



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

Stock Code ■ 3993

2012
Annual Report

* For identification purposes only

CONTENTS

Company Profile	2
Financial Highlights	3
Chairman's Statement	8
Results and Dividends	8
Market Review	8
Business Review	9
Prospect	10
Management's Discussion and Analysis	13
Material Events	19
Material Events	19
Honours	19
Domestic Industry Policies	20
Corporate Governance Report	21
Report of the Directors	31
Report of the Supervisory Committee	37
Profiles of Directors, Supervisors and Senior Management	39
Corporate Information	43
Independent Auditor's Report	45

Important notice: as approved at the extraordinary general meeting of the Company on 21 December 2012, the financial report of the Company would be prepared in accordance with the China Accounting Standards for Business Enterprises beginning from 2012.

This annual report includes forward-looking statements. All statements, other than statements of historical facts, that address business activities, events or developments that the Company expects or anticipates may or will occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. The Company's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various variables. The Company makes the forward-looking statements referred to herein as at 14 March 2013 and undertakes no obligation or responsibility to update these statements.

COMPANY PROFILE

China Molybdenum Co., Ltd. (“**CMOC**” or the “**Company**”) is a joint stock company established in the People’s Republic of China (the “**PRC**”) on 25 August 2006. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 April 2007 and the Shanghai Stock Exchange (the “**Shanghai Stock Exchange**”) on 9 October 2012.

The Company is primarily engaged in the mining and processing, smelting, deep processing, trade, research and development of molybdenum, tungsten, gold and other precious metals. It possesses a complete industry chain which integrates upstream and downstream processes including the molybdenum mining, processing, roasting, molybdenum chemical products and molybdenum metal processing. The Company’s Sandaozhuang Mine is one of the largest defined reserves of molybdenum and the second largest defined reserves of tungsten in the world. As one of the largest molybdenum producers in the PRC with a leading position in the world, the Company has the highest production capacity in ferromolybdenum and molybdenum oxides in the PRC. The Company is also one of the largest tungsten concentrates producers in the PRC. The Shangfanggou molybdenum mine, which is owned by Luoyang Fuchuan Mining Co., Ltd. (洛陽富川礦業有限公司) (“**Luoyang Fuchuan**”), a joint venture of the Company, is in close proximity to the Sandaozhuang molybdenum mine. Being part of the Luanchuan molybdenum mine, it has abundant reserve. In addition, the molybdenum mine located in East Gobi, Hami, Xinjiang owned by Xinjiang Luomu Mining Co., Ltd. (新疆洛鉬礦業有限公司) (“**Xinjiang Luomu**”), a subsidiary of the Company, was the first huge porphyry-type molybdenum mine discovered in Xinjiang. The mine is large in scale, of high grade, shallow in terms of buried depth and easy for open mining. Luoyang Kunyu Mining Co., Ltd. (洛陽坤宇礦業有限公司) (“**Kunyu Mining**”), the controlled subsidiary of the Company, has Luoning Qiliping Gold Mine (洛寧七裏坪金礦), Sanguanmiao Gold Mine (三官廟金礦), Luoning Shanggong Gold Mine (洛寧上宮金礦), Luoning Hugou Gold Mine (洛寧虎溝金礦) and Luoning Ganshu Gold Mine (洛寧幹樹金礦). The Company has been awarded by the Ministry of Land and Resources and the Ministry of Finance as one of the first batch of the model bases for consolidated utilisation of mining resources (礦產資源綜合利用示範基地). On 16 March 2012, the Company was recognised as one of the enterprises in the second batch of new and high technology enterprises in Henan Province in 2011. The Company excels in the research and development of mine development, processing and smelting as well as the deep processing of molybdenum metal. The Company maintains a position of unparalleled strategic importance and is well situated at a market-steering foothold. The Company has a dedicated senior management team which has abundant experience in the molybdenum and tungsten industries.

FINANCIAL HIGHLIGHTS

1. CONSOLIDATED BALANCE SHEET

Item	For the year ended 31 December		Increase (decrease)
	2012 RMB'000	2011 RMB'000	
Current assets:			
Bank balances and cash	2,710,070	2,860,066	-5.2%
Held-for-trading financial assets	10,891	61,629	-82.3%
Bills receivable	1,220,159	984,534	23.9%
Accounts receivable	640,734	778,146	-17.7%
Prepayments	227,396	291,043	-21.9%
Interests receivable	11,505	10,184	13.0%
Other receivables	70,336	126,273	-44.3%
Inventories	1,310,299	1,646,118	-20.4%
Other current assets	1,412,015	92,701	1423.2%
Total current assets	7,613,405	6,850,694	11.1%
Non-current assets:			
Long-term equity investment	1,678,402	1,683,742	-0.3%
Fixed assets	3,623,670	3,666,326	-1.2%
Construction in progress	398,039	345,851	15.1%
Intangible assets	2,057,652	2,022,026	1.8%
Long-term deferred expenses	135,301	96,325	40.5%
Deferred income tax assets	133,436	156,888	-14.9%
Other non-current assets	109,410	124,272	-12.0%
Total non-current assets	8,135,910	8,095,430	0.5%
Total assets	15,749,315	14,946,124	5.4%

FINANCIAL HIGHLIGHTS

Item	For the year ended 31 December		Increase (decrease)
	2012 RMB'000	2011 RMB'000	
Current liabilities:			
Short-term borrowings	10,000	334,675	-97.0%
Bills payable	75,891	73,817	2.8%
Accounts payable	267,690	445,064	-39.9%
Receipts in advance	49,024	96,939	-49.4%
Employee benefits payable	120,121	83,062	44.6%
Taxes payable	-168,792	-108,375	55.7%
Interests payable	41,167	—	—
Dividends payable	150,547	40,846	268.6%
Other payables	481,231	275,843	74.5%
Non-current liabilities due within one year	262,321	29,600	786.2%
Short-term financing bonds payable	—	2,000,000	-100.0%
Other current liabilities	16,434	95,329	-82.8%
Total current liabilities	1,305,634	3,366,800	-61.2%
Net current assets	6,307,771	3,483,894	81.1%
Total assets less current liabilities	14,443,681	11,579,324	24.7%
Non-current liabilities:			
Bonds payable	2,000,000	—	—
Projected liabilities	46,983	44,746	5.0%
Other non-current liabilities	25,304	275,591	-90.8%
Total non-current liabilities	2,072,287	320,337	546.9%
Total liabilities	3,377,921	3,687,137	-8.4%
Shareholders' equity:			
Share capital	1,015,234	975,234	4.1%
Capital reserve	8,102,977	7,584,830	6.8%
Special reserve	78,938	78,917	0.0%
Surplus reserve	704,898	704,898	0.0%
Undistributed profits	1,641,546	1,048,097	56.6%
Exchange differences arising from translation of financial statements denominated in foreign currencies	-2,058	-1,843	11.7%
Total equity attributable to the shareholders of the parent Company	11,541,535	10,390,133	11.1%
Minority interests	829,859	868,854	-4.5%
Total shareholders' equity	12,371,394	11,258,987	9.9%
Total liabilities and shareholders' equity	15,749,315	14,946,124	5.4%

FINANCIAL HIGHLIGHTS

2. CONSOLIDATED INCOME STATEMENT

Items	For the year ended 31 December		Increase (decrease)
	2012 RMB'000	2011 RMB'000	
I. Total operating revenue	5,710,894	6,099,652	-6.4%
II. Total operating costs			
Less: Operating costs	4,009,217	3,911,370	2.5%
Business taxes and surcharges	268,890	218,796	22.9%
Selling expenses	25,330	24,626	2.9%
Administrative expenses	433,331	460,023	-5.8%
Financial expenses	49,597	68,701	-27.8%
Impairment loss of assets	27,854	23,196	20.1%
Add: Gains from changes in fair value (Losses)	-738	-2,470	-70.1%
Investment income	151,043	127,041	18.9%
III. Operating profits	1,046,980	1,517,511	-31.0%
Add: Non-operating income	54,187	14,804	266.0%
Less: Non-operating expenses	4,210	20,398	-79.4%
IV. Total profits	1,096,957	1,511,917	-27.4%
Less: Income tax expenses	80,581	355,755	-77.3%
V. Net profits	1,016,376	1,156,162	-12.1%
Net profit attributable to owners of the parent company	1,050,305	1,118,176	-6.1%
Minority interests	-33,929	37,986	-189.3%
Basic earnings per share	0.21	0.23	-8.7%

FINANCIAL HIGHLIGHTS

3. CONSOLIDATED CASH FLOW STATEMENT

Items	For the year ended 31 December		Increase/ (decrease)
	2012 RMB'000	2011 RMB'000	
I. Cash flow from operating activities:			
Cash received from sales of goods and provision of services	6,451,030	8,062,295	-20.0%
Receipts of tax refunds	2,874	—	—
Other cash receipts relating to operating activities	114,757	53,149	115.9%
Sub-total of cash inflows from operating activities	6,568,661	8,115,444	-19.1%
Cash payments for goods purchased and services received	3,237,677	4,937,072	-34.4%
Cash payments to and on behalf of employees	569,691	677,151	-15.9%
Payments of various types of taxes	966,546	1,342,807	-28.0%
Other cash payments relating to operating activities	188,579	130,265	44.8%
Sub-total of cash outflows from operating activities	4,962,493	7,087,295	-30.0%
Net cash flow from operating activities	1,606,168	1,028,149	56.2%
II. Cash flows from investing activities:			
Cash receipts from investments	7,005,092	7,160,384	-2.2%
Cash receipts from investment income	157,166	57,798	171.9%
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	817	2,516	-67.5%
Net cash receipts from disposals of subsidiaries and other business units	—	—	—
Other cash receipts relating to investing activities	38,750	—	—
Sub-total of cash inflows from investing activities	7,201,825	7,220,698	-0.3%
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	426,224	733,078	-41.9%
Cash payments to acquire investments	9,442,457	7,074,700	33.5%
Net cash payments for acquisitions of subsidiaries and other business units	—	—	—
Other cash payments relating to investing activities	—	—	—
Sub-total of cash outflows from investing activities	9,868,681	7,807,778	26.4%
Net cash flow from investing activities	-2,666,856	-587,080	354.3%

FINANCIAL HIGHLIGHTS

Items	For the year ended 31 December		
	2012 RMB'000	2011 RMB'000	Increase/ (decrease)
III. Cash flows from financing activities:			
Cash receipts from capital contributions	570,000	—	—
Including: cash receipts from capital contributions from minority owners of subsidiaries	—	—	—
Cash receipts from borrowings	2,525,000	3,250,675	-22.3%
Sub-total of cash inflows from financing activities	3,095,000	3,250,675	-4.8%
Cash repayments of borrowings	2,879,275	1,683,050	71.1%
Cash payments for distribution of dividends or profits or settlement of interest expenses	458,689	2,070,844	-77.9%
Including: distribution of dividends or profits to minority owners of subsidiaries	5,066	66,813	-92.4%
Other cash payments relating to financing activities	11,854	—	—
Sub-total of cash outflows from financing activities	3,349,818	3,753,894	-10.8%
Net cash flow from financing activities	-254,818	-503,219	-49.4%
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-54	1,898	-102.9%
V. Net increase/(decrease) in cash and cash equivalents	-1,315,560	-60,252	2083.4%
Add: Opening balance of cash and cash equivalents	2,779,197	2,839,449	-2.1%
VI. Closing balance of cash and cash equivalents	1,463,637	2,779,197	-47.3%

CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2012. On behalf of the board of directors (the "Board") and all employees of the Company, I hereby express my sincere gratitude for all of your support.

RESULTS AND DIVIDENDS

In 2012, the Group recorded a turnover of RMB5,710.9 million, representing a decrease of 6.4% from 2011. Profit attributable to owners of the Company was RMB1,050.3 million, representing a decrease of 6.1% from 2011. On 14 March 2013, the Board recommended the payment of a final dividend of RMB0.12 per share (tax inclusive) for the year ended 31 December 2012, subject to the approval by the shareholders at the forthcoming annual general meeting.

MARKET REVIEW

In 2012, the European debt crisis negatively affected the international economy. On the other hand, China's economic growth gradually slowed down in recent years. The economic downturn plunged the molybdenum market and curbed the market rebound of molybdenum. The domestic and international molybdenum markets in 2012 continued to grow slowly with the price of molybdenum lingering and staying at a relatively low level in recent years. The unpleasing economic trend affected the second quarter with steel plants suffered severe losses and offered low bid price. The molybdenum price even dropped to a level below the costs curves of certain mines, resulting in the suspension of production of certain enterprises. However, even when the supply of molybdenum was on a downward trend, there remained certain high-price stock of molybdenum concentrates which caused the price to fall since the second quarter and continued to linger at a low level. Since the fourth quarter, the economy posted a favorable outlook and the mines were reluctant to sell at a low price. In addition, the demand from the steel plants increased, which tightened the spot goods supply of molybdenum, driving the price of molybdenum to rise substantially.

In 2012, along with the trend of the macro-economy, the tungsten market experienced fall and wobbles as the overall tungsten price slipped. In the domestic market, the tungsten price continued to fall in the first three quarters. From the fourth quarter, the tungsten price started to increase due to indicative prices and frequent purchase of concentrates, yet still behind the ideal price level under the influence of market demand. Nevertheless, the price of tungsten managed to remain stable at the end of the year.

The molybdenum market in 2012 can generally be divided into four stages: 1) From January to May, the molybdenum price was relatively stable with the modest rise in February, driven mainly by the demand of steel plants due to a cluster of purchase order by way of bidding after the spring festival. 2) From June to August, the price fell due to a drop in the demand of molybdenum from steel plants during this period when the output in 2012 was the highest throughout the year during May to August. 3) In August, the molybdenum price bottomed. The price of concentrates even fell below the cost curves of certain mining enterprises. The reluctance of enterprises to sell at such a low price allowed a small rebound on molybdenum price after the excessive fall, however the rebound was modest. From September to November, the molybdenum price stabilised at a low level as there were no apparent changes in the supply and demand. 4) Since December, the weather factor caused certain molybdenum mines in North-eastern region to suspend production, which reduced the domestic supply. In the meantime, the demand from steel plants increased, which gradually tightened the supply of molybdenum in the market, driving the molybdenum price upward. Subsequently, as the New Year and the Spring Festival approached, the steel plants increased their purchases of molybdenum for inventory while mining enterprises were reluctant to sell, thus pushed the molybdenum price upward.

As for the supply and demand in the tungsten market, the supply of tungsten maintained at the level of last year, while the demand for special steel and hard alloy at home and demand for purchase abroad showed no improvement. The continued oversupply resulted in the problem of pent-up stocks as a whole.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

During the year 2012, with the benefits of efficient management, detailed organization and continued commitment of our staff, the Company fully capitalized its resources and vertically integrated industry chain and industry scale. The Company's production volume of molybdenum remained stable and the production volume of tungsten products achieved a steady growth. In 2012, the production volume of molybdenum concentrates (including 47% Mo), molybdenum oxides (including 51% Mo), ferromolybdenum (including 60% Mo) and tungsten concentrates (including 100% WO₃) (excluding Luoyang Yulu Mining Co., Ltd.* (洛陽豫鷲礦業有限責任公司)) of the Company amounted to approximately 32,456 tonnes, 34,148 tonnes, 25,581 tonnes and 5,496 tonnes, respectively, representing a decrease of 1.7%, 7.6%, 13.3% and an increase of 16.4% as compared with that of 2011, respectively.

Statistics from Antaite indicated that the production volume of molybdenum concentrates in China (including 47% Mo) in 2012 was 195,107 tonnes. The Company's production volume of molybdenum concentrates accounted for approximately 16.6% of the total amount produced in China in 2012. According to an international research institution, the world's molybdenum production volume was approximately 490 million pounds for the year 2012, of which approximately 33.63 million pounds were produced by the Company, representing approximately 6.9% of the total production volume of the world.

Based on statistics from China Non-ferrous Metals Industry Association, the accumulative production volume of tungsten concentrates in China in 2012 was 124,706 tonnes (including 65% WO₃), with metal equivalents of 81,059 tonnes. The Company's production of tungsten concentrate represented approximately 6.8% of the total production of China in 2012.

The Company strongly emphasized the development of technological innovation and significantly increased its capability in the research and development of technology. The Company successfully developed an integrated safety alarm system of precise gauging on quakes for disasters in surface and underground rocks, thereby positioned itself for the gauging of the activities of the pressure in the core of the earth and underground blasting, so as to provide scientific basis for the alarm and reporting for the disasters of collapse of the overlying strata. Vertical foaming tube was successfully developed and applied in flotation column in molybdenum processing, thereby increased the efficiency of the process of the flotation columns and saved energy by 30%. In addition, the technology of saving the energy of roasting brought good economic benefit and social benefit, which reduced carbon emission by approximately 230 tonnes per year. Law firms were also engaged to study and rectify the protection system of intellectual property rights of the Company so as to develop an effective system for the protection of its intellectual property rights. During the year, a total of 37 patents were applied, of which 13 were invention patents.

The Company firmly pressed ahead with the application of information technology, whereby the efficiency of its corporate management and operation were significantly increased. The office automation system of the Company successfully began operation, thus accomplished the goal of coordinating operation between offices of the Company's entities and facilitated standardized, scientific and efficient management. The material control system of the Company functioned steadily, and a unified system of material coding was also set up, thereby effectively enhanced the efficiency of material procurement and utilisation. The system of business intelligence helped realize swift production and operation as well as scientific decision-making through the collection and analysis of the information on inventory, supply chain, capital and sales. The data reporting system also facilitated the management's timely control of procurement, production, sale and other different areas.

CHAIRMAN'S STATEMENT

The Company actively pressed ahead with standardized corporate operation. In 2012, the Company formulated or amended the Articles of Association, the Rules for the Registration and Administration of Holders of Insider Information, Working Rules for the Secretary to the Board, Rules for Management of Provision of Securities to Third Parties, Rules for External Investment Management, Rules for Connected Transactions, Principles on Information Disclosure, Management Proceeds Raised, Working Rules for General Managers, Working Rules for Independent Directors, Terms of Reference and Operation Rules of the Strategic Committee, Terms of Reference and Operation Rules of the Remuneration Committee, Terms of Reference and Operation Rules of the Audit Committee, Terms of Reference and Operation Rules of the Nomination Committee, Rules for Shareholders' General Meetings, Working Rules for Supervisory Board Meetings, Rules for Board Meetings and so on, thereby refined its system of internal control and standardized its corporate operation.

The Company actively implemented the strategy of capital operation. On 18 June 2012, the National Association of Financial Market Institutional Investors issued the Notice of Acceptance of Registration, Zhong Shi Xie Zhu [2012], No. MTNI159 (中市協註[2012]MTNI159號《接受註冊通知書》), and accepted the registration of the Company's RMB2,000,000,000 medium-term note. On 2 August 2012, the Company successfully issued the first tranche of medium-term note in 2012, 12 CMOC MTN1, with the nominal value of each unit being RMB100, nominal interest rate of 4.94% per annum and the term of the note of 5 years. The relevant offering documents of the medium-term note had been uploaded to the websites of the China Foreign Exchange Trade System (<http://www.chinamoney.com.cn>) and ChinaBond (<http://www.chinabond.com.cn>) on 26 July 2012. The proceeds from the medium-term note would be used for the replenishment of working capital and repayment of existing bank loans.

The Company accelerated the listing of its A shares. On 9 October 2012, the Company successfully completed the IPO and listing of its A shares on the Shanghai Stock Exchange. The size and price of the issue were 200,000,000 shares and RMB3.00 per share, respectively. The par value was RMB0.2 per share, and a total proceeds of RMB600 million were raised. As a result, the Company has capital market operation in both Hong Kong and the PRC.

Not only did the Company effectively bolster its sales volume and stabilize its customers base, it also aspired towards better sales and marketing strategies with the aim to achieve greater efficiency.

Apart from accelerating the Company's business development, we also took further steps to cultivate corporate culture by highlighting practical and innovative management skills so as to increase the efficiency of the corporate operation.

PROSPECT

1. Macroeconomic Environment

In 2013, the global economy slightly improved over last year. Issues besetting the world's economy such as the U.S. fiscal cliff and the European debt crisis eased to different extent. Under these circumstances, the economic environment in the developed countries will be improving, with the strongest recovery now being seen in the U.S., whilst Europe has put steady growth on the top of its agenda. The overall situation should be better than last year. Under the dual difficulties of weaken external demand and internal structural problems, the developing economies generally adopted loose monetary policies such as consecutive interest rate reductions or reductions on reserve ratio, and launched a series of stimulative policies for facilitating investment, with an aim to facilitate growth for the developing economies in 2013.

The economy of the PRC is now in a period of transformation. In 2013, positive fiscal policies and stable monetary policies will continue in the PRC. The target economic growth for the PRC in 2013 is expected to be 7.5%, maintaining steady and moderate economic growth.

CHAIRMAN'S STATEMENT

2. Competition and Development in the Molybdenum Industry

Due to higher export tariff in the molybdenum industry, the current markets of the Company's molybdenum products are mainly in the PRC, with the major product being ferromolybdenum. The application of molybdenum in the PRC is mainly in the steel industry, such as in the manufacturing of alloy structural steel, stainless steel, heat resistant steel and tool steel in the steel industry. The domestic market of steel industry in 2013 will improve, particularly with the promotion of urbanization and support to the real economy proposed by the PRC government, which will benefit the development of steel industry. The production and apparent consumption of rough steel in the PRC in 2013 are anticipated to be approximately 750 million tonnes and 700 million tonnes respectively, which are close to the highest range of rough steel demand of 770 million to 820 million tonnes as estimated in the Development Plan for the Steel Industry in the "Twelfth Five-Year Period" (《鋼鐵工業「十二五」發展規劃》). The consumption and demand of rough steel will increase steadily. The environment of slight profit for the steel industry is not likely to improve before the demand from downstream and the issue of excessive production capacity is solved. Although the excess capacity still exists in the domestic steel industry, the output of special steel, which has a relatively large demand for molybdenum, will enjoy a relatively high increase. Currently, the output of special steel in the PRC only accounts for 6-10% of the total output of iron and steel, which is lower than the global average level of 15-20% and much lower as compared with industrialized countries of over 30%. In the future, high quality special steel, special alloy material and supporting materials for the military industry will be the emerging sectors with strategic importance to the special steel industry, which will drive the domestic demand for molybdenum.

As for the supply of molybdenum, the domestic supply of molybdenum will basically be maintained at the level of the previous years. Part of the new production capacity will be postponed as the molybdenum price has remained at a low level for a long time. There is a moderate rebound in the molybdenum price as compared with the end of last year, whilst the utilization of high-price inventory is limited. If there is no substantial increase in the price of molybdenum, the production capacity previously subject to suspension or reduction may not be re-activated. As a result, the domestic supply of molybdenum in 2013 is expected to have limited impact on price.

