ("HKD")	**283**	285
USD	**6,517**	878

33. ASSETS CLASSIFIED AS HELD FOR SALE

On 3 December 2009, the Group entered into a legally binding term sheet with an independent third party pursuant to which the Group agreed to sell 50% of the equity interests in Luoyang High-Tech, a wholly owned subsidiary of the Company. Details of the disposal are set out in note 45. As at 31 December 2009, the assets and liabilities attributable to Luoyang High-Tech were classified as assets classified as held for sale and liabilities associated with assets classified as held for sale.

The carrying amounts of the major classes of assets and liabilities of Luoyang High Tech as at 31 December 2009 are as follows:

	2009 *RMB'000*
Property, plant and equipment	66,657
Land use rights	24,471
Deferred tax assets	4,093
Inventories	43,702
Trade and other receivables	18,833
Held-for-trading investments	4,175
Tax recoverable	375
Bank balances and cash	49,544
Assets classified as held for sale	211,850
Trade and other payables	(13,562)
Liabilities associated with assets classified as held for sale	(13,562)
Net assets classified as held for sale	198,288

34. TRADE AND OTHER PAYABLES

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

34. TRADE AND OTHER PAYABLES *(Continued)*

Notes:

(a) Trade and bills payables

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

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

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

(b) Other payables and accruals

	2010 *RMB'000*	2009 *RMB'000*
Advances from customers	**50,078**	113,127
Accrued wages	**75,036**	73,775
Payables in respect of purchase of property, plant equipment and construction materials	**310,624**	343,466
Resources compensation fees payable	**24,262**	21,863
Other tax payables	**28,452**	14,341
Others	**98,608**	67,463
	587,060	634,035

35. DIVIDEND PAYABLES

	2010 *RMB'000*	2009 *RMB'000*
Dividend payables to the non-controlling shareholders of subsidiaries	**103,644**	62,218

36. BANK BORROWINGS

	2010 *RMB'000*	2009 *RMB'000*
Fixed-rate bank loans - unsecured	**211,650**	100,000
Variable-rate bank loans - unsecured	**585,000**	181,242
	796,650	281,242
The maturity profile of the above borrowings are as follows:		
Within one year	**786,650**	231,242
More than two years but not exceeding five years	**10,000**	50,000
	796,650	281,242
Less: Amounts due within one year shown under current liabilities	**(786,650)**	(231,242)
	10,000	50,000

36. BANK BORROWINGS *(Continued)*

As at 31 December 2010, bank loan of RMB100,000,000 (2009: RMB98,000,000) was guaranteed by Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) ("LMG").

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

	2010 ***RMB'000***	2009 *RMB'000*
Bank deposits	**23,947**	43,952

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

	Carrying amount		**Interest rates**	
	2010 ***RMB'000***	2009 *RMB'000*	**2010**	2009
Fixed-rate borrowings				
— RMB	**211,650**	100,000	**4.78% or 5.56%**	5.04%
Variable-rate borrowings				
— RMB	**585,000**	148,000	**90% to 100% of benchmark interest rate in People's Bank of China**	90% to 100% of benchmark interest rate in People's Bank of China
— USD	**—**	33,242	**N/A**	London Interbank offer Rate plus 0.6%
	796,650	281,242		

37. PROVISION

	2010 ***RMB'000***	2009 *RMB'000*
Provision for restoration, rehabilitation and environmental costs	**42,615**	40,586
Movement during the year:		
At beginning of the year	**40,586**	38,653
Interest expense	**2,029**	1,933
At end of the year	**42,615**	40,586

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% (2009: 5%) per annum.

38. LONG TERM PAYABLE

Long term payable comprised of:

	2010 *RMB'000*	2009 *RMB'000*
Early retirement cost payable	—	1,540

The Company was transformed from a wholly state-owned enterprise to a limited liability company with partial private ownership in September 2004 (the "Restructuring"). As a result of the Restructuring, the employment contract between the employees and the state-owned enterprise 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.

During the current year, RMB1,540,000 (2009: RMB3,746,000) was paid to qualified individuals.

39. DEFERRED INCOME

	2010 *RMB'000*	2009 *RMB'000*
At beginning of the year	27,347	18,444
Government grants received	—	11,936
Released to profit or loss	(2,468)	(3,033)
Balance at end of the year	24,879	27,347

In 2009, the Group received a government grant amounting to RMB6,000,000 from local government in connection with the Group's research project for the processing of molybdenum and tungsten products. An amount of RMB1,300,000 is still subject to final approval by the local government when the Group carried out the research work and is therefore recognised as deferred income.

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

40. SHARE CAPITAL

	Number of shares		
	Domestic shares *(Note a)*	**H shares** *(Note b)*	**Amount** *RMB'000*
At 1 January 2009, 31 December 2009 and 31 December 2010	3,565,014,525	1,311,156,000	975,234

Notes:

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

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

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

41. RESERVES

Capital reserves

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

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

Statutory surplus reserve

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

42. RELATED PARTY TRANSACTIONS

Other than disclosed in Note 27, 28, 29 and 34, the Group has the following significant transactions with related companies:

(i) Transactions with related companies:

	2010 **_RMB'000_**	2009 _RMB'000_
Nature of transactions		
Sales of goods		
Shanghai Yuhua Molybdenum Co., Ltd *(Note 1)*	**276,354**	329,656
洛陽礦業集團欒川田豐礦業有限公司 *(Note 2)*	**4,470**	—
Purchases of goods		
洛陽礦業集團嵩縣具黃金礦業有限公司 *(Note 2)*	**20,565**	—
洛陽富川礦業有限公司 *(Note 3)*	**135,226**	—

Notes:

(1) An associate of the Group

(2) Subsidiaries of a substantial shareholder

(3) A jointly controlled entity of the Group

(ii) 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, except as disclosed below, the Group did not had any individually significant transactions with other State-Owned Enterprises in its ordinary and usual course of business.

During the year, the Group paid deposit amounting to RMB30 million to government authority for construction of a museum.

On 12 November 2010, the Group entered into an exploration rights transfer agreement with河南省地質礦產勘查開發局 (Henan Mineral Exploration Research Centre) pursuant to which the Group has agreed to acquire the exploration rights in relation to a molybdenum mine located in Xinjiang at a consideration of RMB 1.036 billion.

On 22 December 2009, the Group entered into a loan agreement with Luoyang Construction for a loan amount of RMB1,150,000,000 of which RMB1,050,000,000 has been drawn down as at 31 December 2009. During the current period, additional amount of RMB55,000,000 has been drawn down. Details of the loan has been disclosed in note 31.

In addition, the Group has also entered into various transactions, including deposits placements, borrowings and other general banking facilities, with banks which are government-related entities in its ordinary course of business.

42. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) Transactions with a substantial shareholder

During the current period, LMG completed transfer of 100% equity interest of Luoyang Construction and Huqi Mining (defined in note 44(a)) to the Company. Details of which are disclosed in note 44(a).

As at 31 December 2010, bank loan of RMB100,000,000 (2009: RMB98,000,000) was guaranteed by LMG.

(iv) Balance with a related company/jointly controlled entity

As at 31 December 2010, an amount of RMB5,565,000 (2009: nil) and RMB590,000 (2009: nil)_included in trade and other payables were due to 洛陽礦業嵩具黃金礦業有限公司 and Luogang High-Tech respectively. The amounts are unsecured interest free and repayable on demand..