From the above-mentioned analysis, we believe that although there is little sign of a substantial improvement in the global economy in 2013 and the oversupply in the domestic molybdenum market will continue to a certain extent, as an important element for special steel and new types of alloy material, molybdenum will experience a relatively fast growth in domestic consumption. Hence, the molybdenum market may experience stable and moderate growth in 2013.

3. Competition and Development in the Tungsten Industry

The global economy in 2013 will improve moderately as compared with last year. The European debt crisis will be eased to a certain extent and the forward export market of tungsten is expected to pick up from the low ebb. The economy of the PRC will be improving under the influence of policy. Strong intensifying efforts in urbanization and encouragement of unleashing domestic demand will result in a recovery of the manufacturing industry, thereby providing new opportunities to the development of tungsten industry.

The tungsten industry in the PRC was stimulated by the satisfactory market situation in the last two years. Many new projects and supporting projects were reported, with the new hard alloy projects were launched in recent years. With the launch of the relevant projects, the growth of tungsten consumption in the PRC will be boosted significantly, at the same time facilitating upgrade of the hard alloy industry. The demand for tungsten in the industries closely related to tungsten consumption in the PRC will generally be higher than in 2012. Based on positive expectations to the macroeconomic environment and the new hard alloy projects, we anticipate that in 2013, the demand for tungsten in the PRC will increase, and the export will pose a gradual recovery. The tungsten industry will be better than last year.

CHAIRMAN'S STATEMENT

Regarding the supply of tungsten, despite the production of tungsten ore will remain at the level of the previous years, with large scale consolidation occurred in the general tungsten market, the tungsten industry in the future will become increasingly concentrated. In conclusion, we anticipate that in the first half of 2013, upward fluctuations will occur in the market of tungsten due to the procurement needs from many enterprises which have started operation; in the second half, with satisfactory development of the overall economic environment and market demand, the tungsten market will stage a strong surge.

4. Prospect of the Company's Business

In 2013, based on the future economic and market dynamics, we will tenaciously adhere to the development strategies of the Group to make the third leap forward development in history. Particular efforts will be put into the following areas: 1) spare no efforts in the management over the Group's existing business segments, with plans to produce approximately 29,240 tonnes of molybdenum concentrates (containing 47% Mo), 5,600 tonnes of tungsten concentrates (containing 100% WO₃). This will enhance management standards and operating efficiency, and thus maintain profitability of the Company's existing business segments; 2) adhere to its strategy of a molybdenum-led development supplemented by tungsten and precious metal business. In respect of its molybdenum business, the Company is to develop the molybdenum mine located in East Gobi, Hami, Xinjiang through rational planning and in an orderly manner. It will also implement projects such as optimization of mining technology at Sandaozhuang Mine by taking advantage of the pilot base of the integrated use of tungsten, molybdenum and iron resources in Luanchuan, Henan. Meanwhile, the project relating to an effective, energy-saving and automated production line of ammonium molybdate is scheduled for completion. As for its tungsten business, the Company is to further facilitate the integrated use of clean and energy-efficient resources for its composite mine comprised of tungsten, molybdenum and phosphorous (鎢鉬磷複合礦清潔高效資源綜合利用項目), as well as establish an industry chain of tungsten. For its precious metal business, the Company will step up efforts in the expansion project of Luoning Gold Mine (洛寧金礦) and further integrate gold, silver and other precious metal resources; 3) alter its economic growth pattern by adjusting and optimising industrial institutions, increasing investment in scientific research and development and focusing on the key technology research and development programs; 4) actively adjust marketing strategy and enhance market competitiveness to endeavor to capture market shares; 5) step up human resources management, optimize the Company's talent structure, strive to attract and cultivate talents, and strengthen technological innovation, in a bid to lay a solid talent base for future development of the Group; and 6) persist on its "go global" strategy. By making the best use of opportunities in the current economic environment, the Company will endeavor to identify potential targets for mergers and acquisitions domestically and internationally so as to expand its business, improve its profitability and maximise shareholders' value.

With the combined efforts of the other members of the Board, senior management and staff, as well as supports from various parties in the community, I believe that the Group will make the best at every encounter amid the market recovery and continues 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.

Wu Wenjun
Chairman

Luoyang City, Henan Province, the PRC
14 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 December 2012, the net profit of the Group was RMB1,016.4 million, representing a decrease of RMB139.8 million or 12.1% from RMB1,156.2 million for the year ended 31 December 2011. For the year ended 31 December 2012, net profit attributable to the owners of the parent company was RMB1,050.3 million, representing a decrease of RMB67.9 million or 6.1% from RMB1,118.2 million for the year ended 31 December 2011.

The comparative analysis for the year ended 31 December 2012 and the year ended 31 December 2011 is as follows:

OPERATING RESULTS

For the year ended 31 December 2012, the Group recorded an operating revenue of RMB5,710.9 million, representing a decrease of RMB388.8 million or 6.4% from RMB6,099.7 million for the year ended 31 December 2011. For the year ended 31 December 2012, the gross profit of the Group was RMB1,701.7 million, representing a decrease of RMB486.6 million or 22.2% from RMB2,188.3 million for the same period last year.

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

Product Name	2012				2011			
	Turnover (RMB million)	Cost of sales (RMB million)	Gross profit (RMB million)	Gross profit margin (%)	Turnover (RMB million)	Cost of sales (RMB million)	Gross profit (RMB million)	Gross profit margin (%)
Domestic market								
— Molybdenum additive materials	2,599.5	1,860.5	739.0	28.4%	3,367.3	1,974.1	1,393.2	41.4%
— Tungsten-related products	929.0	204.6	724.4	78.0%	626.6	152.0	474.6	75.7%
— Deep-processed molybdenum products	124.6	129.0	(4.4)	(3.5%)	141.6	126.8	14.8	10.5%
— Gold and silver and relevant products	965.5	805.9	159.6	16.5%	638.6	413.2	225.4	35.3%
— Electrolytic lead	578.8	606.5	(27.7)	(4.8%)	401.7	433.4	(31.7)	(7.9%)
— Sulfuric acid	21.9	41.7	(19.8)	(90.4%)	26.0	36.2	(10.2)	(39.2%)
— Others	447.5	320.3	127.2	28.4%	828.7	708.0	120.7	14.6%
Sub-total	5,666.8	3,968.5	1,698.3	30.0%	6,030.5	3,843.7	2,186.8	36.3%
International market								
— Molybdenum additive materials	33.2	29.7	3.5	10.5%	49.1	46.8	2.3	4.7%
— Deep-processed molybdenum products	10.9	11.0	(0.1)	(0.9%)	20.1	20.9	(0.8)	(4.0%)
Sub-total	44.1	40.7	3.4	7.7%	69.2	67.7	1.5	2.2%
Total	5,710.9	4,009.2	1,701.7	29.8%	6,099.7	3,911.4	2,188.3	35.9%

For the year ended 31 December 2012, the Group recorded an operating revenue of RMB5,710.9 million, representing a decrease of RMB388.8 million or 6.4% from RMB6,099.7 million for the year ended 31 December 2011. Such decrease in operating revenue was mainly attributable to: 1) the decrease in operating revenue driven by a decrease in the selling prices of ferromolybdenum in the year under the influence of the international market price; and 2) a decrease in the sales from trade in 2012 as compared with that of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2012, the operating cost of the Group was RMB4,009.2 million, representing an increase of RMB97.8 million or 2.5% from RMB3,911.4 million for the same period last year. Such increase in the operating cost was mainly attributable to an increase in the sales of tungsten concentrate, gold, silver and electrolytic lead, the major products of the Group during the year. Set out below is the component of cost of the major products of the Company:

Industry	Component of cost	Current period (RMB million)	Percentage over total cost for the current period	Amount for the same period last year (RMB million)	Percentage over total cost for the same period last year	Percentage of changes in amount during the year
Molybdenum-related products	materials	505.60	29%	687.16	35%	-26%
	labor	304.18	18%	329.35	17%	-8%
	depreciation	173.92	10%	172.58	9%	1%
	energy	251.65	14%	224.37	12%	12%
	manufacturing	509.52	29%	525.86	27%	-3%
Tungsten-related products	materials	66.80	42%	75.73	46%	-12%
	labor	42.79	27%	42.09	26%	2%
	depreciation	16.35	10%	17.24	11%	-5%
	energy	25.91	17%	23.06	15%	10%
	manufacturing	5.86	4%	4.08	2%	44%
Gold and silver-related products	materials	418.69	59%	408.39	61%	3%
	labor	202.70	28%	168.03	25%	21%
	depreciation	24.42	3%	24.26	4%	1%
	energy	15.51	2%	13.70	2%	13%
	manufacturing	53.58	8%	49.69	8%	8%
Electrolytic lead	materials	527.78	90%	458.74	91%	15%
	labor	12.08	2%	11.60	2%	4%
	depreciation	24.28	4%	23.66	5%	3%
	energy	20.31	3%	8.08	2%	151%
	manufacturing	3.25	1%	2.23	0%	46%

For the year ended 31 December 2012, the average gross profit margin of the Group was 29.8%, representing a decrease of 6.1% from 35.9% for the same period last year. The main reason was the decrease in the overall gross profit margin of the Group which was due to decrease in the selling prices of ferromolybdenum, the major product of the Group, during the year as compared with the same period last year.

BUSINESS TAXES AND LEVIES

For the year ended 31 December 2012, the Group recorded a business taxes and levies of RMB268.9 million, representing an increase of RMB50.1 million or 22.9% from RMB218.8 million for the same period in 2011. Such increase was mainly due to the increase of resource tax rate during the year.

SELLING EXPENSES

For the year ended 31 December 2012, the selling expenses of the Group amounted to RMB25.3 million, representing an increase of RMB0.7 million or 2.9% from RMB24.6 million for the same period in 2011. Such increase was mainly attributable to the increase in the sales volume of relevant products.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2012, the administrative expenses of the Group was RMB433.3 million, representing a decrease of RMB26.7 million or 5.8% from RMB460.0 million for the same period in 2011. Such decrease was mainly attributable to the strengthening of expenses control imposed by the Group during the year.

For the year ended 31 December 2012, the Group's administrative expenses included a technology development fee of RMB112.7 million. The main projects included: the research on the application of the gradual advancement method through the inclined holes exposed at the flank in 1310 over-mined area in Zone E3 (邊部側翼揭露斜孔分次逐漸推進法在E3區1310空區處理中的應用研究), the research on the application of cut-and-fill by using small-bore gravels in the treatment of over-mined area (小孔徑碎石充填法在治理空區中的應用研究), the research on the application of automation for ore grinding based on the fuzzy control (基於模糊控制的磨礦自動化應用研究) and the research on the application of automatic system for dehydration and packaging of products (產品自動化脫水包裝系統應用研究).

FINANCE EXPENSES

For the year ended 31 December 2012, the finance expenses of the Group amounted to RMB49.6 million, representing a decrease of RMB19.1 million or 27.8% from RMB68.7 million for the same period in 2011. Such decrease was mainly attributable to an increase in interest income on bank structured deposits.

INVESTMENT INCOME

For the year ended 31 December 2012, the investment income of the Group was RMB151.0 million, representing an increase of RMB24.0 million or 18.9% from RMB127.0 million for the same period in 2011. Such increase was mainly attributable to the income increase from the investment in treasury products and improvement in results of Luoyang Yulu Mining Co., Ltd.* (洛陽豫鷺礦業有限責任公司) ("Yulu Company"), an associated company, as compared with the same period last year.

NON-OPERATING INCOME

For the year ended 31 December 2012, the non-operating income of the Group amounted to RMB54.2 million, representing an increase of RMB39.4 million or 266.2% from RMB14.8 million for the same period last year. Such increase was mainly attributable to an increase of RMB44.3 million in the government grants received during the year as compared with last year.

NON-OPERATING EXPENSES

For the year ended 31 December 2012, the non-operating expenses of the Group amounted to RMB4.2 million, representing a decrease of RMB16.2 million or 79.4% from RMB20.4 million for the same period in 2011. Such decrease was mainly due to a decrease in net loss from the disposal of fixed assets in the year as compared with last year.

INCOME TAX EXPENSES

For the year ended 31 December 2012, the income tax expenses of the Group amounted to RMB80.6 million, representing a decrease of RMB275.2 million or 77.3% from RMB355.8 million for the same period last year. Such decrease was mainly attributable to the Company's entitlement to an income tax preferential ratio of 15% upon being recognized as a new and high technology enterprise during the year.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

For the year ended 31 December 2012, the net profit of the Group attributable to owners of the parent company amounted to RMB1,050.3 million, representing a decrease of RMB67.9 million or 6.1% from RMB1,118.2 million for the year ended 31 December 2011. Such decrease was mainly attributable to a decrease in the net profit for the year ended 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

MINORITY INTERESTS

For the year ended 31 December 2012, the minority interests of the Group was RMB-33.9 million, representing a decrease of RMB71.9 million or 189.3% from RMB38.0 million for the same period last year. Such decrease was mainly attributable to the decrease in the net profit of the Group's holding companies during the year.

FINANCIAL POSITION

For the year ended 31 December 2012, the total assets of the Group amounted to RMB15,749.3 million, comprising non-current assets of RMB8,135.9 million and current assets of RMB7,613.4 million. Equity attributable to shareholders of the parent company as at 31 December 2012 increased by RMB1,151.4 million or 11.1% to RMB11,541.5 million from RMB10,390.1 million as at 31 December 2011. Such increase was mainly due to the fact that the earnings in 2012 was more than the profit distribution in the same year.

CURRENT ASSETS

For the year ended 31 December 2012, current assets of the Group increased by RMB762.7 million or 11.1% to RMB7,613.4 million from RMB6,850.7 million as at 31 December 2011. Such increase was mainly attributable to the proceeds from the A share listing during the year.

NON-CURRENT ASSETS

For the year ended 31 December 2012, the non-current assets of the Group amounted to RMB8,135.9 million, representing an increase of RMB40.5 million or 0.5% from RMB8,095.4 million as at 31 December 2011. As at 31 December 2012, the Group put fixed assets with net book value of RMB86.5 million and land use rights with net book value of RMB34 million in pledge for bank line of credit of RMB63 million.

CURRENT LIABILITIES

For the year ended 31 December 2012, the current liabilities of the Group amounted to RMB1,305.6 million, representing a decrease of RMB2,061.2 million or 61.2% from RMB3,366.8 million as at 31 December 2011.

NON-CURRENT LIABILITIES

For the year ended 31 December 2012, the non-current liabilities of the Group amounted to RMB2,072.3 million, representing an increase of RMB1,752.0 million or 546.9% from RMB320.3 million as at 31 December 2011.

As at 31 December 2012, the Group had no contingent liabilities.

ASSETS-LIABILITIES RATIO

The gearing ratio (total liabilities/total assets) of the Group dropped to 21.4% as at 31 December 2012 from 24.7% as at 31 December 2011.

CASH FLOW

For the year ended 31 December 2012, the Group had cash and cash equivalents of RMB1,463.6 million, representing a decrease of RMB1,315.6 million or 47.3% from RMB2,779.2 million as at 31 December 2011.

For the year ended 31 December 2012, net cash inflow generated from operating activities was RMB1,606.2 million; net cash outflow generated from investment activities was RMB2,666.9 million; net cash outflow generated from financing activities was RMB254.8 million, including the payment for dividends in 2011 of RMB352.2 million.

During 2012, the Group implemented strict internal management and costs saving measures, thus maintaining sound operation status and healthy financial position. As at the end of 2012, the Company had sufficient capital which enabled it to operate in a virtuous circle or satisfy the liquidity requirement for coping with the variations in the production capacity. It also ensured funding support for any possible resource mergers and acquisitions as well as expansion of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPOSURE TO PRICE FLUCTUATIONS OF PRODUCTS

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

EXPOSURE TO THE MINERAL RESOURCES

As an enterprise engaged in mineral exploitation, the Company is dependent on resources. The retained reserves and grade of mineral resources directly affect the Company's operation and development. The exploitation of mineral reserves with relatively low grade may be economically infeasible if the cost of production rises due to fluctuations in the market price of metal products, the drop in the recovery rate, inflation or other factors, or restrictions caused by technical problems and natural conditions such as weather and natural disasters in the process of mining. Therefore, full utilisation of the retained reserves of the Company cannot be guaranteed and the production capacity of the Company might be affected.

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 outstanding liabilities of the Group are calculated based on the benchmark interest rate amended by The People's Bank of China and the Hong Kong inter-bank market from time to time. As of the date of this report, the Group has not entered into any type of interest agreement or derivatives to hedge against fluctuations in interest rate or liabilities.

EMPLOYEES

As at 31 December 2012, the Group had approximately 8,139 full time employees, classified as follows by function and department:

Department	Employees	Proportion
Management & administration	895	11%
Quality control, research and development	651	8%
Production	5,698	70%
Repair and maintenance, safety inspection and environmental protection	895	11%
Total	8,139	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 policies are as follows: the pension insurance, medical insurance, unemployment insurance and the contribution to housing reserve fund of our PRC employees represent 20%, 6%, 3% and 5% to 12% of his or her total basic monthly salary respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

As at 31 December 2011, the proceeds raised by the Group from the public offering of H shares in April 2007 of approximately RMB7,694.0 million has been used up.

On 9 October 2012, the Group issued 200,000,000 ordinary shares (A shares) publicly on the Shanghai Stock Exchange at an issue price of RMB3.00 per share and the proceeds raised was RMB600.0 million. Deducting the total underwriting commission of RMB30.0 million, the actual proceeds received from the above-mentioned issuance of A shares were RMB570.0 million. After deducting other issuance expenses paid by the Company, the net actual proceeds were RMB558.1 million. The above-mentioned proceeds have not been used.

ESTIMATION ON RESERVES AND RESOURCES OF SHANGFANGGOU MINE AND XINJIANG MINE

As at 31 December 2012, the estimates of the (a) reserves and resources at the Shangfanggou molybdenum mine (“**Shangfanggou Mine**”) located in Luanchuan County, Luoyang City, the PRC; and (b) resources at the molybdenum mine (“**Xinjiang Mine**”) located in East Gobi, Hami, Xinjiang, the PRC are:

SHANGFANGGOU MINE

Estimated proven and probable reserves:

	<i>Kilotonnes</i>	Grade (%)
	45,671	0.173

Estimated resources:

Classification (at a 0.03% grade molybdenum cut-off)	<i>Million tonnes</i>	Average grade (%)
Measured	14.6	0.171
Indicated	291.4	0.141
Inferred	156.8	0.133

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

XINJIANG MINE

Ore <i>(million tonnes)</i>	Molybdenum metal <i>(million tonnes)</i>	Average grade <i>(%)</i>	Molybdenum metal (331) <i>(million tonnes)</i>	Average grade <i>(%)</i>	Molybdenum metal (332) <i>(million tonnes)</i>	Average grade <i>(%)</i>
441	0.508	0.115	0.1294	0.134	0.08337	0.128

Note: The resources at the Xinjiang Mine were estimated based on specifications for copper, lead, zinc, silver, nickel and molybdenum mineral exploration (DZ/T0214-2002), exploration specification for hydrogeology and engineering geology in mining areas (GB12719-91) and specifications for compilation of geological report of solid-mineral exploration/mine-closing (DZ/T0033-2002). The Xinjiang Mine has not been exploited and there was no change in the resource reserve.

MATERIAL EVENTS

A. MATERIAL EVENTS

1. The Group successfully completed the IPO and listing of its A shares on the Shanghai Stock Exchange

On 9 October 2012, the Group successfully completed the IPO and listing of its A shares on the Shanghai Stock Exchange (Stock code: 603993) the size of the issue was 200,000,000 shares, with a nominal value of RMB0.2 per share and a total proceeds raised of RMB600.0 million.

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

On 2 August 2012, the Group had successfully issued the medium-term notes and the full amount of the proceeds were received on 3 August 2012. Details of the results of the medium-term note are set out below: Name of medium-term note: First tranche medium-term note of the Company in 2012; Abbreviation of medium-term note: 12 CMOC MTN1; Code of medium-term note: 1282273; Term of medium-term note: 5 years; Coupon: Fixed interest; Tender date for issue: 2 August 2012; Total size issued: RMB2 billion; Total size proposed to be issued: RMB2 billion; Issue price: RMB100 for nominal value of RMB100; Nominal interest rate: 4.94% per annum; Lead underwriters: Bank of China Limited and Industrial and Commercial Bank of China Limited. (For details, please refer to the Company's announcements dated 25 July 2012 and 3 August 2012).

3. The Group was recognised as an enterprise of new and high technology

Pursuant to the "Notice of Recognition of the 2011 Second Batch of New and High Technology Enterprises in Henan Province" dated 16 March 2012, jointly issued by the Science and Technology Department of Henan Province, Finance Department of Henan Province, State Tax Bureau of Henan Province and Provincial Tax Bureau of Henan Province, the Company was recognised as one of the enterprises in the 2011 second batch of new and high technology enterprises in Henan Province. The recognition certificate will be valid for a term of three years. For details, please refer to the Company's announcements dated 21 March 2012 and 28 April 2012.

B. HONOURS

1. The Group was conferred the "Special Award of the Secretary to the County Party Committee and the County Chief (縣委書記、縣長特別獎)"

On 31 January 2012, the Group was conferred the "Special Award of the Secretary to the County Party Committee and the County Chief (縣委書記、縣長特別獎)" with a reward of RMB200,000.

2. The Group was awarded the "Second Prize for the Outstanding Contribution by Enterprises during the Assessment of the Objective of Enriching the People and Prospering the City in 2011 (2011年度富民強市目標考評企業突出貢獻獎二等獎)"

On 31 January 2012, the Group was awarded the "Second Prize for the Outstanding Contributions by Enterprises during the Assessment of the Objective of Enriching the People and Prospering the City in 2011 (2011年度富民強市目標考評企業突出貢獻獎二等獎)" by the municipal party committee and the municipal government of Luoyang City.

3. The Group was honoured the "Advanced Enterprise in the Development and Utilisation of Mining Resources (礦產資源開發利用先進單位)" and the "Advanced Enterprise in the Payment of Mining Resource Compensation Fees (礦產資源補償費繳納先進單位)"

On 23 February 2012, our Group was honoured the "Advanced Enterprise in the Development and Utilisation of Mining Resources (礦產資源開發利用先進單位)" and the "Advanced Enterprise in the Payment of Mining Resource Compensation Fees (礦產資源補償費繳納先進單位)" by the Geological and Mineral Resources Bureau of Luanchuan County (欒川縣地質礦產局).

MATERIAL EVENTS

4. The Group was honoured as one of the “2012 Top 100 Enterprises in Henan Province (河南省2012年度百強企業)”

On 26 February 2012, the Group was ranked 32nd by the provincial government of Henan in the “2012 Top 100 Enterprises in Henan Province (河南省2012年度百強企業)”.

5. The Group was honoured as one of the “2011 Most Influential Enterprises in Luoyang City (2011洛陽最具影響力企業)”

In May 2012, the Group was honoured as one of the “2011 Most Influential Enterprises in Luoyang City (2011洛陽最具影響力企業)” under the consideration and approval by the organisation committee of the election for the Economic Figures of the Year in Luoyang City.

6. The Group was honoured as the “Enterprise with Special Contribution (特別貢獻企業)”

In May 2012, the Group was honoured as the “Enterprise with Special Contribution (特別貢獻單位)” by the executive committee of the Peony Culture Festival of Luoyang (洛陽牡丹文化節).

7. The Group was awarded the honorary title “Advanced Unit of Poverty Alleviation through Development in Luoyang City” (洛陽市扶貧開發先進單位)

In November 2012, in the working conference on poverty alleviation through development in Luoyang, the Group was awarded as “Advanced Unit of Poverty Alleviation through Development in Luoyang City”.

C. DOMESTIC INDUSTRY POLICIES

1. Export Quotas

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

On 19 July 2012, the Ministry of Commerce of the PRC promulgated a notification on export quotas (the second batch for 2012) of tungsten, antimony, silver, tin, indium and molybdenum. Under the notification, the Company was entitled to export 3,054 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 67 tonnes of molybdenum chemical products and 34 tonnes of molybdenum products. The quota for molybdenum products of Luoyang High-Tech, a joint venture of the Company, was 50 tonnes.

On 21 December 2012, the Ministry of Commerce of the PRC promulgated the list of exporters (or suppliers) of tungsten, antimony and other non-ferrous metals as well as a notification on export quotas (the first batch for 2013). Under the notification, the Company was entitled to export 4,878 tonnes of primary molybdenum products (molybdenum oxides and ferromolybdenum), 86 tonnes of molybdenum chemical products and 52 tonnes of molybdenum products. The quota for molybdenum products of Luoyang High-Tech, a joint venture of the Company, was 73 tonnes.

2. Resource Tax Rate Adjustments for Molybdenum Ores

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

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2012.

CORPORATE GOVERNANCE OF THE COMPANY

The Group has strived to uphold the highest standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code, as in effect from time to time, (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the period from 1 January 2012 to 31 December 2012, save as the deviation from the code provision A.6.7 of the CG Code.

Pursuant to the code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of shareholders' views. One non-executive director and one retired independent non-executive director of the Company, due to other business engagements, were unable to attend all extraordinary general meetings of the Company. The Company will optimize the planning of general meetings, give adequate time to all Directors for prior work arrangement and provide all necessary support for their presence and participation in general meetings in a way that all Directors will be able to attend future general meetings of the Company.

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

THE BOARD

During the year ended 31 December 2012, the Company held 13 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 ten members, consisting of four executive Directors, two non-executive Directors and four independent non-executive Directors.

The list of all Directors is set out under "Corporate Information" on page 43 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:

Existing Executive Directors

Wu Wenjun, Chairman (also the president within the meaning of the CG Code)

Li Chaochun, Vice Chairman

Li Faben, General Manager (also the chief executive officer within the meaning of the CG Code)

Wang Qinxu

Non-executive Directors

Shu Hedong

Zhang Yufeng

CORPORATE GOVERNANCE REPORT

Existing Independent Non-executive Directors

Bai Yanchun (appointed on 17 August 2012)
Xu Shan (appointed on 17 August 2012)
Cheng Gordon (appointed on 17 August 2012)
Xu Xu (appointed on 17 August 2012)

Former Executive Director

Duan Yuxian (resigned on 24 October 2012)

Former Independent Non-executive Directors

Gao Dezhu (retired on 17 August 2012)
Zeng Shaojin (retired on 17 August 2012)
Gu Desheng (retired on 17 August 2012)
Ng Ming Wah, Charles (retired on 17 August 2012)

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 2012, 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, experience and independent judgment to the Board. Through active participation in Board meetings or meetings of Board committees, supervising management 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 existing Chairman, Mr. Wu Wenjun, 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 existing General Manager, Mr. Li Faben 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 Nomination Committee of the Board and the Board selected candidates of Directors with reference to major shareholders' recommendations and certain criteria and procedures. The relevant criteria mainly include the candidate's professional background, especially his or her experience in the industry where the Group establishes its presence, his or her financial and past track record with other similar companies and the recommendations from management and other knowledgeable individuals. The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee under the Board established on 17 August 2012 is responsible for reviewing the Board composition, monitoring the appointment, nomination and succession plan of Directors and assessing the independence of independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

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. Briefings and continual professional development schemes for Directors will be arranged whenever necessary.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2012, the Company organized two training sessions on directors' duties and responsibilities, corporate governance and regulatory development. All directors have attended the trainings.

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, notice is generally given pursuant to the Company's Articles of Association and the respective Terms of Reference and Operation Rules of the committees.

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 will 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 of the Company 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, audit committee, nomination committee of the board and the general meetings during the year ended 31 December 2012 are set out below:

Name of Directors	Board Meeting	Number of Attendance in person/ Number of Meetings					Extra-ordinary General Meeting ⁽⁸⁾
		Remuneration Committee Meeting ⁽⁴⁾	Audit Committee Meeting ⁽⁵⁾	Meeting of Nomination Committee of the Board ⁽⁶⁾	Annual General Meeting ⁽⁷⁾		
Mr. Duan Yuxian ⁽¹⁾	9/10	N/A	N/A	0/3	1/1	1/2	
Mr. Li Chaochun	13/13	N/A	N/A	5/5	1/1	5/5	
Mr. Wu Wenjun	12/13	N/A	N/A	1/1	1/1	5/5	
Mr. Li Faben	13/13	N/A	N/A	N/A	1/1	5/5	
Mr. Wang Qixi	13/13	N/A	N/A	N/A	1/1	5/5	
Mr. Shu Hedong	12/13	4/4	N/A	N/A	1/1	2/5	
Mr. Zhang Yufeng	12/13	N/A	7/7	N/A	1/1	5/5	
Mr. Gao Dezhu ⁽²⁾	5/7	2/2	N/A	1/1	1/1	0/2	
Mr. Zeng Shaojin ⁽²⁾	3/7	N/A	4/6	0/1	1/1	1/2	
Mr. Gu Desheng ⁽²⁾	5/7	1/2	N/A	0/1	1/1	1/2	
Mr. Ng Ming Wah, Charles ⁽²⁾	7/7	N/A	6/6	0/1	1/1	1/2	
Mr. Bai Yanchun ⁽³⁾	6/6	2/2	N/A	4/4	N/A	4/4	
Mr. Xu Shan ⁽³⁾	6/6	N/A	1/1	4/4	N/A	4/4	
Mr. Cheng Gordon ⁽³⁾	6/6	N/A	1/1	4/4	N/A	4/4	
Mr. Xu Xu ⁽³⁾	6/6	2/2	N/A	4/4	N/A	4/4	

CORPORATE GOVERNANCE REPORT

Notes:

- (1) Resigned on 24 October 2012.
- (2) Retired on 17 August 2012.
- (3) Appointed on 17 August 2012.
- (4) The former remuneration committee comprises two independent non-executive Directors, namely Mr. Gao Dezhu and Mr. Gu Desheng, and one non-executive Director, namely Mr. Shu Hedong, with Mr. Gao Dezhu as the chairman. Effective from 17 August 2012, the existing remuneration committee comprises two independent non-executive Directors, namely Mr. Bai Yanchun and Mr. Xu Xu, and one non-executive Director, namely Mr. Shu Hedong, with Mr. Bai Yanchun as the chairman. 6 remuneration committee meetings were held during the year ended 31 December 2012.
- (5) The former 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. Effective from 17 August 2012, the existing audit committee comprises two independent non-executive Directors, namely Mr. Xu Shan and Mr. Cheng Gordon, and one non-executive Director, namely Mr. Zhang Yufeng, with Mr. Xu Shan as the chairman. 7 audit committee meetings were held during the year ended 31 December 2012.
- (6) The former nomination committee of the board comprises six directors namely Mr. Duan Yuxian (executive Director), Mr. Li Chaochun (executive Director), Mr. Gao Dezhu (independent non-executive Director), Mr. Zeng Shaojin (independent non-executive Director), Mr. Gu Desheng (independent non-executive Director) and Mr. Ng Ming Wah, Charles (independent non-executive Director), with Mr. Duan Yuxian as the chairman and Mr. Gao Dezhu as vice chairman of the nomination committee of the board. Effective from 24 October 2012, the existing nomination committee of the board comprises six directors namely Mr. Bai Yanchun (independent non-executive Director), Mr. Li Chaochun (executive Director), Mr. Wu Wenjun (executive Director), Mr. Xu Shan (independent non-executive Director), Mr. Cheng Gordon (independent non-executive Director) and Mr. Xu Xu (independent non-executive Director), with Mr. Bai Yanchun as the chairman and Mr. Li Chaochun as vice chairman of the nomination committee. 5 meetings of nomination committee of the board were held during the year ended 31 December 2012.
- (7) The Annual General Meeting was held on 29 June 2012.
- (8) The Company had held three extraordinary general meetings during the year ended 31 December 2012 on 10 January 2012, 17 August 2012 and 21 December 2012 respectively. In addition, the Company had held one class meeting of A Shareholders and one class meeting of H Shareholders on 21 December 2012.

JOINT COMPANY SECRETARIES

With effect from 21 March 2012, Ms. Lai Sharon Magdalene resigned as the joint company secretary of the Company. Ms. Ho Siu Pik, the other joint company secretary who meets the requirements as a company secretary under Rule 8.17 of the Listing Rules, continued to serve as the company secretary of the Company. With effect from 20 November 2012, Mr. Zhang Xinhui (also board secretary) was appointed as the joint company secretary of the Company to act jointly with Ms. Ho. Mr. Zhang Xinhui reports to the Company's Chairman, Mr. Wu Wenjun. Both Ms. Ho and the former joint company secretary, Ms. Lai, both of Tricor Services Limited, are external service providers, their primary contact person at the Company is Mr. Zhang Xinhui.

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 2012. The Company has also formulated written guidelines equally stringent as the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees of the Company who are likely to be in possession of unpublished inside 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.

CORPORATE GOVERNANCE REPORT

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, nomination committee of the board 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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies regarding remuneration of Directors and senior management personnel of the Group. Details of the remuneration of each of the Directors and senior management members of the Company for the year ended 31 December 2012 are set out in note 6.6 to the consolidated financial statements.

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

DIRECTORS' REMUNERATION

On 14 March 2013, the adjustments to the remuneration of the Directors are as follows:

- Annual remuneration for each of Mr. Wu Wenjun and Mr. Li Faben, executive Directors, has been increased to RMB400,000.
- Annual remuneration for Mr. Wang Qinxi, executive Director, has been increased to RMB370,000.

DIRECTORS' AND SUPERVISORS' POSITIONS HELD

- On 24 October 2012, Mr. Wu Wenjun, executive Director, has been elected as the Chairman of the Board.
- On 24 October 2012, Mr. Li Faben, executive Director, has been appointed as the general manager of the Company.
- On 1 December 2012, Mr. Deng Jiaoyun, supervisor, resigned as the Chairman of the Labor Union.

Save for the disclosures above, as at 31 December 2012, there is no other changes to the Directors' and supervisors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REMUNERATION COMMITTEE

The Company has established a remuneration committee and set out its specific terms of reference. As at the date of this report, the existing remuneration committee comprises two independent non-executive Directors, namely Mr. Bai Yanchun and Mr. Xu Xu, and one non-executive Director, namely Mr. Shu Hedong, with Mr. Bai Yanchun as the chairman. 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 to the Board on the Company's remuneration policy and structure for all 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.

CORPORATE GOVERNANCE REPORT

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 2012.

The existing remuneration committee held four meetings (the former remuneration committee held two meetings) during the year ended 31 December 2012 and the attendance records are set out under "Directors' Attendance Records" on page 23.

AUDIT COMMITTEE

The written terms of reference of the audit committee are based primarily on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants.

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 reviewed 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 existing audit committee comprises two independent non-executive Directors of the Company, namely Mr. Xu Shan and Mr. Cheng Gordon, and one non-executive Director, namely Mr. Zhang Yufeng, with Mr. Xu Shan 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 2012, including the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters.

The main duties of the audit committee include the following:

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors submitted to the Board;
- To acquaint with the work performed by the auditor, their fees and terms of engagement, in order to review the relationship between the Company and the external auditor, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;
- To review the drafts of annual report, including reports submitted by the general manager and the management;
- To supervise Directors to ensure that they perform annual review in respect of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, the training programmes and the budget;
- To review the audit activities with external and internal auditors, 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;
- 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;
- To review arrangements for employees to raise concerns about possible improprieties in financial reporting; and
- To perform Corporate Governance functions set out in the code provision D.3.1 of the CG code.

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2012, the audit committee reviewed the annual results for the year ended 31 December 2011, the quarterly results for the three months ended 31 March 2012, the interim results for the six months ended 30 June 2012 and the quarterly results for the nine months ended 30 September 2012. The audit committee also considered the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes and the re-appointment of the external auditor.

The existing audit committee held one meeting (the former audit committee held six meetings) during the year ended 31 December 2012 and the attendance records are set out under "Directors' Attendance Records" on page 23. During the year ended 31 December 2012, the former/existing audit committee also met the external auditors twice without the presence of the executive Directors.

NOMINATION COMMITTEE OF THE BOARD

The nomination committee of the board is responsible for advising the Board as to the scale, structure, and composition (including skills, knowledge, experience and terms of office) 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 independence of independent non-executive Directors. The existing nomination committee held four meetings (the former nomination committee of the board held one meeting) during the year ended 31 December 2012. During the year ended 31 December 2012, the nomination committee considered and approved, among other things, candidates for election to the third session of the Board and candidates for election to the third session of the supervisory committee. The attendance records are set out under "Directors' Attendance Records" on page 23.

The existing nomination committee of the board comprises the following six directors: Mr. Bai Yanchun (independent non-executive Director), Mr. Li Chaochun (executive Director), Mr. Wu Wenjun (executive Director), Mr. Xu Shan (independent non-executive Director), Mr. Cheng Gordon (independent non-executive Director) and Mr. Xu Xu (independent non-executive Director), with Mr. Bai Yanchun as the chairman and Mr. Li Chaochun as vice chairman of the nomination committee.

STRATEGIC COMMITTEE

The strategic committee is responsible for formulating the overall development plans and investment decision-making procedures of the Group. The existing strategic committee comprises three executive Directors, namely Mr. Wu Wenjun, Mr. Li Chaochun and Mr. Li Faben, and two independent non-executive Directors, namely Mr. Bai Yanchun and Mr. Xu Xu, with Mr. Wu Wenjun as the chairman of the committee. During the year ended 31 December 2012, the existing strategic committee held three meetings.

CORPORATE GOVERNANCE FUNCTIONS

The audit committee is responsible for performing the functions of Corporate Governance.

During the year ended 31 December 2012, the audit committee has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

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 2012, the supervisory committee held eight meetings to review the financial positions and the internal control of the Company and launched various activities to adhere to the principle of good faith.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2012.

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.

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditors' Report" on page 45.

INTERNAL CONTROL

The Board has overall responsibility for maintaining the soundness and effectiveness of the internal control system and risk management procedures of the Group, including setting up 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 accounting records.

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

During the year ended 31 December 2012, 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.

AUDITORS' REMUNERATION

During the year ended 31 December 2012, the remuneration paid to the Company's former auditor, Deloitte Touche Tohmatsu, Certified Public Accountants, and the existing auditor of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) are set out below:

Category of services	Fee paid/payable RMB'000
Annual audit service	2,792
Interim review services	2,000
Other services	70

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The forthcoming annual general meeting of the Company will be held on 7 June 2013 ("AGM"), and the notice of AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules and the Articles of Association of the Company.

During the year under review, the Company has amended its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange.

CORPORATE GOVERNANCE REPORT

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.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Shareholders either individually or collectively holding more than 10% of the shares of the Company may, through signing one or more copies of requisition(s) in the same form and content stating the topics to be discussed at the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall, in accordance with the laws, administrative regulations and Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of an extraordinary general meeting within ten days after receiving aforesaid written requisition(s).

In the event that the Board agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five days after the passing of the relevant resolution of the Board. Any change to the original proposal made in the notice requires prior approval of the shareholders concerned.

In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such requisition(s), shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the Supervisory Committee to convene the extraordinary general meeting, provided that such proposal shall be made in writing.

In the event that the supervisory committee agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five days after receiving such proposal. Any changes to the original proposal made in the notice shall require prior approval of the shareholders concerned.

Failure of the supervisory committee to issue the notice of the general meeting within required time frame shall be deemed as failure of the supervisory committee to convene and preside over a general meeting, in which case, shareholders individually or collectively holding 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on his/her/their own.

Where the supervisory committee or shareholders decide(s) to convene the general meeting by itself/themselves, it/they shall send out a written notice to the Board, and shall file with the dispatched office of the CSRC at the locality of the Company and the stock exchange. The shareholding of the convening shareholders shall not be lower than 10% prior to the announcement of the resolutions of the general meeting. The supervisory committee or the convening shareholder shall submit relevant evidence to the dispatched office of CSRC at the locality of the Company and the stock exchange upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

When the Company convenes a general meeting, the Board, supervisory committee or the shareholders either individually or collectively holding 3% or more of the Company's shares may put forward proposals to the Company.

Shareholders either individually or collectively holding 3% or more of the Company's shares may submit their provisional motions to the convener 10 days before the date fixed for convening of the meeting. The convener shall issue a supplementary notice of the general meeting 2 days after the motions have been received and announce the name of the shareholder submitting the provisional motions, shareholding percentage and the contents of the motions.

Other than the circumstances referred to in the preceding paragraph, after the convener has issued the notice on the general meeting, no changes shall be made to the motions listed in the notice of the meeting nor new motions shall be added.

The general meeting shall not vote on or resolve motions not listed in the notice of the general meeting or motions which do not meet the following requirements:-

Content of proposals at the shareholders' general meeting shall be matters falling within the functions and powers of general meeting. It shall have definite topics to discuss and specific matters to resolve and comply with the laws, administrative regulations and the requirements in the Articles of Association.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' ENQUIRIES

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the office of the Board at the Company's principal place of business in the PRC (for holder of A shares) or at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holder of H shares).

The address and contact details of the Company's principal place of business in the PRC are as follows:

North of Yihe
Huamei Shan Road
Chengdong New District
Luanchuan County
Luoyang City
Henan Province
The People's Republic of China
Telephone No.: (+86) 379 6865 8017
Facsimile No.: (+86) 379 6865 8030

The address and contact details of the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Telephone No.: (+852) 2862 8555
Facsimile No.: (+852) 2865 0990 / (+852) 2529 6087

ENQUIRIES ABOUT CORPORATE GOVERNANCE OR OTHER MATTERS TO BE PUT TO THE BOARD AND THE COMPANY

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the office of the Board, by email: cmoc03993@gmail.com, fax: (+86) 379 6865 8030, or mail to North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the People's Republic of China (Attention: Mr. Zhang Xinhui). Shareholders may call the Company at (+86) 379 6865 8017 for any assistance.

Note: Shareholders' information may be disclosed as required by law.

REPORT OF THE DIRECTORS

Dear shareholders,

The Directors of the Company are pleased to present their 2012 report and the audited consolidated financial statements of the Company for the year ended 31 December 2012.

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 H share prospectus of the Company dated 13 April 2007.

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

On 24 September 2012, the Company completed its initial public offering of A shares. On 9 October 2012, the A shares of the Company were successfully listed on the Shanghai Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activities of the Company are mining, flotation, roasting, smelting and downstream processing of molybdenum and tungsten products.

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 (IV) to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

INTERIM DIVIDEND

It was passed and resolved at the extraordinary general meeting held by the Company on 21 December 2012 that the Company would distribute interim dividends as at 30 September 2012 to the shareholders of the Company. The interim profit distribution was specified as the following: that the audited accumulated profit as at 31 December 2011 would be distributed according to the operating condition of the Company as at 30 September 2012. On basis of a total share capital of 5,076,170,525 shares upon the A share issue, cash dividend of RMB0.09 per share (tax inclusive) were distributed to all shareholders, equivalent to a total amount of payment of dividend of RMB456,855,347.25 (tax inclusive). The Company did not increase its share capital by conversion of capital reserve during the year.

FINAL DIVIDEND

In order to maintain the continuity and stability of the Company's dividend policy and to adhere to the commitment of providing shareholders with cash return, in accordance with the Company's principle of profit distribution and cash dividend policy, the Board recommended the payment of a final dividend of RMB0.12 per share (tax inclusive) for the year ended 31 December 2012. Final dividend for the year ended 31 December 2012 is subject to the approval of shareholders of the Company at the forthcoming AGM.

The Company will dispatch a circular containing, inter alia, further information relating to the proposed distribution of final dividend and the annual general meeting to shareholders as soon as practicable.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

As at 31 December 2011, the proceeds raised by the Group from the public offering of H shares in April 2007 of approximately RMB7,694.0 million have been used up.

The Company received aggregate net proceeds of approximately RMB558.1 million from the issuance of A shares at the time of its listing on the Shanghai Stock Exchange. Such net proceeds were derived after deduction of related issuance expenses. The above-mentioned proceeds have not been used.

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 five financial years, as extracted from the Company's audited consolidated financial statements for the year ended 31 December 2012, is set out on page 128. 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 (X). 9 and note (V). 11 to the consolidated financial statements.

SHARE CAPITAL

Details of changes in the Company's share capital during the year are set out in note (V). 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Save for the issuance of a medium-term financing bonds by the Company in 2012 (please refer to note (V). 30 to the consolidated financial statements and the Company's announcements dated 20 June 2012, 3 July 2012, 25 July 2012 and 3 August 2012), the Company resolved at the extraordinary general meeting convened on 31 October 2010 to approve the issuance of debt financing instruments of no more than RMB4.0 billion, for a term ranging from one year to five years. On 2 June 2011, the Company successfully issued RMB2.0 billion short-term financing bonds (11 CMOC CP01). Proceeds raised were used for replenishment of the working capital of the Company and its subsidiaries and repayment of bank loans. The short-term financing bonds were issued at fixed interest rate of 4.69% per annum (coupon: fixed interest) and hold a term of 365 days. The proceeds were received in full on 3 June 2011. On 2 June 2012, the principal of the bonds was redeemed and interest was paid in full. For the year ended 31 December 2012, 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 2012, calculated in accordance with PRC rules and regulation, was RMB1,626.3 million.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling RMB1.7 million (2011: RMB1.2 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, 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 11.51% of our total purchase value.