(v) Compensation of key management personnel

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

	2010 ***RMB'000***	2009 *RMB'000*
Short-term benefits	**10,982**	8,834
Post-employment benefit	**50**	59
	11,032	8,893

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

43. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2010 ***RMB'000***	2009 *RMB'000*
Bank balances and cash	**2,839,449**	2,775,207
Bank balances and cash included in a disposal group classified as held for sale	**—**	49,544
	2,839,449	2,824,751

44. ACQUISITION OF SUBSIDIARIES

(a) As disclosed in note 31(1), the Company had advanced a loan to Luoyang Construction pursuant to the Loan Agreement. Prior to the acquisition by the Group, Luoyang Construction acquired 50% equity interest in Xuzhou Huanyu. Xuzhou Huanyu holds 90% equity interest in Luoyang Fuchuan. The remaining 10% equity interest in Luoyang Fuchuan was held by Luanchuan Huqi Mining Company Limited (欒川縣滬七礦業有限公司) ("Huqi Mining"). Huqi Mining was wholly-owned by LMG. In addition, all the equity interests in Luoyang Construction were transferred to LMG during the current period pursuant to the administrative direction by the State-owned Assets Supervision and Administration Commission of the People's Government of Luoyang City.

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

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

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

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

Consideration transferred

	RMB'000
Cash	276,295

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

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

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

Note: The amount was utilised by Luoyang Construction for the Intended Acquisition (note 31(1)).

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

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Net cash outflow arising on acquisition

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

Impact of acquisition on the results of the Group

The amounts of revenue and profit of Luoyang Construction and Huqi Mining since the acquisition date included in the consolidated statement of comprehensive income for the current period is insignificant.

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

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

Consideration transferred

	RMB'000
Cash	8,773

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

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

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

44. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

Consideration transferred *(Continued)*

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

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

Impact of acquisition on the results of the Group

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

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

45. DISPOSAL OF A SUBSIDIARY

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

Net assets disposed of:

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

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

46. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	2010 ***RMB'000***	2009 *RMB'000*
Commitments for the acquisition of property, plant and equipment, land use rights and exploration right contracted for but not provided in the consolidated financial statements	**387,707**	114,255

47. RETIREMENT BENEFITS PLAN

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

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

48. FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

(b) Categories of financial instruments

	2010 ***RMB'000***	2009 *RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)		
— investments in debts securities	**225,580**	1,310,000
— other loans and receivables	**4,585,660**	4,972,500
	4,811,240	6,282,500
Held-for-trading investments	**64,099**	108,606
Available-for-sale investments (at cost)	**2,300**	2,300
Financial liabilities		
Amortised cost	**1,882,745**	1,066,860

(c) Significant accounting policies

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

48. FINANCIAL INSTRUMENTS *(Continued)*

(d) Financial risk management objectives and policies

The Group's principal financial instruments comprise of trade receivables, loan receivables, held-for-trading investments, available-for-sale investments, investments in debt securities, amounts due from associates, jointly controlled entities, 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 to protect and stabilise earnings and cash flow, obviating the need to use derivatives or other forms of synthetic hedging for this purpose. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has exposure to such trading or speculative holdings through its investments in associates and jointly controlled entities.

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

(e) Interest rate risk management

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

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

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

	2010 ***RMB'000***	2009 *RMB'000*
Increase/decrease in profit for the year	**257**	1,639

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings, investments in debt securities, fixed-rate loan receivables and quoted debentures. The directors consider the fair value interest rate risk is insignificant to the Group as most of them are short-term and the long-term portion is immaterial.

(f) Foreign currency risk management

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

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

	Liabilities		**Assets**	
	2010 ***RMB'000***	2009 *RMB'000*	**2010** ***RMB'000***	2009 *RMB'000*
USD	**—**	(33,242)	**43,245**	5,986
HKD	**—**	—	**243**	251

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

48. FINANCIAL INSTRUMENTS *(Continued)*

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

Foreign currency sensitivity

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

	USD Impact		**HKD Impact**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit and loss	**3,243**	2,044	**(18)**	(19)

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

(g) Other price risk

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

Sensitivity analysis

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

If equity prices had been 20% higher/lower, profit for the year ended 31 December 2010 would increase/decrease by RMB2,820,000 (2009: RMB5,209,000).

If debenture prices had been 5% higher/lower, profit for the year ended 31 December 2010 would increase/decrease by RMB2,500,000 (2009: RMB3,559,000).