The total purchase from our five largest suppliers was approximately 31.18% of our total purchase value.

REPORT OF THE DIRECTORS

SALES

The total sales to our largest customer was approximately 8.99% of our total sales value.

The total sales to our five largest customers was approximately 25.04% 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. Wu Wenjun	(re-elected on 17 August 2012)
Mr. Li Chaochun	(re-elected on 17 August 2012)
Mr. Li Faben	(re-elected on 17 August 2012)
Mr. Wang Qinxi	(re-elected on 17 August 2012)
Mr. Duan Yuxian	(resigned on 24 October 2012)

Non-executive Directors

Mr. Shu Hedong	(re-elected on 17 August 2012)
Mr. Zhang Yufeng	(re-elected on 17 August 2012)

Independent Non-executive Directors

Mr. Bai Yanchun	(appointed on 17 August 2012)
Mr. Xu Shan	(appointed on 17 August 2012)
Mr. Cheng Gordon	(appointed on 17 August 2012)
Mr. Xu Xu	(appointed on 17 August 2012)
Mr. Gao Dezhu	(retired on 17 August 2012)
Mr. Zeng Shaojin	(retired on 17 August 2012)
Mr. Gu Desheng	(retired on 17 August 2012)
Mr. Ng Ming Wah, Charles	(retired on 17 August 2012)

Supervisors

Mr. Zhang Zhenhao	(re-elected on 17 August 2012)
Mr. Yin Dongfang	(re-elected on 17 August 2012)
Mr. Deng Jiaoyun	(re-elected by way of democratic election on 23 July 2012)

Senior Management

Mr. Yang Jianbo	(appointed as deputy general manager on 17 August 2012)
Mr. Wang Bin	(appointed as deputy general manager on 17 August 2012)
Ms. Gu Meifeng	(appointed as chief financial officer on 17 August 2012)
Mr. Zhang Xinhui	(appointed as Board secretary on 24 October 2012) (appointed as joint company secretary on 20 November 2012)
Mr. He Feng	(resigned on 24 October 2012)

Mr. Duan Yuxian resigned as executive Director on 24 October 2012 due to personal reasons; independent non-executive Directors Mr. Gao Dezhu, Mr. Zeng Shaojin, Mr. Gu Desheng and Mr. Ng Ming Wah, Charles no longer held positions upon expiration of office; Mr. He Feng resigned as Board secretary on 24 October 2012 due to personal reasons.

REPORT OF THE DIRECTORS

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 to be held in 2015) and may serve consecutive terms upon re-election. The Company has received annual confirmations of independence from former independent non-executive Directors Mr. Gao Dezhu, Mr. Zeng Shaojin, Mr. Gu Desheng and Mr. Ng Ming Wah, Charles and existing independent non-executive Directors Mr. Bai Yanchun, Mr. Xu Shan, Mr. Cheng Gordon and Mr. Xu Xu, and as at the date of this report still considers them to be independent.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S PROFILES

Profile details of the Directors and supervisors of the Company and the senior management of the Group are set out on pages 39 to 42 of the annual report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

The Directors' and supervisors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of the Company with reference to Directors' and supervisors' duties, responsibilities and performance and the results of the Group. In compliance with the CG Code, the Company has a remuneration committee to formulate remuneration policies. Details of the Directors' and supervisors' remuneration are disclosed in note (VI).6 to the consolidated financial statements.

The remuneration of the senior management for the year ended 31 December 2012 fell within the following bands:

Remuneration bands	Number of Individual(s) YEAR 2012
From RMB900,001 to RMB1,300,000	3
Below RMB900,000	2

DIRECTORS' AND SUPERVISORS' MANAGEMENT CONTRACTS

Each of our Directors and supervisors of the Company has entered into a service contract with our Company for a term of not more than three years until the annual general meeting of the Company to be held in 2015. None of the Directors and supervisors has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

As of 31 December 2012, 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 Hong Kong 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.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2012, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were 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 2012, 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")	1,776,593,475	Beneficial owner	A share	47.19%
Cathay Fortune Corporation ("CFC")	1,726,706,322	Beneficial owner	A share	45.86%
National Council for Social Security Fund of the PRC	20,000,000 119,196,000 (L)	Beneficial owner Beneficial owner	A share H share	0.53% 9.09%
JPMorgan Chase & Co.	69,275,293 (L) 5,069,739 (S) 64,166,051 (P)	Beneficial owner Beneficial owner Custodian	H share H share H share	5.28% 0.39% 4.89%

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

Save as disclosed above, as at 31 December 2012, 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

LMG (controlling shareholder of the Company) provided a guarantee to a subsidiary of the Company for borrowings amounting to RMB5.6 million on 25 June 2011, and such guarantee was fulfilled and expired on 28 November 2012. Such related party transaction constituted a connected transaction under Chapter 14A of the Listing Rules, but is exempt from the requirements for reporting, announcement and independent shareholders' approval. Save as the above, for the year ended 31 December 2012, the related party transactions set out in Note 6 to the consolidated financial statements did not constitute a connected transaction under Chapter 14A of the Listing Rules and the Group had not entered into any connected transactions with connected persons as defined in the Listing Rules.

REPORT OF THE DIRECTORS

NON-COMPETE AGREEMENTS

On 6 September 2006, non-compete agreements were entered into between 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". LMG and CFC had executed a Non-competition Undertaking Letter with the Company on 18 May 2011 and 30 January 2011 respectively, pursuant to which each of them had undertaken not to compete with the Company in the businesses it operated or businesses to be further expanded. Details of the Non-competition Undertaking letters had been disclosed in "Peer Competition and Connected Transactions (同業競爭與關聯交易) set out in Section VII to the prospectus dated 8 October 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information and to the knowledge of the Directors, at least 29.77% 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.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2012 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership).

The Company, for the purpose of optimizing efficiency and reducing costs of the Company, has ceased the appointment of Messrs. Deloitte Touche Tohmatsu as the overseas auditor of the Company and appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), as the sole auditor of the Company, with term of office until the conclusion of the next annual general meeting of the Company, in light of the acceptance of Mainland accounting and auditing standards and Mainland audit firms by the Stock Exchange.

By order of the Board
Wu Wenjun
Chairman

Luoyang City, Henan Province, the PRC
14 March 2013

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

I. MEETINGS CONVENED DURING THE REPORTING YEAR

During the reporting year, the supervisory committee held eight meetings. Apart from holding supervisory committee meetings, the supervisory committee of the Company had also attended and observed the Board official meetings of the Company for eight times and extraordinary meetings for five times, general meetings for five times in 2012 and had listened to and adopted important proposals and resolutions from the Company. We understood the formation process of the material decisions of the Company, had a grasp on the operational results of the Company, and at the same time performed the functions of acknowledgement, monitoring and investigation of the supervisory committee.

II. MAJOR DUTIES OF THE SUPERVISORY COMMITTEE

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

During the reporting period in 2012, the current session of the supervisory committee was primarily engaged in the following activities:

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

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

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

In 2012, in accordance with the requirements of relevant PRC laws, regulations and Articles of Association, the supervisors of the Company exercised inspection and supervision over the procedures for convening general meetings and Board meetings of the Company, items to be resolved, execution of resolutions passed at general meetings by the Board, the conduct codes of senior management of the Company and internal control system of the Company. Upon inspection, the supervisory committee of the Company is of the view that the decision making procedures on the general meetings and on each of the Board meetings of the Company are lawful, and the internal control system of the Company is well established. No violation of any laws, regulations and Articles of Association or any act which might jeopardize the benefits of the Company and the interests of the shareholders had been found in the performance of duties of each of the Directors and senior management.

REPORT OF THE SUPERVISORY COMMITTEE

3. Inspection of the Company's daily operating activities

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

4. Inspection of the Company's financial status

In 2012, 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 2012, 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 directors 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 2013

The supervisory committee of the Company will adhere firmly to the strategies of the Company, in stricter compliance with the national laws and regulations, rules of the listing places of the Company's shares 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 2013: we will adapt to new dynamics and requirements of the Company, improve supervisory responsibilities and constantly refine our working methods with a view to enhance 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 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, in order to achieve sound development of the Company as a whole.

Zhang Zhenhao

Chairman of the supervisory committee

Luoyang City, Henan Province, the PRC
14 March 2013

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wu Wenjun, aged 46, Senior Engineer, has been our executive Director since January 2007 as well as the Chairman of the Board, the chairman of the strategic committee and a member of the nomination committee of the Board since October 2012. He is also the vice chairman of Luoyang Association of Science and Technology. Mr. Wu graduated from Luoyang Institute of Technology in July 1987 with a bachelor's degree in engineering majoring machinery processing and equipment and with a master's degree in technological economics from Tsinghua University School of Economics and Management in June 1993. Between July 1993 and February 1994, Mr. Wu worked as an engineer with CITIC Heavy Machinery Inc. Computing Center and between February 1994 and December 2000, he worked as department manager and deputy general manager of CITIC Heavy Machinery Inc. Foreign Trade Company ("**CITIC Foreign Trade**"). From December 2000 to March 2003, he served as the general manager of CITIC Foreign Trade. From March 2003 to December 2006, he acted as the deputy mayor of the Luanchuan County. From January 2007 to October 2012, Mr. Wu was the general manager of the Company. Mr. Wu has been a director of China Molybdenum (Hong Kong) Company Limited ("**China Moly-HK**") since 24 October 2012.

Mr. Li Chaochun, aged 36, has been our Director and vice chairman since January 2007. Mr. Li graduated from Shanghai Jiaotong University with a bachelor's degree in law in July 1999. From July 1999 to December 1999, he was a staff accountant of the tax division of Arthur Andersen (Shanghai) Business Consulting Co., Ltd. He was with Arthur Andersen Hua Qiang CPA from January 2000 to March 2002, where his last position was a senior consultant of the tax division. From April 2002 to February 2003, he was a deputy manager of planning and strategy implementation of the general representative office of The Hong Kong and Shanghai Banking Corporation Limited. From July 2003 to January 2007, Mr. Li was an executive director of the investment department of CFC, one of the promoters of the Company. Mr. Li has been a director of Luoyang High-Tech and China Moly-HK since 27 May 2010 and 16 August 2007, respectively.

Mr. Li Faben, aged 49, professor-level Senior Engineer, has been our executive Director since August 2006. He is also the general manager and a member of the strategic committee of the Company since October 2012. Mr. Li graduated from the Central South Mining & Metallurgical College (subsequently renamed as the Central South University of Technology, now known as the Central South University) with a bachelor's degree in engineering in 1983 (major in mining engineering) and the Xi'an University of Architecture and Technology with a master's degree in engineering in 2004 (specialised in mining engineering). 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, quarry supervisor, head of the open-pit mining construction department and deputy manager of LLMC. Mr. Li served as deputy general manager of Luoyang Luanchuan Molybdenum Group Co., Ltd. ("**LLMG**") between January 1999 and November 2002. From November 2002 to August 2006, Mr. Li was the deputy general manager and vice chairman of LLMG and as well as a director of LMG from July 2006 to November 2009. Mr. Li was the standing deputy general manager of the Company from August 2006 to October 2012. Mr. Li is also a director of China Moly-HK since 16 August 2007.

Mr. Wang Qinxu, aged 48, Senior Engineer, has been our Director and deputy general manager since August 2006. Mr. Wang graduated from Beijing Steel College with a bachelor's degree in engineering majoring in ore flotation in 1987. Mr. Wang has over 20 years of experience in ore flotation. From 1987 to January 1999, Mr. Wang was a technician and 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 and 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.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Shu Hedong, aged 49, has been our non-executive Director since August 2009. Mr. Shu concurrently acts as executive director and general manager of Shanghai CFC Puyuan Investment Management Co., Ltd.* (上海鴻商普源投資管理有限公司), executive director and general manager of Shanghai CFC Datong Industrial Co., Ltd.* (上海鴻商大通實業有限公司), executive director and general manager of Shanghai Shanglue Trading Co., Ltd.* (上海商略貿易有限公司), executive director and general manager of Beijing Huiqiao Investment Co., Ltd.* (北京匯橋投資有限公司), and executive director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司). Mr. Shu graduated from Nanjing University in 1985 with a bachelor's degree in radio-geology and from the Third Institute of the Ministry of Nuclear Industry in 1988 with a master's degree in radio-geology. From January 1989 to March 1993, Mr. Shu worked for the former Ministry of Energy, and from April 1993 to January 1995, he served as the business development manager of Unisono Limited. Subsequently from February 1995 to November 1998, Mr. Shu served as business development manager of PowerGen International. From December 1998 to March 2001, Mr. Shu served as the chief director of corporate strategy and new business development of Unisono Limited and from April 2001 to March 2004, he served as the deputy general manager of Beijing Leader & Harvest Technology Co., Ltd.* (北京利德華福技術有限公司). Since April 2004, Mr. Shu has been an assistant to the chairman of CFC and an executive director of CFC. From August 2006 to August 2009, Mr. Shu acted as a Supervisor and chairman of the supervisory committee of the Company.

Mr. Zhang Yufeng, aged 38, has been our non-executive Director since August 2006. Mr. Zhang was an executive director of Ledong Binhai City Construction Development Co., Ltd.* (樂東濱海城市建設開發有限公司) and has been a director of Cathay Fortune Capital Equity Investment Co., Ltd.* (鴻商資本股權投資有限公司) since October 2011. Mr. Zhang graduated from Shanghai Jiaotong University (上海交通大學) in 1996 with a bachelor's degree in engineering. Mr. Zhang is a non-practicing member of CICPA (Chinese Institute of Certified Public Accountants). From January 1997 to August 1998, Mr. Zhang worked in project and investment department of Shanghai Caohejing Hi-Tech Park West Zone Development Co., Ltd.* (上海漕河涇開發區西區發展有限公司) and from August 1998 to July 2001, he served in the investment and consultancy department of DTZ Debenham Tie Leung Limited* (戴德梁行). From July 2001 to September 2002, Mr. Zhang worked for Shanghai Bao Rui Technology Investment Company* (上海寶瑞科技投資公司). Mr. Zhang was engaged in investment services for China Fortune Securities Co., Ltd.* (中富證券有限責任公司) from December 2002 to July 2003. From August 2003 to the present, Mr. Zhang has been the general manager of the No. 2 Investment Department of CFC.

Independent Non-Executive Directors

Mr. Bai Yanchun, aged 46, has been our independent non-executive Director since August 2012. He is currently a member of All China Lawyers Association holding a practising solicitor certificate in the PRC. Mr. Bai graduated from China University of Political Science and Law with a bachelor's degree of laws in 1988. He studied the postgraduate courses at the Center for Chinese and American Studies of Johns Hopkins University in the United States in 1992 and obtained a master's degree from the School of Law of Stanford University in the United States in 2003. From 1988 to 1992, he worked at the China Council for the Promotion of International Trade. In 1993, he participated in the founding of King & Wood Mallesons and has been engaging in professional legal services such as securities, mergers and acquisitions. Mr. Bai currently serves as an arbitrator of China International Economic and Trade Arbitration Commission. Mr. Bai was appointed as a member of the ninth session of Issuance Examination Committee of China Securities Regulatory Commission in 2008.

Mr. Cheng Gordon, aged 38, has been our Independent Non-Executive Director since August 2012. Mr. Cheng graduated from the University of Sydney (Australia) with bachelor degree in commerce (1996) and bachelor degree in law (1998). He is the President and Managing Partner of GD China Clean Energy Capital Partners. He also serves as the senior advisor of Deutsche Bank Global Climate Change Advisors and United Nations Industrial Development Organization (UNIDO) in China. From 2010 to 2011, Mr. Cheng had been the China Chief Representative of LaSalle Fund. Prior to 2010, he served as the Chief Financial Officer and Chief Investment Officer of Sunshine 100 Real Estate Development Group ("Sunshine 100"). Before joining Sunshine 100, he served as the Executive Vice President of Vimicro International Corporation ("Vimicro"), which was successfully listed at NASDAQ in 2005. Before joining Vimicro, he has worked for reputable global investment banks, including J.P. Morgan and Credit Suisse. Mr. Cheng has extensive experience in financing, investing as well as merger and acquisitions, both globally and in China. He serves as the Director of the Company.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu Shan, aged 44, has been our independent non-executive Director since August 2012. He is a PRC certified public accountant and a PRC registered tax agent. Mr. Xu graduated from the Department of Computing and Systematic Science of Xiamen University in 1991 and obtained a doctor's degree in management (accounting) from Xiamen University in 2001. At present, he concurrently acts as the chairman of Xiamen Tianjian Consulting Firm* (廈門天健諮詢公司) and an independent director of Sunshine Insurance Group Corporation Limited* (陽光保險集團股份有限公司), Beijing Kalends Science & Technology Company Limited* (北京昆侖萬維科技股份有限公司) and Ningxia EPPEN Biotech Co., Ltd.* (寧夏伊品生物科技股份有限公司), a member of the Core Committee of Investment Banking Business of Cinda Securities Company Limited (信達證券股份有限公司投資銀行業務內核委員會), a part-time professor of the MPAcc Program of Xiamen University and a consultant of the Private Banking Center of Xiamen Branch of China Construction Bank. Mr. Xu served as the manager of Xiamen Nongxin Accounting Firm* (廈門農信會計師事務所) from June 1994 to August 1996, the manager of the Accounting Firm of Xiamen University* (廈門大學會計師事務所) from September 1996 to December 1998 as well as a director and partner of Tianjian Zhengxin Accounting Firm* (天健正信會計師事務所) from December 1998 to December 2011. He concurrently served as a special member of the ninth session of Issuance Examination Committee of China Securities Regulatory Commission from 2007 to 2008.

Mr. Xu Xu, aged 61, has been our independent non-executive Director since August 2012. Mr. Xu graduated from the English department of the Advance Learning Institute for Civil Servants of State Economic and Trade Commission (國家經貿部幹部進修學院) in 1984. Mr. Xu acquired his MBA degree from the School of Management, University at Buffalo, the State University of New York in 2001 and doctoral degree in industrial economics from the School of Business in Renmin University of China in 2005. In April 1975, Mr. Xu joined the Ministry of Foreign Trade (國家對外貿易部) (subsequently renamed as the Ministry of Foreign Trade and Economic Cooperation (經貿部), the Ministry of Foreign Trade and Economic (外經貿部), the Ministry of Commerce (商務部)) and served in various positions including third-class secretary, director, deputy director and special commissioner at Chinese embassies. From November 2008 to May 2012, Mr. Xu served as the president of China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters. From 2004 to 2008, Mr. Xu served as a member of the Certification and Accreditation Administration of the People's Republic of China.

SUPERVISORS

Mr. Zhang Zhenhao, aged 39, has been our Supervisor and chairman of the supervisory committee since August 2009. Mr. Zhang concurrently acts as a director of CFC, a supervisor of Cathay Fortune Capital Equity Investment Co., Ltd.* (鴻商資本股權投資有限公司) and a 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 Polytechnic University with a bachelor's degree in textile engineering. Mr. Zhang also obtained a master degree in finance from the Graduate School of The Chinese Academy of Social Sciences and the CFA qualification from the CFA Institute. From 1993 to 1999, Mr. Zhang held positions at Tianjin Yarn-dyed Company (天津色織公司), 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 preparatory division, 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 preparatory division, 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.

Mr. Yin Dongfang, aged 51, has been our Supervisor since January 2007. Mr. Yin concurrently acts as the manager of the investment and management department of the Luoyang City Branch of Henan Province Association of Municipal and Township Collectively-Owned Industries* (河南省城鎮集體工業聯合社洛陽市聯社), vice chairman, director and general manager of Luoyang City State-owned Assets Management Co., Ltd.* (洛陽市國資國有資產經營有限公司), director of China YTO Group Corporation* (中國一拖集團有限公司) and Supervisor of Bank of Luoyang Co., Ltd.* (洛陽銀行股份有限公司). Mr. Yin graduated from Zhengzhou University with a diploma in law in June 1988 and obtained his lawyer's qualification certificate in May 1989. Between 1994 and 1998, Mr. Yin practiced as a lawyer in Luoyang City No. 2 Law Firm* (洛陽市第二律師事務所) and between August 1998 and December 2004, he set up his own legal firm with two other partners. Between August 2002 and December 2004, Mr. Yin was appointed as the standing deputy chairman of Luoyang City Bar Association* (洛陽市律師協會). He has been the manager of the investment and management department of the Luoyang City Branch of Henan Province Association of Municipal and Township Collectively-Owned Industries since May 2005, a Supervisor of the Company since January 2007, vice chairman, director and general manager of Luoyang City State-owned Assets Management Co., Ltd.* (洛陽市國資國有資產經營有限公司) since June 2007, director and deputy general manager of LMG since July 2008, director of China YTO Group Corporation since June 2009, and Supervisor of Bank of Luoyang Co., Ltd. since January 2011.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Deng Jiaoyun, aged 60, has been our supervisor since August 2006. From July 1969 to June 1984, Mr. Deng worked at the Wood Construction Bureau, No. 2 Light Industry Bureau, and Planning Committee of Luanchuan County. From June 1984 to January 1988, Mr. Deng was the deputy chief of Luanchuan County Bureau of Statistics and from 1988 to 1989, he was appointed as the deputy head of the policy research office of Luanchuan County CCP Committee. In addition, from April 1989 to March 1993, Mr. Deng served as the head of the finance department, labor and personnel department and organization department of LLMC. From 1999 to August 2006, Mr. Deng also served as the head of organization department, director and chairman of the labor union of LLMG.

JOINT COMPANY SECRETARIES

Ms. Ho Siu Pik, aged 49, 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 a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. She is currently the joint company secretary of SITC International Holdings Company Limited and Yashili International Holdings Ltd, and the company secretary of Sun Art Retail Group Limited and China Polymetallic Mining Limited, all companies are listed on the Hong Kong Stock Exchange.

Mr. Zhang Xinhui, aged 34. Mr. Zhang served as former chief financial officer of the Company, at present as the secretary to the Board and the joint company secretary of the Company. Mr. Zhang obtained a bachelor's degree in economics in 1999 and a master's degree in economics in 2003 from Fudan University. Prior to joining CMOC, Mr. Zhang worked respectively at the investment banking department of Tebon Securities Co., Ltd. (德邦證券有限責任公司) and the No. 1 Investment Department of CFC.

SENIOR MANAGEMENT

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

Mr. Yang Jianbo, aged 47, Senior Engineer. 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 director and deputy general manager of LLMG. He served as deputy general manager of the Company since August 2006.

Mr. Wang Bin, aged 46, Professional-level Senior Engineer, current representative of the 13th session of the National People's Congress of Luoyang. Mr. Wang graduated from Central South University of Technology in 1989 with a bachelor's degree in geological and mineral exploration. 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 and secretary to the Party Committee of the mine branch company. From November 2002 to August 2006, Mr. Wang served as a director and deputy general manager of LLMG. From January 2005 to January 2009, Mr. Wang concurrently acted as an executive director, general manager and secretary to the Party Committee of Luoyang High-Tech. Mr. Wang served as deputy general manager of the Company since August 2006. Mr. Wang was awarded as Ten Outstanding Young Persons in Henan Province (河南省十大傑出青年) in 2006, China Nonferrous Metals Industry Science and Technology Award (中國有色金屬工業科學技術獎) in 2005. Mr. Wang won May 1st Labour Medal in Luoyang City (洛陽市「五一」勞動獎章), Outstanding Expert in Luoyang City (洛陽市優秀專家) and Technical Specialist on Metallurgy and Building Materials Enterprises in the Group of Top Talents and Specialists for Developing Henan through Science and Education (省科教興豫高級人才專家團冶金建材企業科技專家).

Ms. Gu Meifeng, aged 48, has been our chief financial officer of the Company since August 2006. Ms. Gu graduated from Henan University in 1995 and obtained a master's 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 Repairation & 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), a company listed on both the Shanghai Stock Exchange (stock code: 600876) and the Hong Kong Stock Exchange (Stock code: 1108). In addition, Ms. Gu has been serving as a director of Xinjiang Luoma since July 2011 and a supervisor of Luoyang High-Tech since May 2010. Ms. Gu is a certified public accountant, registered asset appraiser and senior accountant.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Wu Wenjun (*Chairman*)
Li Chaochun (*Vice Chairman*)
Li Faben
Wang Qinxu

Non-executive Directors

Shu Hedong
Zhang Yufeng

Independent Non-executive Directors

Bai Yanchun
Cheng Gordon
Xu Shan
Xu Xu

SUPERVISORS

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

BOARD COMMITTEES

Remuneration Committee

Bai Yanchun (*Chairman*)
Xu Xu
Shu Hedong

Audit Committee

Xu Shan (*Chairman*)
Cheng Gordon
Zhang Yufeng

Strategic Committee

Wu Wenjun (*Chairman*)
Li Chaochun
Li Faben
Bai Yanchun
Xu Xu

Nomination Committee of the Board

Bai Yanchun (*Chairman*)
Wu Wenjun
Li Chaochun (*Vice Chairman*)
Xu Shan
Cheng Gordon
Xu Xu

Supervisory Committee

Zhang Zhenhao (*Chairman*)
Yin Dongfang
Deng Jiaoyun

BOARD SECRETARY

Zhang Xinhui

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

PLACE OF BUSINESS IN HONG KONG

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

LEGAL REPRESENTATIVE

Wu Wenjun

AUTHORIZED REPRESENTATIVES

Li Chaochun
Ho Siu Pik

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Zhang Xinhui
Ho Siu Pik (FCS, FCIS)

ENQUIRY DEPARTMENT OF THE COMPANY

Office of the Board of Directors

INFORMATION ENQUIRY TELEPHONE NO. OF THE COMPANY

(+86) 379 6865 8017

SHANGHAI A SHARE REGISTRAR

China Securities Depository and
Clearing Company Limited, Shanghai Branch
36/F, China Insurance Building,
No. 166 Lujiazui Road East,
Pudong New Area,
Shanghai, the PRC

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

PLACES OF LISTING

Place of listing of A share - Shanghai Stock Exchange
Place of listing of H share -
The Stock Exchange of Hong Kong Limited

NAME OF THE STOCK

China Molybdenum Co., Ltd. (CMOC)

STOCK CODE

Stock code of A share: 603993
(Listed on 9 October 2012)
Stock code of H share: 03993
(Listed on 26 April 2007)

PRINCIPAL BANKERS

1. Industrial and Commercial Bank of China Limited,
Luanchuan County Sub-branch
2. Agricultural Bank of China,
Luanchuan County Sub-branch
3. China Construction Bank Corporation,
Luanchuan County Sub-branch
4. Bank of China Limited, Luoyang Branch
5. China Merchants Bank, Zhengzhou Branch
6. China CITIC Bank Corporation Limited, Luoyang Branch
7. Industrial Bank Co., Ltd., Zhengzhou Branch,
Zijingshan Sub-branch
8. China Everbright Bank, Zhengzhou Branch,
Wenhua Road Sub-branch

AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP
(Special General Partnership)

LEGAL ADVISORS

As to Hong Kong law:

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

As to PRC law:

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

INTERNAL CONTROL ADVISER

SHINEWING Risk Services Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

COMPLIANCE ADVISER

First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

WEBSITE

www.chinamoly.com

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (13) No. P0178

To the Shareholders of China Molybdenum Co., Ltd.

We have audited the accompanying financial statements of China Molybdenum Co., Ltd. ("the Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2012, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity and the Company's and consolidated cash flows statements for the year then ended, and the notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

3. OPINION

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2012, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant:

Mou Zheng Fei

Wang Jie

14 March 2013

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

Unit: RMB

ITEM	NOTES	Closing balance	Opening balance
Current assets:			
Bank balances and cash	(V) 1	2,710,070,379.19	2,860,065,810.02
Held-for-trading financial assets	(V) 2	10,891,273.49	61,629,534.63
Bills receivable	(V) 3	1,220,159,395.98	984,534,030.86
Accounts receivable	(V) 4	640,733,755.79	778,145,711.39
Prepayments	(V) 6	227,396,412.53	291,043,384.76
Interest receivable		11,504,773.64	10,184,296.16
Other receivables	(V) 5	70,336,012.59	126,272,930.32
Inventories	(V) 7	1,310,298,697.22	1,646,117,907.47
Other current assets	(V) 8	1,412,014,904.49	92,700,516.79
Total current assets		7,613,405,604.92	6,850,694,122.40
Non-current assets:			
Long-term equity investments	(V) 9,10	1,678,402,125.96	1,683,741,984.15
Fixed assets	(V) 11	3,623,670,473.44	3,666,325,877.90
Construction in progress	(V) 12	398,038,691.38	345,851,224.66
Intangible assets	(V) 13	2,057,651,702.79	2,022,026,452.99
Long-term deferred expenses	(V) 14	135,300,540.93	96,325,122.39
Deferred tax assets	(V) 15	133,435,838.06	156,887,815.55
Other non-current assets	(V) 17	109,410,215.00	124,271,355.00
Total Non-current assets		8,135,909,587.56	8,095,429,832.64
TOTAL ASSETS		15,749,315,192.48	14,946,123,955.04
Current liabilities:			
Short-term borrowings	(V) 18	10,000,000.00	334,675,124.00
Bills payable	(V) 19	75,891,401.38	73,817,000.00
Accounts payable	(V) 20	267,690,496.16	445,063,550.97
Receipts in advance	(V) 21	49,024,118.34	96,938,639.19
Employee benefits payable	(V) 22	120,121,388.57	83,061,884.75
Taxes payable	(V) 23	(168,792,483.06)	(108,375,469.52)
Interests Payable	(V) 24	41,166,666.66	—
Dividends payable	(V) 25	150,547,472.71	40,845,798.67
Other payables	(V) 26	481,230,559.29	275,843,596.02
Non-current liabilities due within one year	(V) 27	262,320,927.26	29,600,000.00
Short-term financing bonds payable	(V) 28	—	2,000,000,000.00
Other current liabilities	(V) 29	16,433,778.49	95,329,589.56
Total current liabilities		1,305,634,325.80	3,366,799,713.64

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

ITEM	NOTES	Closing balance	Opening balance
Non-current liabilities:			
Bonds payable	(V) 30	2,000,000,000.00	—
Provision	(V) 31	46,983,083.13	44,745,793.45
Other non-current liabilities	(V) 32	25,303,634.90	275,591,339.96
Total non-current liabilities		2,072,286,718.03	320,337,133.41
TOTAL LIABILITIES		3,377,921,043.83	3,687,136,847.05
SHAREHOLDERS' EQUITY:			
Share capital	(V) 33	1,015,234,105.00	975,234,105.00
Capital reserve	(V) 34	8,102,977,121.92	7,584,830,422.21
Special reserve	(V) 35	78,938,263.32	78,916,909.25
Surplus reserve	(V) 36	704,898,171.11	704,898,171.11
Undistributed profits	(V) 37	1,641,545,905.43	1,048,096,576.11
Exchange differences arising on translation of financial statements denominated in foreign currencies		(2,058,590.46)	(1,842,810.97)
Total equity attributable to the shareholders of the parent company		11,541,534,976.32	10,390,133,372.71
Minority interests		829,859,172.33	868,853,735.28
TOTAL SHAREHOLDERS' EQUITY		12,371,394,148.65	11,258,987,107.99
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,749,315,192.48	14,946,123,955.04

The accompanying notes form part of the financial statements.

The financial statements on pages 46 to 125 were signed by the following:

Legal Representative: Wu Wen Jun
Chief Accountant: Zhang Hong Wei

Person in Charge of the Accounting Body: Gu Mei Feng

BALANCE SHEET OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2012

Unit: RMB

ITEM	NOTES	Closing balance	Opening balance
Current assets:			
Bank balances and cash	(X) 1	2,033,082,435.07	1,727,319,193.73
Held-for-trading financial assets	(X) 2	9,437,760.00	60,168,560.00
Bills receivable	(X) 3	1,190,664,406.12	970,061,089.37
Accounts receivable	(X) 4	200,685,773.67	194,595,259.19
Prepayments	(X) 5	4,613,139.78	1,817,793,102.90
Interest receivable		91,675,640.19	35,004,159.71
Dividends receivable		47,086,082.08	47,086,082.08
Other receivables	(X) 6	1,890,551,021.80	272,851,891.15
Inventories	(X) 7	184,200,381.46	176,816,949.26
Other current assets		1,009,139,902.79	35,866,787.71
Total current assets		6,661,136,542.96	5,337,563,075.10
Non-current assets:			
Long-term equity investments	(X) 8	3,784,154,738.50	3,778,940,596.69
Fixed assets	(X) 9	1,768,028,862.34	1,899,739,678.66
Construction in progress		101,588,826.44	136,788,098.00
Intangible assets	(X) 10	698,060,076.40	603,353,562.24
Long-term deferred expenses		128,877,574.21	91,324,168.84
Deferred tax assets	(X) 11	48,308,654.47	57,963,546.65
Other non-current assets	(X) 13	1,190,611,455.00	1,220,611,455.00
Total non-current assets		7,719,630,187.36	7,788,721,106.08
TOTAL ASSETS		14,380,766,730.32	13,126,284,181.18

BALANCE SHEET OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2012

Unit: RMB

ITEM	NOTES	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	(X) 14	—	150,000,000.00
Notes payable		—	82,417,000.00
Accounts payable		83,367,838.00	97,029,787.72
Receipts in advance		1,034,625.18	2,185,224.46
Employee benefits payable		81,268,838.23	51,882,742.11
Taxes payable	(X) 15	(52,191,317.44)	76,195,136.95
Interests payable		46,715,089.16	—
Dividend payable		119,701,676.04	—
Other payables		482,209,385.83	187,064,530.46
Non-current liabilities due within one year		16,202,199.26	385,585.80
Short-term financing bonds payable		—	2,000,000,000.00
Other current liabilities		7,697,911.20	71,168,452.03
Total Current Liabilities		786,006,245.46	2,718,328,459.53
Non-current Liabilities:			
Bonds payable	(V) 30	2,000,000,000.00	—
Provision	(V) 31	46,983,083.13	44,745,793.45
Other non-current liabilities		19,901,510.90	24,070,487.96
Total Non-current Liabilities		2,066,884,594.03	68,816,281.41
TOTAL LIABILITIES		2,852,890,839.49	2,787,144,740.94
SHAREHOLDERS' EQUITY:			
Share capital	(V) 33	1,015,234,105.00	975,234,105.00
Capital reserve	(V) 34	8,102,977,121.92	7,584,830,422.21
Special reserve		78,466,587.27	78,916,909.25
Surplus reserve	(V) 36	704,898,171.11	704,898,171.11
Undistributed profits		1,626,299,905.53	995,259,832.67
TOTAL SHAREHOLDERS' EQUITY		11,527,875,890.83	10,339,139,440.24
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,380,766,730.32	13,126,284,181.18

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

Unit: RMB

ITEM	NOTES	Amount for the current year	Amount for the prior year
I. Total operating revenue	(V) 38	5,710,893,904.27	6,099,651,578.23
II. Total operating costs			
Less: Operating costs	(V) 38	4,009,216,807.89	3,911,370,115.23
Business taxes and levies	(V) 39	268,890,022.83	218,796,117.22
Selling expenses		25,330,075.67	24,626,272.32
Administrative expenses	(V) 40	433,331,447.59	460,023,025.05
Financial expenses	(V) 41	49,597,057.16	68,700,862.67
Impairment losses of assets	(V) 42	27,853,560.45	23,196,195.85
Add: Gains (losses) from changes in fair values	(V) 43	(738,261.14)	(2,469,548.93)
Investment income	(V) 44	151,042,583.91	127,041,473.79
Including: Income from investments in associates and joint ventures		116,760,141.81	109,243,630.10
III. Operating profit		1,046,979,255.45	1,517,510,914.75
Add: Non-operating income	(V) 45	54,187,319.00	14,804,136.79
Less: Non-operating expenses	(V) 46	4,209,530.52	20,398,534.05
Including: Losses from disposal of non-current assets		1,036,818.99	15,357,352.18
IV. Total profit		1,096,957,043.93	1,511,916,517.49
Less: Income tax expenses	(V) 47	80,581,368.21	355,754,740.02
V. Net profit		1,016,375,675.72	1,156,161,777.47
Net profit attributable to shareholders of the parent company		1,050,304,676.57	1,118,175,996.91
Profit or loss attributable to minority interests		(33,929,000.85)	37,985,780.56
VI. Earnings per share:	(V) 48		
Basic earnings per share		0.21	0.23
VII. Other comprehensive income (losses)	(V) 49	(215,779.49)	1,897,969.35
VIII. Total comprehensive income:		1,016,159,896.23	1,158,059,746.82
Total comprehensive income attributable to shareholders of the parent company		1,050,088,897.08	1,120,073,966.26
Total comprehensive income attributable to minority interests		(33,929,000.85)	37,985,780.56

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2012

Unit: RMB

ITEM	NOTES	Amount for the current year	Amount for the prior year
I. Operating revenue	(X) 16	2,923,723,430.48	5,833,900,570.42
Less: Operating costs	(X) 16	1,470,275,082.59	4,007,144,745.10
Business taxes and levies	(X) 17	255,156,246.41	205,256,486.26
Selling expenses		127,955.20	8,963,410.05
Administrative expenses	(X) 18	271,017,835.98	301,955,334.31
Financial expenses	(X) 19	5,616,850.69	54,204,701.64
Impairment loss of assets	(X) 20	5,114,829.48	(3,790,678.00)
Add: Gains (losses) from changes in fair values		(730,800.00)	(1,545,120.00)
Investment income	(X) 21	160,085,694.65	141,449,279.60
Including: Income from investments in associates and joint ventures		126,714,141.81	116,914,763.28
II. Operating profit		1,075,769,524.78	1,400,070,730.66
Add: Non-operating income	(X) 22	49,962,157.31	7,427,091.52
Less: Non-operating expenses	(X) 23	2,137,446.22	3,272,983.82
Including: Losses from disposal of non-current assets		—	600.00
III. Total profit		1,123,594,235.87	1,404,224,838.36
Less: Income tax expenses	(X) 24	35,698,815.76	301,009,147.26
IV. Net profit		1,087,895,420.11	1,103,215,691.10
V. Other comprehensive income		—	—
VI. Total comprehensive income		1,087,895,420.11	1,103,215,691.10

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

Unit: RMB

ITEM	NOTES	Amount for the current year	Amount for the prior year
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		6,451,030,149.92	8,062,295,040.87
Receipts of tax refunds		2,873,917.14	—
Other cash receipts relating to operating activities	(V) 50(1)	114,756,555.13	53,148,751.48
Sub-total of cash inflows from operating activities		6,568,660,622.19	8,115,443,792.35
Cash payments for goods purchased and services received		3,237,677,311.10	4,937,071,732.46
Cash payments to and on behalf of employees		569,691,084.76	677,151,400.44
Payments of various types of taxes		966,545,831.93	1,342,806,875.78
Other cash payments relating to operating activities	(V) 50(2)	188,579,244.31	130,265,117.62
Sub-total of cash outflows from operating activities		4,962,493,472.10	7,087,295,126.30
Net cash flow from operating activities		1,606,167,150.09	1,028,148,666.05
II. Cash flows from investing activities:			
Cash receipts from disposals and recovery of investments	(V) 50(3)	7,005,092,483.35	7,160,384,340.51
Cash receipts from investment income		157,165,921.03	57,797,843.69
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		816,784.27	2,516,265.39
Net cash receipts from disposals of subsidiaries and other business units		—	—
Other cash receipts relating to investing activities	(V) 50(4)	38,750,000.00	—
Sub-total of cash inflows from investing activities		7,201,825,188.65	7,220,698,449.59
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		426,224,076.38	733,078,385.01
Cash payments to acquire investments	(V) 50(5)	9,442,456,683.35	7,074,700,000.00
Net cash payments for acquisitions of subsidiaries and other business units		—	—
Other cash payments relating to investing activities		—	—
Sub-total of cash outflows from investing activities		9,868,680,759.73	7,807,778,385.01
Net cash flow from investing activities		(2,666,855,571.08)	(587,079,935.42)
III. Cash flows from financing activities:			
Cash receipts from capital contributions		570,000,000.00	—
Including: cash receipts from capital contributions from minority owners of subsidiaries		—	—
Cash receipts from borrowings		2,525,000,000.00	3,250,675,124.00
Sub-total of cash inflows from financing activities		3,095,000,000.00	3,250,675,124.00
Cash repayments of borrowings		2,879,275,124.00	1,683,050,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		458,689,181.23	2,070,843,724.65
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		5,065,562.10	66,812,788.95
Other cash payments to financing activities		11,853,300.29	—
Sub-total of cash outflows from financing activities		3,349,817,605.52	3,753,893,724.65
Net cash flow from financing activities		(254,817,605.52)	(503,218,600.65)
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		(54,198.69)	1,897,969.35
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents	(V) 51(2)	(1,315,560,225.20)	(60,251,900.67)
		2,779,197,065.90	2,839,448,966.57
VI. Closing balance of cash and cash equivalents			
	(V) 51(2)	1,463,636,840.70	2,779,197,065.90

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2012

Unit: RMB

ITEM	Amount for the current year	Amount for the prior year
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	3,193,271,183.28	7,130,467,887.53
Receipts of tax refunds	—	—
Other cash receipts relating to operating activities	97,632,445.61	36,615,967.61
Sub-total of cash inflows from operating activities	3,290,903,628.89	7,167,083,855.14
Cash payments for goods purchased and services received	980,514,568.94	3,782,198,868.17
Cash payments to and on behalf of employees	337,425,216.25	440,676,062.47
Payments of various types of taxes	849,900,651.95	1,141,989,125.30
Other cash payments relating to operating activities	121,248,697.79	398,352,738.50
Sub-total of cash outflows from operating activities	2,289,089,134.93	5,763,216,794.44
Net cash flow from operating activities	1,001,814,493.96	1,403,867,060.70
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	5,579,535,800.00	7,153,549,340.51
Cash receipts from investment income	152,853,588.19	149,912,047.29
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	334,569.53	1,584,003.23
Other cash receipts relating to investing activities	2,536,965,349.92	1,016,453,681.26
Sub-total of cash inflows from investing activities	8,269,689,307.64	8,321,499,072.29
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	179,276,300.46	337,902,697.17
Cash payments to acquire investments	7,297,500,000.00	7,036,079,866.82
Other cash payments relating to investing activities	2,192,938,448.61	1,326,031,536.89
Sub-total of cash outflows from investing activities	9,669,714,749.07	8,700,014,100.88
Net cash flow from investing activities	(1,400,025,441.43)	(378,515,028.59)
III. Cash flows from financing activities:		
Cash receipts from capital contributions	570,000,000.00	—
Cash receipts from borrowings	2,400,000,000.00	3,555,017,816.83
Other cash receipts relating to financing activities	1,045,174,806.15	4,859,836,289.68
Sub-total of cash inflows from financing activities	4,015,174,806.15	8,414,854,106.51
Cash repayments of borrowings	2,550,000,000.00	1,896,067,514.90
Cash payments for distribution of dividends or profits or settlement of interest expenses	439,276,476.45	2,006,154,488.69
Other cash payments to financing activities	1,041,191,459.44	5,492,396,038.24
Sub-total of cash outflows from financing activities	4,030,467,935.89	9,394,618,041.83
Net cash flow from financing activities	(15,293,129.74)	(979,763,935.32)
IV. Effect of foreign exchange rate changes on cash and cash equivalents	—	—
V. Net increase in cash and cash equivalents	(413,504,077.21)	45,588,096.79
Add: Opening balance of cash and cash equivalents	1,646,450,449.61	1,600,862,352.82
VI. Closing balance of cash and cash equivalents	1,232,946,372.40	1,646,450,449.61