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

(h) Credit risk

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

The credit risk on liquid fund is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2009: 100%) of the total trade receivables as at 31 December 2010.

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

48. FINANCIAL INSTRUMENTS *(Continued)*

(h) Credit risk *(Continued)*

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

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

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

(i) Liquidity risk management

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

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

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

Liquidity table

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

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

	Weighted average interest rate %	On demand and within one year *RMB'000*	One to two years *RMB'000*	Total undiscounted cash flows *RMB'000*	Total *RMB'000*
31.12.2009					
Bank borrowings	6.05	(244,199)	(54,050)	(298,249)	(281,242)
Trade and other payables	—	(721,860)	—	(721,860)	(721,860)
Dividend payables	—	(62,218)	—	(62,218)	(62,218)
Long term payable	—	—	(1,540)	(1,540)	(1,540)
		(1,028,277)	(55,590)	(1,083,867)	(1,066,860)

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

48. FINANCIAL INSTRUMENTS *(Continued)*

(j) Fair value of financial instruments

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

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

	31.12.2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Held-for-trading				
— listed equity securities	21,867	—	—	21,867
— quoted debentures	86,739	—	—	86,739
Total	108,606	—	—	108,606

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2010 and 2009 are set as follows:

Name of company	Date of establishment/ incorporation	Place of establishment/ incorporation and operation	Paid-up capital/ registered capital	Proportion of equity held directly by the Company 2010	2009	Principal activities
洛陽欒川鉬業集團冶煉有限責任公司 Luomu Group Refining Co., Ltd.	5 June 2002	PRC - Limited liability company	RMB5,660,000 (2009: RMB5,660,000)	**100%**	100%	Manufacturing of molybdenum oxide, molybdenum steel and related products
洛陽欒川鉬業集團鎢鉬銷售貿易有限公司 Luomu Group Sales and Trading Co., Ltd.	27 March 2001	PRC - Limited liability company	RMB2,000,000 (2009: RMB2,000,000)	**100%**	100%	Trading of molybdenum products
洛陽大川鉬鎢科技有限責任公司 Luoyang Dachuan Molybdenum & Tungsten Technology Co., Ltd.	10 March 2003	PRC - Limited liability company	RMB157,500,000 (2009: RMB157,500,000)	**100%**	100%	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. *(Note 1)*	14 January 2005	PRC - Limited liability company	RMB530,000,000 (2009: RMB530,000,000)	**—**	100%	Manufacturing of molybdenum powder, tungsten powder, and related products
欒川縣三強鉬鎢有限公司 Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.	24 March 2003	PRC - Limited liability company	RMB55,480,000 (2009: RMB55,480,000)	**51%**	51%	Ore processing
欒川縣九揚礦業有限公司 Luanchuan County Jiuyang Mining Co., Ltd.	9 May 2003	PRC - Limited liability company	RMB33,390,000 (2009: RMB33,390,000)	**51%**	51%	Ore processing
欒川縣大東坡鉬鎢礦業有限公司 Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.	2 June 2003	PRC - Limited liability company	RMB65,654,000 (2009: RMB65,654,000)	**51%**	51%	Ore processing
洛陽鉬都國際飯店有限公司 Luoyang Mudu International Hotel Co., Ltd.	11 October 2006	PRC - Limited liability company	RMB210,000,000 (2009: RMB210,000,000)	**100%**	100%	Hotel and catering
洛陽坤宇礦業有限公司 Luoyang Kunyu Mining Co., Ltd.	27 September 2006	PRC - Limited liability company	RMB500,000,000 (2009: RMB50,000,000)	**70%**	70%	Production of various non-ferrous metals
洛陽鉬業集團金屬材料有限公司 Luomu Group Metal Material Company Limited	27 December 2007	PRC - Limited liability company	RMB650,000,000 (2009: RMB650,000,000)	**100%**	100%	Manufacturing and trading of molybdenum products