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

Unit: RMB

ITEM	Amount for the current year							
	Attributable to owners of the Company							Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Undistributed profits	Foreign currency exchange differences	Minority interests	
I. Opening balance of 2012	975,234,105.00	7,584,830,422.21	78,916,909.25	704,898,171.11	1,048,096,576.11	(1,842,810.97)	868,853,735.28	11,258,987,107.99
II. Changes for the year								
(I) Net profit	—	—	—	—	1,050,304,676.57	—	(33,929,000.85)	1,016,375,675.72
(II) Other comprehensive income	—	—	—	—	—	(215,779.49)	—	(215,779.49)
Subtotal of (I) and (II)	—	—	—	—	1,050,304,676.57	(215,779.49)	(33,929,000.85)	1,016,159,896.23
(III) Owners' contributions and reduction in capital								
1. Capital contribution from owners	40,000,000.00	518,146,699.71	—	—	—	—	—	558,146,699.71
(IV) Profit distribution								
1. Transfer to surplus reserve	—	—	—	—	—	—	—	—
2. Distributions to shareholders	—	—	—	—	(456,855,347.25)	—	(5,065,562.10)	(461,920,909.35)
(V) Special reserve								
1. Transfer to special reserve in the year	—	—	424,495,681.83	—	—	—	10,437,744.81	434,933,426.64
2. Amount utilised in the year	—	—	(424,474,327.76)	—	—	—	(10,437,744.81)	(434,912,072.57)
III. Closing balance of 2012	1,015,234,105.00	8,102,977,121.92	78,938,263.32	704,898,171.11	1,641,545,905.43	(2,058,590.46)	829,859,172.33	12,371,394,148.65
	Amount for the prior year							
	Attributable to owners of the Company							Total shareholders' equity
ITEM	Share capital	Capital reserve	Special reserve	Surplus reserve	Undistributed profits	Foreign currency exchange differences	Minority interests	
I. Opening balance of 2011	975,234,105.00	7,584,830,422.21	94,392,237.14	594,576,602.00	2,010,215,040.41	(3,740,780.32)	444,882,758.61	11,700,390,385.05
II. Changes for the year								
(I) Net profit	—	—	—	—	1,118,175,996.91	—	37,985,780.56	1,156,161,777.47
(II) Other comprehensive income	—	—	—	—	—	1,897,969.35	—	1,897,969.35
Subtotal of (I) and (II)	—	—	—	—	1,118,175,996.91	1,897,969.35	37,985,780.56	1,158,059,746.82
(III) Owners' contributions and reduction in capital								
1. Capital contribution from owners	—	—	—	—	—	—	390,000,000.00	390,000,000.00
(IV) Profit distribution								
1. Transfer to surplus reserve	—	—	—	110,321,569.11	(110,321,569.11)	—	—	—
2. Distributions to shareholders	—	—	—	—	(1,969,972,892.10)	—	(4,014,803.89)	(1,973,987,695.99)
(V) Special reserve								
1. Transfer to special reserve in the year	—	—	354,162,329.84	—	—	—	—	354,162,329.84
2. Amount utilised in the year	—	—	(369,637,657.73)	—	—	—	—	(369,637,657.73)
III. Closing balance of 2011	975,234,105.00	7,584,830,422.21	78,916,909.25	704,898,171.11	1,048,096,576.11	(1,842,810.97)	868,853,735.28	11,258,987,107.99

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2012

Unit: RMB

ITEM	Amount for the current year					Undistributed profits	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve			
I. Opening balance of 2012	975,234,105.00	7,584,830,422.21	78,916,909.25	704,898,171.11	995,259,832.67	10,339,139,440.24	
II. Changes for the year							
(I) Net profit	—	—	—	—	1,087,895,420.11	1,087,895,420.11	
(II) Owners' contributions and reduction in capital							
1. Capital contribution from owners	40,000,000.00	518,146,699.71	—	—	—	558,146,699.71	
(III) Profit distribution							
1. Transfer to surplus reserve	—	—	—	—	—	—	
2. Distributions to shareholders	—	—	—	—	(456,855,347.25)	(456,855,347.25)	
(IV) Special reserve							
1. Transfer to special reserve in the year	—	—	387,063,411.71	—	—	387,063,411.71	
2. Amount utilised in the year	—	—	(387,513,733.69)	—	—	(387,513,733.69)	
III. Closing balance of 2012	1,015,234,105.00	8,102,977,121.92	78,466,587.27	704,898,171.11	1,626,299,905.53	11,527,875,890.83	

Unit: RMB

ITEM	Amount for the current year					Undistributed profits	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Surplus reserve			
I. Opening balance of 2011	975,234,105.00	7,584,830,422.21	94,392,237.14	594,576,602.00	1,972,338,602.78	11,221,371,969.13	
II. Changes for the year							
(I) Net profit	—	—	—	—	1,103,215,691.10	1,103,215,691.10	
(II) Profit distribution							
1. Transfer to surplus reserve	—	—	—	110,321,569.11	(110,321,569.11)	—	
2. Distributions to shareholders	—	—	—	—	(1,969,972,892.10)	(1,969,972,892.10)	
(III) Special reserve							
1. Transfer to special reserve in the year	—	—	350,183,314.58	—	—	350,183,314.58	
2. Amount utilised in the year	—	—	(365,658,642.47)	—	—	(365,658,642.47)	
III. Closing balance of 2011	975,234,105.00	7,584,830,422.21	78,916,909.25	704,898,171.11	995,259,832.67	10,339,139,440.24	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(I) BASIC INFORMATION ABOUT THE COMPANY

The Company, transformed from Luoyang Luanchuan Molybdenum (Group) Limited. 洛陽樂川鉬業集團有限公司, was incorporated in the PRC on 25 August 2006 as a joint stock limited company by 洛陽礦業集團有限公司 Luoyang Mining Group Co., Ltd. (“LMG”) and 鴻商產業控股集團有限公司 Cathay Fortune Corporation (“CFC”).

According to the resolution of the Company’s Extraordinary General Meeting on 3 December 2006 and the approval of Guo He Zi [2007] No. 7 issued by China Securities Regulatory Commission, the Company is approved to issue up to 1,246.1 million shares of overseas listed shares (H share) (including the over-allotment of 162.5 million shares), with a par value of Renminbi (“RMB”) 0.20 each ordinary share. On 25 April 2007 the Company issued 1,083.6 million shares of overseas listed shares (H share) with a par value of RMB 0.20, and traded on the Hong Kong Stock Exchange from 26 April 2007. After the issuance of H shares, the Company’s issued shares totaled 4,767.81 million shares.

On 4 May 2007, the Company issued 108.36 million shares under the over-allotment exercises with a par value of RMB 0.20, after the over-allotment, the Company’s issued share totaled 4,876.17 Million shares.

On 16 July 2012, pursuant to the approval of commission license [2012] No. 942 in the title of “The approval in respect of the initial public offering of China Molybdenum Co., Ltd.” issued by China Securities Regulatory Commission, the Company was approved to issue up to 542 million RMB ordinary shares (A share). Up to 26 September 2012, the Company had issued 200,000,000 shares of RMB ordinary shares (A shares) with a par value of RMB0.20 each ordinary share. Those shares are traded on the Shanghai Stock Exchange from 9 October 2012. The Company’s issued shares totaled 5,076.17 million shares after the issuance of A shares.

Details are set out in Note (V).33.

The Group is an integrated producer of molybdenum in the People’s Republic of China (“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 registered office and principle and principal place of business is North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, PRC.

(II) THE COMPANY’S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation of financial statements

The Group has adopted the Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance (“MoF”) on 15 February 2006. In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting (Revised in 2010), Hong Kong Company Ordinance, and the Listing Rules of Hong Kong Stock Exchange.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company’s and consolidated financial position as of 31 December 2012, and the Company’s and consolidated results of operations and cash flows for the year then ended.

3. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

4. Functional currency

RMB is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company’s foreign subsidiary chooses Hong Kong dollars as its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The equity interest in the acquiree held before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but an asset is traded in an active market, fair value is the current bid price. If there is no sale agreement or active market for an asset, fair value is assessed based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, costs of removing the asset and direct costs to bring the asset into condition for its sale. The present value of expected future cash flows of an asset shall be determined by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows.

The impairment of goodwill is recognised in profit or loss for the period in which it is incurred and will not be reversed in any subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Translation of transactions and financial statements denominated in foreign currencies

8.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Translation of transactions and financial statements denominated in foreign currencies (Continued)

8.1 Transactions denominated in foreign currencies (Continued)

When the consolidated financial statements include foreign operations, if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognised as "exchange differences arising on translation of financial statements denominated in foreign currencies" in owner's equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

8.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

9. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

9.1 Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Group uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, etc.

9.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

9.3 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale ("AFS") financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

9.3.1 Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

9.3.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

9.3.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

9.3.4 AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (1) financial assets at FVTPL, (2) loans and receivables, and (3) held-to-maturity investments.

AFS financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value (other than impairment losses and foreign exchange gains and losses resulted from foreign currency monetary assets which are recognised in profit or loss for the current period) are recognised directly in shareholders' equity, and are reversed and recognised in profit or loss for the period when such financial assets are derecognised.

Interest received during the period in which the Group holds the AFS financial assets and cash dividends declared by the investee are recognised as investment income.

Derivative financial assets linked to and which must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be measured reliably are subsequently measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

9.4 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.
- Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Financial instruments (Continued)

9.4 Impairment of financial assets (continued)

— Impairment of AFS financial assets

Where AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognised directly in capital reserve are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortised, current fair value and impairment losses previously recognised in profit or loss.

If, in a subsequent period, the carrying amount of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed. The reversal of impairment losses of AFS equity instruments is recognised in equity, and the impairment losses of AFS debt instruments are recognised in profit or loss for the current period.

— Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

9.5 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

9.6 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.6.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Financial instruments *(Continued)*

9.6 Classification, recognition and measurement of financial liabilities *(continued)*

9.6.1 Financial liabilities at fair value through profit or loss *(continued)*

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognised in profit or loss.

9.6.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

9.7 Derecognition of Financial Liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.8 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

9.9 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. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity.

All types of distributions (excluding stock dividends) made by the Group to holders of equity instruments are deducted from shareholders' equity. The Group does not recognise any changes in the fair value of equity instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Receivables

10.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	A receivable that exceeds RMB5,000,000.00 is deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

10.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Basis for determining a credit risk characteristics portfolio	The Group classifies the receivables that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment.
Bad debt provision method for a credit risk characteristics portfolio	When implemented Impairment testing based on a credit risk characteristics portfolio, the amount of the provision for bad debts is based on the structure of a portfolio of receivables and the similar credit risk characteristics, which determined by the historical loss experience, current economic conditions and the existing losses in the expected portfolio of receivables. The provision for bad debts is derived from the aging analysis. The proportion of provision for bad debts based on aging analysis detailed below Form as 10.3 Form.

10.3 Portfolios that aging analysis is used for bad debt provision:

Aging analysis

Aging	Accounts receivable Proportion (%)	Other receivables Proportion (%)
Within 2 years	—	—
Above 2 years	100	100

11. Inventories

11.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress, finished goods, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

11.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

11.3 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Inventories (Continued)

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

11.5 Amortisation method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortised using the immediate write-off method.

12. Long-term equity investments

12.1 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

12.2 Subsequent measurement and recognition of profit or loss

12.2.1 Long-term equity investment accounted for using the cost method

For long-term equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

12.2.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Long-term equity investments (Continued)

12.2 Subsequent measurement and recognition of profit or loss (Continued)

12.2.3 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

12.3 Basis for determining joint control and significant influence over investee

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

12.4 Methods of impairment assessment and determining the provision for impairment loss

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Once an impairment loss is recognised for a long-term equity investment, it will not be reversed in any subsequent period.

13. Fixed assets

13.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

13.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and mining structures	8~45	0~5	2.1~11.9
Plant and machinery	8~10	5	9.5~11.9
Furniture, fixtures and equipment	5	5	19.0
Motor vehicles	8	5	11.9

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

13. Fixed assets *(continued)*

13.3 *Methods of impairment assessment and determining the provision for impairment losses of fixed assets*

The Group assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

13.4 *Other explanations*

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

14. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

The Group assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Once the impairment loss of construction in progress is recognised, it is not be reversed in any subsequent period.

15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

16. Intangible assets

16.1 *Intangible assets*

Intangible assets include land use rights, patents, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Intangible assets *(continued)*

16.2 Research and development expenditure

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Group has the intention to complete the intangible asset and use or sell it;
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period.

16.3 Methods of impairment assessment and determining the provision for impairment losses of intangible assets

The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

17. Exploration assets

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

18. Long-term deferred expenses

Long-term deferred expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term deferred expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

19. Provision

Provision is recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

20. Revenue

Revenue from sale of goods

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

21. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

22. Deferred tax assets/ deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

22.1 *Current income tax*

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

22.2 *Deferred tax assets and deferred tax liabilities*

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

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 timing of 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 taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Deferred tax assets/ deferred tax liabilities (Continued)

22.2 Deferred tax assets and deferred tax liabilities (Continued)

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

23. Operating leases and finance leases

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.

23.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

23.2 The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

24. Issued but not yet effective for new and revised standards and interpretations

On 5 November 2012, the MoF issued the "Enterprise Accounting Standards Interpretation No. 5" (hereinafter referred to "Interpretation"), the interpretation is effective for current period beginning on or after 1 January 2013, the directors of the Company are of the opinion that adoption of such interpretation shall not have a significant impact on the Group's financial position and operating results.

25. Other significant accounting policies, accounting estimates, and preparation of financial statements

25.1 Employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability, except for compensation for termination of employment relationship with the employees.

The Group participates in the employee social security systems, such as basic pensions, medical insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Other significant accounting policies, accounting estimates, and preparation of financial statements (Continued)

25.2 Provision for production maintenance fee

According to the existing state regulations, the Company is required to accrue "costs for maintenance of simple re-production" (hereinafter referred to as "Provision for production maintenance fee" 維簡費) based on the basis as RMB18.00 per each tonne of raw mines explored from the metal mines.

When the Company accrues the "Provision for production maintenance fee" based on the required standard, the Company debit "manufacturing costs" account, and credit "special reserve" account. When utilising the reserve for acquisition and construction of production maintenance related equipment and machinery, the Company record the amount of related assets, debit "construction in progress", credit "bank and cash", when the status of the assets is ready for intended use, the costs of such production maintenance expenditure shall be transferred to "fixed assets", meanwhile, the Company recognise accumulated depreciation with the amount of the fixed assets, credit "accumulated depreciation", and debit "special reserve" as offset against the special reserve. Subsequently, such fixed assets is no longer depreciated. However, the reserve will not be offset when the special reserve account becomes zero.

When utilising such special reserve for production maintenance expenses, it shall be offset against the special reserves directly, by debiting "special reserve" and crediting "bank and cash", However, the reserve will not be offset when the special reserve account becomes zero.

25.3 Production safety fee

Before 14 February 2012, in accordance with national regulations, the Group's mining entities shall accrue "Production Safety Fee as" 安全生產費 of RMB4 per ton for raw ore from surface mines, and RMB8 per ton for raw ore from underground mines. (hereinafter referred to as " Production Safety Fee"). After 14 February 2012, according to Cai Qi [2012] No. 16 on the notice of the "Management Approach of The enterprise's Production Safety Fee Extraction and Utilisation", the Group's mining entities shall accrue Production safety fee as of RMB5 per ton for surface mine production, and RMB10 per ton mined for underground mine production.

Before 14 February 2012, in accordance with national regulations, the provision of safety fee for the Group's metallurgical entities is based on the actual sales revenue for the year, which is provided monthly in accordance with the following standard:

- Actual sales income of RMB10 million and below, accrued in accordance with 4%;
- Actual sales income of RMB10 million to RMB100 million (inclusive), accrued in accordance with 2%;
- Actual sales income of RMB100 million to RMB1,000 million (inclusive), accrued in accordance with 0.5%;
- Actual sales income above 1,000 million, accrued in accordance with 0.2%.

After 14 February 2012, according to Cai Qi [2012] No. 16 on the notice of "the Management Approach of The enterprise's Production Safety Fee Extraction and Utilisation", the provision of safety production costs for Group's metallurgical enterprise is based on the actual sales revenue for the year, which is provided monthly in accordance with the following standard:

- Actual sales income of RMB10 million and below, accrued in accordance with 3%;
- Actual sales income of RMB10 million to RMB100 million (inclusive), accrued in accordance with 1.5%;
- Actual sales income of RMB100 million to RMB1,000 million (inclusive), accrued in accordance with 0.5%;
- Actual sales income of RMB1,000 million to RMB5,000 million (inclusive), accrued in accordance with 0.2%;
- Actual sales income of RMB5,000 million to RMB10,000 million (inclusive), accrued in accordance with 0.1%;
- Actual sales income above 10,000 million, accrued in accordance with 0.05%.

The Company shall provide the Production Safety Fee based on the required standard by debiting "manufacturing costs" account, and crediting "special reserve" account.

When utilising the reserve for acquisition and construction of production safety related equipment and machinery, the Company record the amount of related assets, debit "construction in progress", credit "bank and cash", when the status of the assets is ready for intended use, the costs of such expenditure shall be transferred to "fixed assets", meanwhile, the Company recognise accumulated depreciation with the amount of the fixed assets, credit "accumulated depreciation", and debit "special reserve" as offset against the special reserve. Subsequently, such fixed assets is no longer depreciated. However, the reserve will not be offset when the special reserve account becomes zero.

When utilising such special reserve for production safety expenses, it shall be offset against the special reserves directly, by debiting "special reserve" and crediting "bank and cash", However, the reserve will not be offset when the special reserve account becomes zero.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

26. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note (II), the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Useful lives of fixed assets

The directors determine the estimated useful lives and related depreciation charges for its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets 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 2021. It may also change significantly as a result of technical innovations and competitor actions in response to industry cycles. The directors will increase the depreciation charges where useful lives are less than previously estimated lives.

Provision for decline in value of inventories

As described in Note (II).11, inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

Operational procedures have been in place to monitor this risk as a significant proportion of the Company's of working capital is devoted to inventories. The management reviews the inventory aging list on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regard, the management of the Company are satisfied that this risk is minimal and adequate provision for obsolete and slow-moving inventories has been made in the financial statements.

Impairment of accounts receivable

Impairment loss of trade and other receivables is made when there is objective evidence that the recoverability of trade and other receivables becomes doubtful. The impairment loss calculations contain uncertainties because the management is required to make assumptions and to apply judgment regarding historical settlement experience, debt aging, financial status of debtors and general economic conditions. There is no reason to believe that there will be a material change in the future estimates or assumptions which are used in the calculations of impairment loss of trade and other receivables. However, when the actual outcome or expectation in future is different from the original estimates, the carrying value of trade and other receivables and impairment loss may change.

Provision for restoration, rehabilitation and environmental costs

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, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the 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.

Deferred tax assets

The management determines the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(III) TAXATION

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added Tax ("VAT")	The Company is an ordinary VAT payer. VAT on sales is paid after deducting input VAT on purchases.	Output VAT on sales is calculated at 17% on revenue according to the relevant requirement of tax laws. Gold related products is exempt from VAT.
Business tax	Taxable revenue	5%
City maintenance and construction tax	Actual turnover tax	For city urban area tax rate is 7%; For county town, tax rate is 5%; For other, tax rate is 1%.
Price adjustment fund	Actual turnover tax	1%
Resource tax	Quantity of raw ore production	Note 1
Mineral resources compensation fee	Mineral sales revenue	2%
Income tax	The income tax provision is calculated based on the accounting results for the year as adjusted in accordance with the relevant tax laws.	Note 2
Educational surtax and surcharge	Actual turnover tax	3%
Regional educational surtax and surcharge	Actual turnover tax	2%
Tariff	Export sales of the molybdenum iron, molybdenum oxide and rolling molybdenum plate, etc. during the current period.	Molybdenum-iron 20%; molybdenum oxide, ammonium molybdate, molybdate, molybdenum powder and unwrought molybdenum 5%–15%; Molybdenum ores and concentrates Molybdenum waste and scrap 15%

Note 1: The Group's molybdenum resource tax is recorded as RMB 8 per ton of raw ore production. On 1 February 2012, the Ministry of Finance and the State Administration of Taxation issued "The applicable tax rate standard notice of the Ministry of Finance and the State Administration of Taxation on the adjustment of the mineral resource tax" (Cai Shui [2012] 2) ("Notice"). According to the noticed requirements, the Group's molybdenum resource tax rate had been adjusted to RMB12 per ton for raw ore production since 1st February 2012.

The Group's gold resources tax is subject to RMB3 per ton or RMB5 per ton in accordance with the production of different level of raw ore.

Note 2: Applicable tax rate:

The Group and its subsidiaries (except China Molybdenum (Hong Kong) Company Limited) were subject to PRC Enterprise Income Tax levied at a rate of 25% on their taxable incomes determined in accordance with the relevant laws and regulations in the PRC.

China Molybdenum (Hong Kong) Company Limited was incorporated in Hong Kong in August 2007, thus was subject to Income Tax levied at a rate of 16.5%.

2. Tax incentive and approval

The Company has obtained the identification of "Utilising the Industrial Waste Resources for Products of Tungsten Concentrate" issued by Henan Development and Reform Commission on 1 July 2009, the recognition certificate is valid from 1 July 2009 to 30 June 2013. Accordance to the relevant tax law, the Company obtained the allowance of the reduced rate of 90% in total revenue for selling the Tungsten concentrate, which is recorded in the taxable income for the year.

Pursuant to the "Notice of Recognition of the 2011 Second Batch of New and High Technology Enterprises in Henan Provinces" (Yuke [2012] No. 39) dated 16 March 2012, jointly issued by the Science and Technology Department of Henan Province, Finance Department of Henan Province, State Tax Bureau of Henan Province and Provincial Tax Bureau of Henan Province, the Company was recognised as one of the enterprises in the 2011 second batch of new and high technology enterprises in Henan Province. According to the provisions of Article 28 "Enterprise Income Tax Law of the People's Republic of China", the application income tax rates of the Company during 1 January 2011 to 31 December 2013 are 15%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(IV) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

(1) Subsidiaries established or acquired through investments

Unit: RMB

Full name of the subsidiary	Abbreviation	Type	Place of incorporation	Nature of business	Registered capital	Business scope	Actual capital contribution at the end of the year	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Minority interests	The amount in minority interests used to write down the minority interests	The amount of owners' equity attributable to the parent company used to absorb the excess of loss for the current period attributable to the minority shareholders of subsidiaries over the minority shareholders' share of the opening balance of owners' equity of the subsidiaries	Remark
洛陽東川鉬業集團汝豫有 限責任公司 Luomu Group Refining Co., Ltd.	Refining	Limited liability company	Luanchuan, Henan	Refining and sales of mineral products	RMB5,660,000	Manufacturing of molybdenum oxide, molybdenum steel and related products	RMB 5,660,000	—	100.00	100.00	Yes	—	—	—	—
洛陽東川鉬業集團銷售 貿易有限公司 Luomu Group Sales and Trading Co., Ltd.	Sales and Trading	Limited liability company	Luanchuan, Henan	Trading of mineral products	RMB2,000,000	Trading of molybdenum products	RMB 2,000,000	—	100.00	100.00	Yes	—	—	—	—
洛陽大川鉬粉科技有限 責任公司 Luoyang Dachuan Molybdenum & Tungsten Technology Co., Ltd.	Dachuan	Limited liability company	Luanchuan, Henan	Processing and sales of mineral products	RMB157,500,000	Manufacturing of ammonium molybdate, and molybdenum powder	RMB 157,500,000	—	100.00	100.00	Yes	—	—	—	—
洛陽坤宇礦業有限公 司 Luoyang Kunyu Mining Co., Ltd.	Kunyu	Limited liability company	Luoning, Henan	Production and sales of mineral products	RMB531,230,000	Production of various non- ferrous metals	RMB 371,860,000	—	70.00	70.00	Yes	RMB 197,010,000	—	—	—
洛陽鉬都國際飯店有 限公司 Luoyang Mudu International Hotel Co., Ltd.	International Hotel	Limited liability company	Luoyang, Henan	Hotel	RMB210,000,000	Hotel and catering	RMB 210,000,000	—	100.00	100.00	Yes	—	—	—	—
洛陽東川鉬業集團 有限公司 Luomu Group Tungsten Co., Ltd.	Tungsten	Limited liability company	Luanchuan, Henan	Refining and sales of mineral products	RMB100,000,000	Sales, processing and recovery of molybdenum and tungsten	RMB 100,000,000	—	100.00	100.00	Yes	—	—	—	—
洛陽鉬業集團貴金屬 投資有限公司 Luomu Group Precious Metals Investment Co., Ltd.	Metals Investment	Limited liability company	Luoyang, Henan	Processing and sales of mineral products	RMB500,000,000	Sales of precious metals, investment on precious metals	RMB 500,000,000	—	100.00	100.00	Yes	—	—	—	—
洛陽鉬業(香港)有限公 司 China Molybdenum (Hong Kong) Company Limited	Hong Kong	Limited liability company	Hong Kong	Trading of mineral products	HKD1	Trading of molybdenum products	HKD 1	—	100.00	100.00	Yes	—	—	—	—
洛陽鉬業集團金屬材料 有限公司 Luomu Group Metal Material Company Limited	Metal Material	Limited liability company	Luoyang, Henan	Processing and sales of mineral products	RMB650,000,000	Manufacturing and trading of molybdenum products	RMB 650,000,000	—	100.00	100.00	Yes	—	—	—	—
洛陽永富金鉛冶煉 有限公司 Luoyang Yongning Gold & Lead Refining Co., Ltd.	Yongning Gold & Lead	Limited liability company	Luoning, Henan	Lead smelting, processing and sales of mineral products	RMB400,000,000	Lead smelting, sale and manufacturing of mineral products	RMB 300,000,000	—	75.00	75.00	Yes	RMB 64,120,000	—	—	—
新疆洛鉬礦業有限公 司 Xinjiang Luomu Ming Co., Ltd.	Xinjiang Luomu	Limited liability company	Xinjiang	Production and sales of mineral products	RMB1,595,380,000	Extracting, processing and sales of molybdenum products	RMB 980,000,000	—	70.00	70.00	Yes	RMB 422,310,000	—	—	—
洛陽東川鉬業集團銷售 有限公司 Luomu Group Sales Co., Ltd.	Sales subsidiary	Limited liability company	Luanchuan, Henan	Trading of mineral products	RMB 50,000,000	Trading of molybdenum products	RMB 50,000,000	—	100.00	100.00	Yes	—	—	—	—
洛陽鉬業集團硬質合金 有限公司 Luomu Group Carbide Co., Ltd. (Note)	Carbide	Limited liability company	Luoyang, Henan	Trading of carbide materials	RMB 500,000	Processing and sales of carbide products and other tungsten metal products	RMB 500,000	—	100.00	100.00	Yes	—	—	—	Note

Note: Carbide was newly established in current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(IV) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (continued)

(2) Subsidiaries acquired through a business combination not involving enterprises under common control

Full name of the subsidiary	Abbreviation	Type	Place of incorporation	Nature of business	Registered capital	Business scope	Actual capital contribution at the end of the year	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Minority interests	The amount in minority interests used to write down the minority interests	The amount of owners' equity attributable to the parent company used to absorb the excess of loss for the current period attributable to the minority shareholders of subsidiaries over the minority shareholders' share of the opening balance of owners' equity of the subsidiaries	Remark
栾川豫源七礦業有限公司 Luanchuan Huo Mining Company Limited	Huoq	Limited liability company	Luanchuan, Henan	Refining and sales of mineral products	RMB10,000,000	Trading processing of molybdenum	RMB10,000,000	—	100.00	100.00	Yes	—	—	—	—
栾川豫興礦業有限公司 Luanchuan Qixing Mining Company Limited	Qixing	Limited liability company	Luanchuan, Henan	Refining and sales of mineral products	RMB6,000,000	Trading molybdenum products	RMB6,000,000	—	90.00	90.00	Yes	RMB40,000	RMB560,000	—	Note
洛陽建設礦業有限公司 Luoyang Construction Investment and Mining Co., Ltd.	Construction Investment	Limited liability company	Luoyang, Henan	Investment	RMB5,000,000	Trading of molybdenum products	RMB5,000,000	—	100.00	100.00	Yes	—	—	—	—
栾川豫富礦業有限公司 Luanchuan Furun Mining Co., Ltd.	Furun	Limited liability company	Luanchuan, Henan	Refining and sales of mineral products	RMB1,000,000	Sales and processing molybdenum products	RMB1,000,000	—	100.00	100.00	Yes	—	—	—	—
栾川縣大東投資鎢鉭礦業有限公司 Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd.	Dadongpo	Limited liability company	Luanchuan, Henan	Refining and sales of mineral products	RMB65,650,000	Ore processing	RMB33,480,000	—	51.00	51.00	Yes	RMB64,030,000	—	—	—
栾川豫為礦業有限公司 Luanchuan County Jiuyang Mining Co., Ltd.	Jiuyang	Limited liability company	Luanchuan, Henan	Refining and sales of minerals products	RMB33,390,000	Ore processing	RMB17,030,000	—	51.00	51.00	Yes	RMB22,070,000	—	—	—
栾川縣三強鎢鉭有限公司 Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd.	Sanqiang	Limited liability company	Luanchuan, Henan	Refining and sales of minerals products	RMB55,480,000	Ore processing	RMB28,290,000	—	51.00	51.00	Yes	RMB60,280,000	—	—	—

Note: Qixing is the subsidiary of Construction Investment.

(3) No bond was issued by the subsidiaries of the Company as at both 31 December 2012 and 31 December 2011.

2. Exchange rates for translating major financial statement items of foreign operations

Currency	Average exchange rate		Exchange rate at the end of the year	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011
HKD	0.81	0.83	0.81	0.81

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Bank balances and cash

Unit: RMB

Item	Foreign currency	Closing balance Exchange rate	Amount in RMB	Foreign currency	Opening balance Exchange rate	Amount in RMB
Cash: RMB			823,393.53			1,364,440.13
Bank balances: RMB			976,941,525.90			2,722,523,204.54
US dollars	3,522,756.18	6.2855	22,142,283.97	8,630,280.96	6.3009	54,378,537.28
HK dollars	517,518.42	0.8108	419,603.93	314,012.29	0.8107	254,569.76
Other currency funds: RMB			1,709,743,571.86			81,545,058.31
Total			2,710,070,379.19			2,860,065,810.02

The Group's other currency funds at year end as described above include structured deposit of RMB1,620,000,000.00 (31 December 2011: Nil), pledged deposits for bank acceptance bills and letter of credit of RMB76,433,538.49 (31 December 2011: RMB80,868,744.12), and funds in transit of RMB13,310,033.37 (31 December 2011: Nil).

As at 31 December 2012, RMB11,746,043.93 (31 December 2011: RMB16,014,380.68) was deposited in banks in Hong Kong.

2. Held-for-trading financial assets

(1) Details of held-for-trading financial assets are as follows:

Unit: RMB

Item	Closing fair value	Opening fair value
1. Held-for-trading investments in debt securities	—	50,000,000.00
2. Held-for-trading investments in equity instruments	10,891,273.49	11,629,534.63
Total	10,891,273.49	61,629,534.63

(2) Held-for-trading financial assets classified by geographical areas

Item	Closing balance	Opening balance
Held-for-trading investments in debt securities — Unlisted	—	50,000,000.00
Held-for-trading investments in equity instruments — Listed in Hong Kong	1,453,513.49	1,460,974.63
— Listed in PRC	9,437,760.00	10,168,560.00
Total	10,891,273.49	61,629,534.63

The management of the Company considers that there existed no significant restriction in the realisation of its held-for-trading financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Bills receivable

(1) Categories of bills receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	1,220,159,395.98	984,534,030.86
Total	1,220,159,395.98	984,534,030.86

As at 31 December 2012, the book value of RMB105,274,340.51 (31 December 2011: RMB74,800,000.00) bank acceptances was pledged to issue bank bills; as at 31 December 2012 and 2011, there was no discounted bank acceptances for bank borrowings.

(2) Top 5 bills receivable which have been pledged as security as at 31 December 2012:

Name of drawer	Date of issue	Maturity date	Amount
Company A	12 October 2012	10 April 2013	32,737,585.32
Company B	5 September 2012	5 March 2013	11,000,000.00
Company C	21 September 2012	20 March 2013	10,000,000.00
Company D	6 July 2012	6 January 2013	10,000,000.00
Company E	12 September 2012	12 March 2013	10,000,000.00
Total			73,737,585.32

(3) As at 31 December 2012 and 2011, there was no bills receivable reclassified to accounts receivable due to the drawers' inability to settle the bills on maturity. Bills endorsed by the Group to other parties which are not yet due as at 31 December was amounting to RMB60,450,000.00 (31 December 2011: RMB50,369,050.00), the bills receivable was derecognised.

4. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Accounts receivable that are individually significant	554,563,227.17	85.21	—	—	718,611,179.83	91.31	—	—
Accounts receivable that are not individually significant	96,264,041.07	14.79	10,093,512.45	100.00	68,408,731.22	8.69	8,874,199.66	100.00
Total	650,827,268.24	100.00	10,093,512.45	100.00	787,019,911.05	100.00	8,874,199.66	100.00

Explanations of categories of accounts receivable:

The Group determines that accounts receivable of more than RMB5,000,000 is considered as individually significant accounts receivable.

The Group normally allows credit period of no longer than 90 days to its trade customers, but a longer credit period is allowed for major customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (continued)

(1) Disclosure of accounts receivable by categories: (continued)

Aging analysis of accounts receivable is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	621,103,094.19	95.43	—	621,103,094.19	770,708,118.29	97.93	—	770,708,118.29
More than 1 year but not exceeding 2 years	19,634,127.92	3.02	3,466.32	19,630,661.60	7,437,593.10	0.95	—	7,437,593.10
More than 2 years but not exceeding 3 years	1,642,396.83	0.25	1,642,396.83	—	1,000,021.02	0.12	1,000,021.02	—
More than 3 years	8,447,649.30	1.30	8,447,649.30	—	7,874,178.64	1.00	7,874,178.64	—
Total	650,827,268.24	100.00	10,093,512.45	640,733,755.79	787,019,911.05	100.00	8,874,199.66	778,145,711.39

(2) There is no accounts receivable written off in the reporting period.

(3) There is no balance of accounts receivable due from shareholders holding at least 5% of the Company's shares with voting power as at 31 December 2012 and 2011.

(4) Top five entities with the largest balances of accounts receivable

Unit: RMB

Name of entity	Relationship with the Company	Amount	Age	Proportion of the amount to the total account receivable (%)
Company F	Third Party	93,233,955.11	Within one year	14.33
Company G	Third Party	80,940,545.58	Within one year	12.44
Company H	Third Party	57,701,716.99	Within one year	8.87
Company I	Third Party	53,924,934.96	Within one year	8.29
Company J	Third Party	33,291,236.79	Within one year	5.12
Total		319,092,389.43		49.05

(5) Details of accounts receivables due from related parties refer to Note (VI).5.

(6) There are no accounts receivable that have been derecognised during the reporting period.

5. Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivable that are individually significant	52,625,210.53	63.18	—	—	97,186,648.97	73.55	—	—
Other receivable that are not individually significant	30,668,899.59	36.82	12,958,097.53	100.00	34,950,916.26	26.45	5,864,634.91	100.00
Total	83,294,110.12	100.00	12,958,097.53	100.00	132,137,565.23	100.00	5,864,634.91	100.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(1) Disclosure of other receivables by categories: (continued)

Explanations of categories of other receivables:

The Group determines that other receivable of more than RMB5,000,000 is considered as individually significant other receivable.

Aging analysis of other receivables is follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	10,902,805.83	13.09	—	10,902,805.83	32,454,432.14	24.56	4,388,293.95	28,066,138.19
More than 1 year but not exceeding 2 years	5,517,499.67	6.62	2,909,503.44	2,607,996.23	98,466,764.55	74.52	259,972.42	98,206,792.13
More than 2 years but not exceeding 3 years	65,665,731.68	78.84	8,840,521.15	56,825,210.53	88,318.71	0.07	88,318.71	—
More than 3 years	1,208,072.94	1.45	1,208,072.94	—	1,128,049.83	0.85	1,128,049.83	—
Total	83,294,110.12	100.00	12,958,097.53	70,336,012.59	132,137,565.23	100.00	5,864,634.91	126,272,930.32

(2) There is no other receivable written off in the reporting period.

(3) There is no balance of other receivables due from shareholders holding at least 5% of the Company's shares with voting power as at 31 December 2012 and 2011.

(4) Top five entities with the largest balances of other receivables

Unit: RMB

Name of entity	Relationship with the Company	Amount	Age	Proportion of the amount to the total account receivable (%)
Company K	Third Party	21,250,000.00	More than 2 years but not exceeding 3 years	25.51
HuanYu	Joint Venture	21,200,000.00	More than 2 years but not exceeding 3 years	25.45
Individual (Note)	Third Party	10,175,210.53	More than 2 years but not exceeding 3 years	12.22
Company M	Third Party	3,000,000.00	More than 2 years but not exceeding 3 years	3.60
Company N	Third Party	1,200,000.00	More than 2 years but not exceeding 3 years	1.44
Total		56,825,210.53		68.22

Note: The balance is due from the then shareholder of Huqi and has been guaranteed by Luoyang Mining Group Co., Ltd.

(5) Details of other receivables due from related parties refer to Note (VI).5.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Prepayments

(1) *Aging analysis of prepayments is as follows:*

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	219,483,991.28	96.52	277,322,062.10	95.29
More than 1 year but not exceeding 2 years	3,674,942.56	1.62	11,055,195.77	3.80
More than 2 years but not exceeding 3 years	3,765,234.26	1.66	2,159,405.91	0.74
More than 3 years	472,244.43	0.20	506,720.98	0.17
Total	227,396,412.53	100.00	291,043,384.76	100.00

(2) *Top five entities with the largest balances of prepayments*

Unit: RMB

Name of entity	Relationship with the Company	Amount	Timing	Reasons for unsettlement (%)
Fuchuan	Joint Venture	82,690,379.25	Within one year	Prepayment for materials, goods not yet received
Company G	Third Parties	70,315,798.07	Within one year	Prepayment for materials, goods not yet received
Company O	Third Parties	14,074,375.27	Within one year	Prepayment for materials, goods not yet received
Company P	Third Parties	13,682,741.40	Within one year	Prepayment for materials, goods not yet received
Company Q	Third Parties	3,482,001.76	Within one year	Prepayment for materials, goods not yet received
Total as at 31 December 2012		184,245,295.75		

(3) *There is no balance of prepayments due from shareholders holding at least 5% of the Company's shares with voting power as at 31 December 2012 and 2011.*

(4) *Details of prepayments due from related parties refer to Note (VI).5.*

(5) *Explanations of major companies related to prepayments:*

Disclosure of prepayments by client categories is as follows:

Unit: RMB

Item	Closing balance	Opening balance
Individually significant prepayments	180,763,293.99	206,577,462.33
Other insignificant prepayments	46,633,118.54	84,465,922.43
Total	227,396,412.53	291,043,384.76

The Group determines that prepayment of more than RMB5,000,000 is considered as individually significant prepayment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Inventories

(1) Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	532,416,923.22	—	532,416,923.22	461,555,259.56	—	461,555,259.56
Work-in-progress	602,342,688.81	13,364,236.33	588,978,452.48	684,843,084.69	—	684,843,084.69
Finished goods	197,815,235.17	8,911,913.65	188,903,321.52	526,918,257.64	27,198,694.42	499,719,563.22
Total	1,332,574,847.20	22,276,149.98	1,310,298,697.22	1,673,316,601.89	27,198,694.42	1,646,117,907.47

(2) Provision for decline in value of inventories

Category of inventories	Opening carrying amount	Increase in the current year	Decreasing in the current year		Closing carrying amount
			Reversals	Write-off	
Working in Process	—	13,364,236.33	—	—	13,364,236.33
Finished Goods	27,198,694.42	8,599,251.25	2,422,702.54	24,463,329.48	8,911,913.65
Total	27,198,694.42	21,963,487.58	2,422,702.54	24,463,329.48	22,276,149.98

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Investment in banks' wealth investment product	1,402,441,529.69	—
Investment in central government bonds	—	87,181,286.10
Others	9,573,374.80	5,519,230.69
Total	1,412,014,904.49	92,700,516.79

9. Investments in joint ventures and associates

Name of investee	Type	Registered Place	Legal Representative	Nature of business	Registered capital (RMB'000)	Proportion of ownership interest held by the Group (%)	Proportion of voting power in the investee held by the Group (%)	Investee's total assets at the end of the period	Investee's total liabilities at the end of the period	Total net assets at the end of the period	Total operating income for the period	Net profit (losses) for the year
I. Joint ventures:洛陽高科技鋁材料有限公司 Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-Tech")	Limited liability company	Luoyang	Wu, Wenjun	Processing and sales of minerals products	530,000.00	50	50	465,304,202.67	2,000,536.55	463,303,666.12	70,722,286.26	(28,926,418.10)
徐州礦宇鋁業有限公司(Xuzhou Huanyu Molybdenum Co., Ltd. ("Huanyu"))	Limited liability company	Xuzhou	Li, Lingmin	Investment	50,446.62	50	50	659,687,180.85	329,759,932.54	329,927,248.31	163,123,182.00	(1,619,627.95)
洛陽富川礦業有限公司(Luoyang Fuchuan Mining Co., Ltd. ("Fuchuan"))	Limited liability company	Luanchuan	Li, Lingmin	Processing, refining and sales of minerals products	50,000.00	10	50	644,406,095.53	308,561,424.71	335,844,670.82	163,123,182.00	(1,590,347.27)
II. Associates:洛陽豫興礦業有限公司 Luoyang Yuxing Mining Co., Ltd. ("Yuxing Mining")	Limited liability company	Luanchuan	Guo, Tianhuang	Refining and sales of minerals products	50,000.00	40	40	403,315,599.49	35,154,599.06	368,161,000.43	525,026,978.44	282,741,114.98
上海宇華鋁業有限公司(Shanghai Yuhua Molybdenum Co., Ltd. ("Yuhua Molybdenum"))	Limited liability company	Shanghai	Wang, Lei	Processing and sales of minerals products	5,000.00	33	33	28,068,483.32	17,722,332.68	10,346,150.64	464,000,571.91	(597,459.43)
美國國立納米鋁公司(Caly Nanomoly Development, Inc. ("Nanomoly Development"))	Limited liability company	United States of America		Research and development of molybdenum processing technology	US\$3,000.00	40	40	640,151.50	640,151.50	—	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term equity investments

(1) Details of long-term equity investments are as follows:

Unit: RMB

Investee	Accounting method	Investment cost	Opening balance	Changes increase/(decrease)	Closing balance	Proportion of ownership interest in the investee (%)	Proportion of voting power in the investee (%)	Explanation of the inconsistency between the proportion of ownership interest and the proportion of voting power	Provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
High-Tech	Equity method	265,000,000.00	246,115,042.11	(14,459,115.42)	231,655,926.69	50	50		—	—	—
Huanyu	Equity method	1,036,348,604.30	1,028,627,604.30	(9,954,000.00)	1,018,673,604.30	50	50		—	—	—
Fuchuan	Equity method	250,220,000.00	250,220,000.00	—	250,220,000.00	10	50	Note 1	—	—	—
Yulu Mining	Equity method	20,000,000.00	152,863,025.02	21,370,357.51	174,233,382.53	40	40	Note 2	—	—	120,000,000.00
Yuhua Molybdenum	Equity method	1,650,000.00	3,611,384.72	(197,100.28)	3,414,284.44	33	33		—	—	—
Nanomoly Development	Equity method	8,201,370.00	—	—	—	40	40		—	—	—
栾川縣冷水農村信用合作社Luanchuan Lengshui Rural Credit Cooperatives	Cost method	2,000,000.00	2,000,000.00	(2,000,000.00)	—	<1	<1		—	—	—
河南前進爆破工程有限公司Henan Qianjin Dynamite Project Co., Ltd.	Cost method	200,000.00	200,000.00	—	200,000.00	10	10		—	—	—
栾川縣廟子農村信用合作社Luanchuan Miaozi Rural Credit Cooperatives	Cost method	100,000.00	100,000.00	(100,000.00)	—	—	—		—	—	—
Others	Cost method	4,928.00	4,928.00	—	4,928.00	—	—		—	—	—
Total		1,583,724,902.30	1,683,741,984.15	(5,339,858.19)	1,678,402,125.96				—	—	—

Note 1: The Group holds Fuchuan's 10% equity interests indirectly through its subsidiary, Shanghai Huqi, and the joint venture, Huanyu holds another Fuchuan's 90% equity interests. Since Huanyu's 50% equity interests are held by a third party, the Group treated Fuchuan as a jointly controlled entity. Subject to an agreement with the local government, the local government is entitled a dividend payment in the amount that is equal to 8% of the annual net profit of Fuchuan, the Group is effectively entitled 47% of the annual net profit (losses) of Fuchuan.

There is a dispute existed on mining rights of Shangfanggou Mine, which is legally owns by Fuchuan. As of 31 December 2012, the production and operation of those involving parties are all suspended. Subject to the notification issued by Luoyang Municipal People's Government in March 2013, Fuchuan and another involving party reached an acquisition proposal and the counterparty agreed to quit from Shangfanggou Mine area. Therefore, Fuchuan is expected to resume production and operation gradually upon the completion of the acquisition of assets.

Note 2: According to the result of Yulu Mining's 2007 annual shareholders' meeting, both investors would share same proportion of its net profit from year 2008. Therefore, the Group holds 40% equity interest in Yulu Mining but recognises investment income of 50% out of its net profit.