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

Name of company	Date of establishment/ incorporation	Place of establishment/ incorporation and operation	Paid-up capital/ registered capital	Proportion of equity held directly by the Company 2010	2009	Principal activities
洛陽鉬業(香港)有限公司 China Molybdenum (Hong Kong) Company Limited	3 August 2007	Hong Kong - Limited liability company	HKD1 (2009: HKD1)	**100%**	100%	Trading of molybdenum products
洛陽鉬業集團貴金屬投資有限公司 Luomu Group Precious Metals Investment Co. Ltd.	6 August 2007	PRC - Limited liability company	RMB500,000,000 (2009: RMB2,500,000,000)	**100%**	100%	Sales of precious metals, investment on precious metals
洛陽永寧金鉛冶煉有限公司 Luoyang Yongning Gold & Lead Refining Co. Ltd.	21 September 2007	PRC - Limited liability company	RMB400,000,000 (2009: RMB325,000,000)	**75%**	73.8%	Sale and manufacturing of molybdenum oxide
洛陽欒川鉬業集團鎢業有限公司 Luomu Group Tungsten Co., Ltd.	3 August 2007	PRC - Limited liability company	RMB100,000,000 (2009: RMB1,000,000,000)	**100%**	100%	Sales, processing and recovery of molybdenum and tungsten
洛陽鉬業集團赤峰宇鑫礦業有限公司 Loumu Group Chifeng Yuxin Mining Co., Ltd. *(Note 2)*	8 January 2009	PRC - Limited liability company	— (2009: RMB5,000,000)	**—**	100%	Extracting, processing and sales of nonferrous metals
洛陽建投礦業有限公司 Luoyang Construction Investment and Mining Co., Ltd.	28 July 2008	PRC - Limited liability company	RMB5,000,000 (2009: N/A)	**100%**	—	Trading of molybdenum products
欒川縣滬七礦業有限公司 Luanchuan Huqi Mining Company Limited	27 July 2004	PRC - Limited liability company	RMB10,000,000 (2009: N/A)	**100%**	—	Trading processing of molybdenum
欒川縣富潤礦業有限公司	19 July 2006	PRC - Limited liability company	RMB1,000,000 (2009: N/A)	**100%**	—	Sales and processing molybdenum products
新疆洛鉬礦業有限公司	9 August 2010	PRC - Limited liability company	RMB1,010,000,000 (2009: N/A)	**97.03%**	—	Extracting, processing and sales of molybdenum products
欒川縣啟興礦業有限公司	7 April 2008	PRC - Limited liability company	RMB6,000,000 (2009: N/A)	**100%**	—	Trading molybdenum products

Notes:

(1) The Company disposed 50% equity interest of this company. This company became a jointly controlled entity during the year ended 31 December 2010.

(2) This subsidiary is deregistered in November 2010.

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

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

50. LITIGATION

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

During the reporting period ended 31 December 2010, the plaintiff increased the claim by RMB95 million to approximately RMB230 million. The Group has lodged objections for the additional claim as the claim is submitted after the permission period.

The directors of the Company are of the view that the Group has complied with relevant laws and regulations in respect of the construction of the manufacturing plant and has appointed lawyers to defend the claim on its behalf. The directors considered that the Group has good defenses to these claims and will continue to defend vigorously. Accordingly, no provision in connection with the legal claim has been made in the consolidated financial statements. Such civil litigation is still in progress up to the date of these consolidated financial statements were authorised for issuance.

51. FINANCIAL INFORMATION OF THE COMPANY

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

	2010 ***RMB'000***	2009 *RMB'000*
Non-current assets		
Property, plant and equipment	**2,566,117**	2,532,198
Land use rights - non-current portion	**259,265**	243,863
Mining rights	**283,370**	310,590
Other non-current asset	**525,558**	84,962
Investments in subsidiaries	**3,324,116**	4,914,048
Investments in debt securities	**30,000**	30,000
	6,988,426	8,115,661
Current assets		
Inventories	**362,921**	128,867
Trade and other receivables	**1,386,419**	656,649
Amounts due from subsidiaries	**2,113,862**	1,242,655
Land use rights - current portion	**5,457**	5,913
Investments in debt securities	**89,793**	450,000
Held-for-trading investments	**61,719**	83,177
Other current assets	**2,879,072**	1,639,528
	6,899,243	4,206,789
Assets classified as held for sale	**—**	265,000
	6,899,243	4,471,789

51. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

	2010 *RMB'000*	2009 *RMB'000*
Current liabilities		
Trade and other payables	**(660,714)**	(647,971)
Amounts due to subsidiaries	**(954,828)**	(554,872)
Tax payables	**(50,304)**	(82,011)
Bank borrowings — due within one year	**(650,000)**	(150,000)
	(2,315,846)	(1,434,854)
Non-current liabilities	**(62,002)**	(63,744)
	11,509,821	11,088,852
Capital and reserves		
Share capital	**975,234**	975,234
Reserves	**10,534,587**	10,113,618
Total equity	**11,509,821**	11,088,852

52. EVENTS AFTER THE REPORTING PERIOD

The Company is applying to the relevant authorities in the PRC for the allotment and issue of not more than 542 million A Shares of RMB0.20 each and the listing of, and permission to deal in, such A Shares on the Shanghai Stock Exchange at such time as considered appropriate and in the best interest of the Company.

The proposed issue of A Share is approved by Shareholders at the extraordinary general meeting held on 26 January 2011 and is subject to the approval of the China Securities Regulatory Commission, and other regulatory authorities.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CONSOLIDATED RESULTS					
Revenue	**4,396,369**	3,045,649	5,563,275	5,897,806	3,826,221
Cost of sales	**(2,798,971)**	(2,215,680)	(2,843,575)	(2,277,920)	(1,218,789)
Gross profit	**1,597,398**	829,969	2,719,700	3,619,886	2,607,432
Other income and gains	**140,655**	182,974	137,507	446,265	25,502
Selling and distribution expenses	**(15,107)**	(13,992)	(25,019)	(21,344)	(20,408)
Administrative expenses	**(337,520)**	(248,617)	(253,494)	(208,622)	(95,646)
Other expenses and losses	**(23,854)**	(22,346)	(85,547)	(268,886)	(21,367)
Finance costs	**(41,786)**	(21,363)	(2,939)	(19,871)	(48,275)
Share of results of associates	**32,574**	16,561	14,792	12,827	7,048
Share of results of jointly controlled entities	**(6,742)**	—	—	—	—
Profit before taxation	**1,345,618**	723,186	2,505,000	3,560,255	2,454,286
Taxation	**(343,926)**	(188,576)	(656,187)	(1,053,333)	(739,821)
Profit for the year	**1,001,692**	534,610	1,848,813	2,506,922	1,714,465
Attributable to:					
Owners of the Company	**965,549**	503,315	1,640,902	2,240,834	1,515,263
Non-controlling interests	**36,143**	31,295	207,911	266,088	199,202
	1,001,692	534,610	1,848,813	2,506,922	1,714,465
Earnings per share — basic *(note)*	**RMB0.20**	RMB0.10	RMB0.34	RMB0.50	RMB0.43

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

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
STATEMENT OF FINANCIAL POSITION					
Total assets	**14,121,422**	12,684,397	12,736,260	11,867,327	4,525,579
Total liabilities	**(2,132,583)**	(1,393,623)	(1,091,175)	(1,160,458)	(2,386,723)
Non-controlling interests	**(444,883)**	(320,272)	(407,957)	(337,602)	(279,368)
Equity attributable to owners of the Company	**11,543,956**	10,970,502	11,237,128	10,369,267	1,859,488

The results of the Group for the year ended 31 December 2006 and the assets and liabilities of the Group as at 31 December 2006 were extracted from the Company's prospectus dated 13 April 2007.

FOR SHAREHOLDERS' INFORMATION

This 2010 annual report ("Annual Report") has been prepared in both English and Chinese. Shareholders who have received either the English version or Chinese version of the Annual Report may request a copy in the other language by writing to the Company through the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at chinamoly@computershare.com.hk.

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

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

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

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