(2) **There is no significant limits exist regarding cash realisation and investment income repatriation from these associates.**

(3) **The entities invested by the Group are all non-listed entities.**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets

(1) Fixed assets

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount	5,491,910,344.66	331,870,317.04	50,519,201.41	5,773,261,460.29
Including: Buildings and mining structures	3,715,618,314.88	152,063,590.07	46,043,925.88	3,821,637,979.07
Plant and machinery	1,511,993,228.76	162,194,423.61	3,414,530.03	1,670,773,122.34
Furniture, fixtures and equipment	169,370,809.77	14,752,678.95	362,236.50	183,761,252.22
Motor vehicles	94,927,991.25	2,859,624.41	698,509.00	97,089,106.66
II. Total accumulated depreciation	1,825,410,157.49	345,918,521.03	21,737,691.67	2,149,590,986.85
Including: Buildings and mining structures	1,119,880,267.30	171,376,427.99	18,929,045.78	1,272,327,649.51
Plant and machinery	567,844,510.56	148,206,945.36	2,138,344.09	713,913,111.83
Furniture, fixtures and equipment	70,196,181.71	16,276,992.79	324,225.58	86,148,948.92
Motor vehicles	67,489,197.92	10,058,154.89	346,076.22	77,201,276.59
III. Total net book value of fixed assets	3,666,500,187.17			3,623,670,473.44
Including: Buildings and mining structures	2,595,738,047.58			2,549,310,329.56
Plant and machinery	944,148,718.20			956,860,010.51
Furniture, fixtures and equipment	99,174,628.06			97,612,303.30
Motor vehicles	27,438,793.33			19,887,830.07
IV. Total provision for impairment losses	174,309.27	—	174,309.27	—
Including: Buildings and mining structures	174,309.27	—	174,309.27	—
Plant and machinery	—	—	—	—
Furniture, fixtures and equipment	—	—	—	—
Motor vehicles	—	—	—	—
V. Total carrying amount of fixed assets	3,666,325,877.90			3,623,670,473.44
Including: Buildings and mining structures	2,595,563,738.31			2,549,310,329.56
Plant and machinery	944,148,718.20			956,860,010.51
Furniture, fixtures and equipment	99,174,628.06			97,612,303.30
Motor vehicles	27,438,793.33			19,887,830.07

The depreciation for the current year is RMB345,918,521.03.

The increase in the original carrying amount for the current year consists of acquisitions of RMB161,982,229.33 and an increase of RMB169,888,087.71 transferred from construction in progress.

In addition to fixed assets pledged as collateral, as at 31 December 2012, there are restrictions on title of fixed assets with a net book value of approximately RMB86,511,662.93 because of the bank facilities of RMB63,000,000.00.

As at 31 December 2012, the net book value of fixed assets of which certificates of title have not been obtained is RMB8,070,748.20.

- (2) *There is no temporary idle fixed asset in the Group as at 31 December 2012 and 2011.*
- (3) *There is no fixed asset leased under finance leases in the Group as at 31 December 2012 and 2011.*
- (4) *There is no fixed asset leased out under operating leases in the Group as at 31 December 2012 and 2011.*
- (5) *There is no fixed asset held for sale in the Group as at 31 December 2012 and 2011.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Construction in progress

(1) Details of construction in progress are as follows:

Unit: RMB

Item	Carrying amount	Closing balance Provision for impairment losses	Net carrying amount	Carrying amount	Opening balance Provision for impairment losses	Net carrying amount
Tailings dam project of No. 3 Ore Processing Plant	—	—	—	11,234,112.58	—	11,234,112.58
Tailings dam project of No. 2 Ore Processing Plant	44,967,301.02	—	44,967,301.02	49,542,187.90	—	49,542,187.90
30,000 tpd surface mining project	5,796,099.21	—	5,796,099.21	15,764,292.39	—	15,764,292.39
Hard alloy project	27,511,749.35	—	27,511,749.35	16,834,761.53	—	16,834,761.53
40,000 tons of metal materials projects	—	—	—	15,720,625.88	—	15,720,625.88
Sandaozhuang mining exploration project	39,821,829.98	—	39,821,829.98	38,736,819.96	—	38,736,819.96
Exploration project of Kunyu Molybdenum project in East Gobi, Hami, Xinjiang	36,120,822.47	—	36,120,822.47	44,644,064.27	—	44,644,064.27
Nanyuan construction project of International Hotel	69,308,681.30	—	69,308,681.30	70,899,204.74	—	70,899,204.74
Main Building refurbishment project of International Hotel	101,107,534.14	—	101,107,534.14	—	—	—
Others	8,904,145.00	—	8,904,145.00	82,475,155.41	—	82,475,155.41
Total	398,038,691.38	—	398,038,691.38	345,851,224.66	—	345,851,224.66

(2) Changes in significant construction in progress

Unit: RMB

Item name	Budget amount	Opening balance	Increase in the current year	Transfer to fixed assets	Other decreases	Amount injected as a proportion of budget amount (%)	Amount of accumulated capitalised interest	Including: capitalised interest for the year	Interest capitalisation rate for the year (%)	Closing balance
Tailings dam project of No. 3 Ore Processing Plant	50,000,000.00	11,234,112.58	820,786.43	10,130,488.01	1,924,411.00	62	—	—	—	—
Tailings dam project of No. 2 Ore Processing Plant	90,000,000.00	49,542,187.90	16,984,518.41	21,559,405.29	—	90	—	—	—	44,967,301.02
30,000 tpd surface mining project	200,000,000.00	15,764,292.39	11,351,373.63	21,319,566.81	—	91	—	—	—	5,796,099.21
Hard alloy project	1,877,000,000.00	16,834,761.53	14,783,790.20	4,106,802.38	—	2	—	—	—	27,511,749.35
40,000 tons of metal materials projects	210,000,000.00	15,720,625.88	9,160,244.68	24,880,870.56	—	94	—	—	—	—
Sandaozhuang mining exploration project	50,000,000.00	38,736,819.96	2,465,531.45	1,380,521.43	—	97	—	—	—	39,821,829.98
Exploration project of Kunyu Molybdenum project in East Gobi, Hami, Xinjiang	140,000,000.00	44,644,064.27	39,140,663.91	40,495,202.37	7,168,703.34	85	—	—	—	36,120,822.47
Nanyuan construction project of International Hotel	2,849,000,000.00	70,899,204.74	16,037,576.56	17,628,100.00	—	7	—	—	—	69,308,681.30
Main Building refurbishment project of International Hotel	139,000,000.00	—	101,107,534.14	—	—	73	—	—	—	101,107,534.14
Others	28,700,000.00	8,904,145.00	28,904,759.28	28,387,130.86	18,492,254.92	—	—	—	—	8,904,145.00
Total	5,633,700,000.00	345,851,224.66	249,660,923.69	169,888,087.71	27,585,369.26	—	—	—	—	398,038,691.38

(3) No impairment losses have been provided for construction in progress as at 31 December 2012 as there is no any indication that construction in progress maybe impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount	2,223,387,689.99	90,082,952.29	—	2,313,470,642.28
Land use rights	683,238,641.44	51,344,883.90	—	734,583,525.34
Mining rights	468,162,368.00	29,865,676.44	—	498,028,044.44
Exploration assets	1,069,382,843.19	—	—	1,069,382,843.19
Others	2,603,837.36	8,872,391.95	—	11,476,229.31
II. Total accumulated amortisation	201,361,237.00	54,457,702.49	—	255,818,939.49
Land use rights	46,231,908.82	14,360,427.20	—	60,592,336.02
Mining rights	153,371,768.12	39,696,127.67	—	193,067,895.79
Exploration assets	—	—	—	—
Others	1,757,560.06	401,147.62	—	2,158,707.68
III. Total net book value of intangible assets	2,022,026,452.99	—	—	2,057,651,702.79
Land use rights	637,006,732.62	—	—	673,991,189.32
Mining rights	314,790,599.88	—	—	304,960,148.65
Exploration assets	1,069,382,843.19	—	—	1,069,382,843.19
Others	846,277.30	—	—	9,317,521.63
IV. Total provision for impairment	—	—	—	—
Land use rights	—	—	—	—
Mining rights	—	—	—	—
Exploration assets	—	—	—	—
Others	—	—	—	—
V. Total carrying amount of intangible assets	2,022,026,452.99	—	—	2,057,651,702.79
Land use rights	637,006,732.62	—	—	673,991,189.32
Mining rights	314,790,599.88	—	—	304,960,148.65
Exploration assets	1,069,382,843.19	—	—	1,069,382,843.19
Others	846,277.30	—	—	9,317,521.63

The amortisation for the current year is RMB54,457,702.49.

As at 31 December 2012, a net carrying amount of RMB42,609,229.86 of land use rights are in the process of obtaining certificates of title.

As at 31 December 2012, the land use rights with the net value approximately amounting to RMB34,029,969.15 are used as collateral for bank facilities of RMB63,000,000.00.

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

14. Long-term deferred expenses

Unit: RMB

Item	Closing balance	Opening balance
Relocation compensation fee (Note 1)	79,398,284.76	87,297,600.98
Geological Museum use right (Note 2)	30,000,000.00	—
Others	25,902,256.17	9,027,521.41
Total	135,300,540.93	96,325,122.39

Note 1: The Company paid the relocation compensation fees to the villagers around the areas of tailing dams.

Note 2: According to the Geological Museum use right agreement signed by Luanchuan Finance Bureau and the Company on 18 December 2012, the Company would be allocated with 2,000 square meters showroom area in the Local Geological Museum for promoting the Company's products for 50 years from 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Deferred tax assets

Deferred tax assets and deferred tax liabilities that are not presented at the net amount after offset

(1) Recognised deferred tax assets and deferred tax liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deferred tax assets:		
Provision for impairment losses of assets	2,720,427.63	10,527,959.57
Deductible losses	36,598,571.86	—
Unrealised profit	35,061,065.51	75,201,034.98
Deferred income of government grant	7,405,707.61	7,523,913.44
Changes in fair value	1,199,496.00	1,801,939.43
Accrued expenses	35,052,152.54	42,103,740.82
Provision for special reserves	11,887,907.10	19,729,227.31
Losses on disposal of fixed assets without filing	3,510,509.81	—
Total	133,435,838.06	156,887,815.55

(2) Details of unrecognised deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	226,380,232.53	126,370,092.44
Deductible temporary differences	50,499,666.17	—
Total	276,879,898.70	126,370,092.44

Note: Deductible temporary differences and deductible losses for which deferred tax assets are not recognised due to uncertainty whether sufficient taxable profits will be available in the future shall be presented.

(3) Deductible losses, for which no deferred tax assets are recognised, will expire in the following years

Unit: RMB

Year	Closing balance	Opening balance
2013	64,135,367.41	64,135,367.41
2014	17,218,082.22	13,088,912.48
2015	8,800,651.42	10,174,854.09
2016	29,272,505.09	38,970,958.46
2017	106,953,626.39	—
Total	226,380,232.53	126,370,092.44

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Deferred tax assets (continued)

(4) Details of taxable temporary differences and deductible temporary differences

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences:		
Provision for impairment losses of assets	15,663,616.39	42,111,838.26
Deductible losses	146,394,287.43	—
Unrealised profit	140,244,262.03	300,804,139.93
Deferred income of government grant	36,103,710.16	30,095,653.76
Changes in fair value	7,996,640.00	7,207,757.73
Accrued expenses	200,554,578.83	168,414,963.24
Provision for special reserves	78,938,263.32	78,916,909.25
Losses on disposal of fixed assets without filing	23,403,398.76	—
Total	649,298,756.92	627,551,262.17

16. Details of provision for impairment losses of assets

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decreasing in the current year		Closing carrying amount
			Reversals	Write-off	
I. Bad debts provision	14,738,834.57	8,780,648.43	467,873.02	—	23,051,609.98
II. Provision for decline in value of inventories	27,198,694.42	21,963,487.58	2,422,702.54	24,463,329.48	22,276,149.98
III. Provision for impairment losses of fixed assets	174,309.27	—	—	174,309.27	—
IV. Provision for impairment losses of goodwill	3,933,952.68	—	—	—	3,933,952.68
Total	46,045,790.94	30,744,136.01	2,890,575.56	24,637,638.75	49,261,712.64

17. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepayments for acquisition of land use rights (Note 1)	8,659,900.00	8,659,900.00
Prepayments for acquisition of buildings (Note 2)	35,611,455.00	35,611,455.00
Prepayments for Geological Museum use right	—	30,000,000.00
Prepayments for exploration assets (Note 3)	50,000,000.00	50,000,000.00
Others	15,138,860.00	—
Total	109,410,215.00	124,271,355.00

Note 1: Prepayments for land compensation fee and land acquisition.

Note 2: Prepayments for acquisition of office building, the building is estimated to be delivered in 2013.

Note 3: In 2010, the Company entered into a Framework Agreement with河南省地質礦產勘查開發局Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource ("Henan Bureau") in relation to the six Mines including a copper mine located in Fuyun County, Xinjiang and a deposit of RMB50 million was advanced by the Company to Henan Bureau for the Acquisition of Exploration Rights of the Mine in 2011. Henan Bureau proposed to complete the inspection and filing of one or two mine exploration before the end of April in 2013, if the exploration is unable to carry out or, the exploration rights cannot be transferred to the Company, Henan Bureau would refund the remaining deposits and then transfer mining/exploration rights in accordance with the equivalent value of the remaining deposits. A supplemental agreement was signed in 2012 and both parties agreed that the cooperation is focused on precious-based metals, and taken into account other breeds (does not include copper mine), thus the number of mines in exploration decrease from six to five.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans		62,000,000.00
Unsecured and non-guaranteed loans	10,000,000.00	272,675,124.00
Total	10,000,000.00	334,675,124.00

19. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	75,891,401.38	73,817,000.00
Total	75,891,401.38	73,817,000.00

20. Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Payables for purchase of goods	267,690,496.16	445,063,550.97
Total	267,690,496.16	445,063,550.97

(2) There is no balance of prepayments due from shareholders holding at least 5% of the Company's shares with voting power as at 31 December 2012 and 2011. The details of accounts payable due from related parties as at 31 December 2012 and 2011 refer to Note (VI). 5.

(3) Aging analysis of accounts payable is as follows:

Item	Closing balance	Opening balance
Within 1 year	254,880,117.28	394,670,660.83
More than 1 year but not exceeding 2 years	3,117,260.11	38,476,038.40
More than 2 years	9,693,118.77	11,916,851.74
Total	267,690,496.16	445,063,550.97

21. Receipts in advance

(1) Details of receipts in advance are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Advance to goods purchased	49,024,118.34	96,938,639.19
Total	49,024,118.34	96,938,639.19

(2) There is no balance of receipt in advance due from shareholders holding at least 5% of the Company's shares with voting power as at 31 December 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Employee benefits payable

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Wages or salaries, bonuses, allowances and subsidies	65,564,584.01	432,096,446.24	392,412,579.22	105,248,451.03
II. Staff welfare	423,130.00	44,372,061.79	44,792,984.79	2,207.00
III. Social security contributions	2,231,904.97	91,510,966.17	91,136,532.17	2,606,338.97
Medical insurance	651,885.78	18,116,594.10	18,194,017.44	574,462.44
Basis pension insurance	1,154,196.20	57,864,998.27	57,436,509.97	1,582,684.50
Unemployment insurance	137,117.61	5,576,193.03	5,572,264.84	141,045.80
Maternity insurance	64,792.96	2,262,745.50	2,259,195.50	68,342.96
Work injury insurance	223,912.42	7,690,435.27	7,674,544.42	239,803.27
IV. Housing funds	1,028,698.16	29,481,556.23	29,958,843.60	551,410.79
V. Termination benefits	185,056.93	385,493.18	570,550.11	—
VI. Labor union and education fund	13,628,510.68	8,904,064.97	10,819,594.87	11,712,980.78
Total	83,061,884.75	606,750,588.58	569,691,084.76	120,121,388.57

There is no overdue employee benefits payable as at 31 December 2012 and 2011.

23. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax (note)	(121,986,313.41)	5,438,277.02
City construction and maintenance tax	1,659,773.94	832,383.36
Value added tax	(101,136,467.16)	(145,744,741.25)
Resource tax	10,517,164.19	1,322,172.30
Mineral resources compensation fee	25,360,440.33	17,274,092.70
Price adjustment fund	645,924.77	564,800.61
Education surtax	2,154,238.45	519,703.50
Others	13,992,755.83	11,417,842.24
Total	(168,792,483.06)	(108,375,469.52)

Note: Pursuant to the "Notice of Recognition of the 2011 Second Batch of New and High Technology Enterprises in Henan Provinces" (Yuke [2012] No. 39) dated 16 March 2012, jointly issued by the Science and Technology Department of Henan Province, Finance Department of Henan Province, State Tax Bureau of Henan Province and Provincial Tax Bureau of Henan Province, the Company was recognised as a new and high technology enterprises. The application income tax rates of the Company during 1 January 2011 to 31 December 2013 are 15%. In current year, there is a reversal of income tax refund amounting to RMB126,955,295.28 (excluding the sales branch) recognised in profit and loss due to the difference rate between the provisional tax rate of 25% and approved preferential ratio of 15% in year 2011.

24. Interests Payable

Item	Closing balance	Opening balance
Interests on medium-term notes (Note)	41,166,666.66	—
Total	41,166,666.66	—

Note: Details refer to Note (V).30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Dividends payable

Unit: RMB

Name of entity	Closing balance	Opening balance
Shareholders of H shares	118,004,040.00	—
Public shareholders of A shares	1,697,636.04	—
栾川縣泰峰工貿有限公司 Luanchuan Taifeng Industry and Trading Co., Ltd.(Note)	7,603,109.24	7,603,109.24
栾川縣宏基礦業有限公司 Luanchuan Hongji Mining Co., Ltd. (Note)	16,923,017.89	26,923,019.89
栾川縣誠志礦業有限公司 Luanchuan Chengzhi Mining Co., Ltd. (Note)	6,319,669.54	6,319,669.54
Total	150,547,472.71	40,845,798.67

Note: Minority shareholders of subsidiaries.

26. Other payables

(1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Project payment	285,051,422.53	107,696,106.67
Others	196,179,136.76	168,147,489.35
Total	481,230,559.29	275,843,596.02

(2) There is no balance of other payables due from shareholders holding at least 5% of the Company's shares with voting power as at 31 December 2012 and 2011. Details of other payables due from related parties as at 31 December 2012 and 2011 refer to Note (VI). 5.

(3) There is no significant other payables aged more than one year as at 31 December 2012.

27. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Payable for acquisition of exploration assets in Hami, Xinjiang (Note)	246,000,000.00	—
Deferred income due within one year (Note V.32)	16,320,927.26	—
Long-term borrowings due within one year	—	29,600,000.00
Total	262,320,927.26	29,600,000.00

Note: Pursuant to the Transfer Agreement, Xinjiang Luomu, a non-wholly owned subsidiary of the Company agreed to acquire, the Exploration Assets of 新疆哈密市東戈壁鋁礦普查項目 molybdenum general prospecting and exploration in East Gobi, Hami, Xinjiang (License number: T65120080602009571) from Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource, the consideration is RMB1.036 billion, of which RMB 0.39 billion was set off against the considerations as the additional capital contributions from the minority shareholder. Xinjiang Luomu had paid the first installment of RMB 0.4 billion in 2010, and the second installment of RMB0.246 billion (free from interests) shall be paid after 30 June 2013 or the production is launched, whichever is the earlier.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Short-term financing bonds payable

Item	Par value	Issue date	Maturity	Issue amount	Opening interest payable	Accrued interest for the year	Interests paid during the year	Closing interest payable	Closing balance
11 CMOC CP01	2,000,000,000.00	3 June 2011	365 days	2,000,000,000.00	54,716,666.67	39,083,333.33	93,800,000.00	—	—
Total	2,000,000,000.00			2,000,000,000.00	54,716,666.67	39,083,333.33	93,800,000.00	—	—

In the year 2011, the Company issued short-term financing bonds with the nominal value of RMB2 billion and registered in the National Association of Financial Market Institutional Investors. The proceeds from the short-term financing bonds were used for supplement of the Company and its subsidiaries' working capital and repayment of bank borrowings. The short-term financing bonds issued on nominal interest rate of 4.69% per annum and the term of the note was 365 days. The principal and interests were fully paid up at the maturity date of 2 June 2012.

29. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Interests payable for the short-term financing bonds payable	—	54,716,666.67
Accrued expenses	16,433,778.49	40,108,609.09
Deferred income to be realised within one year (Note (V).32)	—	504,313.80
Total	16,433,778.49	95,329,589.56

30. Bonds payable

Unit: RMB

Item	Par value	Issue date	Maturity	Issue amount	Opening interest payable	Accrued interest for the year	Interests paid during the year	Closing interest payable	Closing balance
12 CMOC MTN1	2,000,000,000.00	2 August 2012	5 years	2,000,000,000.00	—	41,166,666.66	—	41,166,666.66	2,000,000,000.00
Total	2,000,000,000.00			2,000,000,000.00	—	41,166,666.66	—	41,166,666.66	2,000,000,000.00

On 2 August 2012, the Company issued a medium-term notes with a principal of RMB2 billion ("12 CMOC MTN1") and registered in the National Association of Financial Market Institutional Investors. The proceeds from the medium-term note are used for supplement of the Company and its subsidiaries' working capital and repayment of bank borrowings. The medium-term note issued on nominal interest rate of 4.94% per annum and the term of the note was 5 years. Interest shall be paid annually.

31. Provision

Unit: RMB

Item	Closing balance	Opening balance
Provision for restoration, rehabilitation and environmental costs (Note)	46,983,083.13	44,745,793.45
Total	46,983,083.13	44,745,793.45

Note: Pursuant to the "Notice of Matters related to Revision on Fee Standards for Restoration, Rehabilitation and Environmental Costs" (Yufagai shoufei [2006] No. 1263), jointly issued by Henan Development and Reform Commission and the Finance Department of Henan Province, the Company is obliged to accrue the cost for land reclamation and mine closures for the Company's existing mines. The provision for relevant costs has been determined by the Company based on its best estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deferred income of land use right subsidy (Note 1)	22,807,948.70	23,312,262.50
Deferred income of research project subsidy (Note 2)	18,816,613.46	6,783,391.26
Payable for acquisition of exploration assets (Note 3)	—	246,000,000.00
Total	41,624,562.16	276,095,653.76
Including: Released to income within 1 year	16,320,927.26	504,313.80

Note 1: Government grant received from relevant PRC local authorities in respect of the Group's acquisition of land use rights. It is recognised as deferred income and are released to income over the lease term of the land use rights.

Note 2: Government grant received from local government in connection with the Group's research project on the processing of molybdenum and tungsten products. It is recognised as deferred income and is released to income over when the Group carried out the research work.

Note 3: Details refer to Note (V). 27.

33. Share capital

Unit: RMB

	Opening balance	New issue of shares (note 1)	Bonus issue	Changes for the year Capitalisation of surplus reserve	Others	Subtotal	Closing balance
2012:							
I. Restricted tradable shares							
1. State-owned legal person shares (note 2)	359,318,695.00	—	—	—	—	—	359,318,695.00
2. Other domestic-owned shares	353,684,210.00	—	—	—	—	—	353,684,210.00
Total restricted tradable shares	713,002,905.00	—	—	—	—	—	713,002,905.00
II. Tradable shares							
1. Ordinary shares denominated in RMB	—	40,000,000.00	—	—	—	40,000,000.00	40,000,000.00
2. Foreign-owned shares listed overseas	262,231,200.00	—	—	—	—	—	262,231,200.00
Total tradable shares	262,231,200.00	40,000,000.00	—	—	—	40,000,000.00	40,000,000.00
III. Total shares	975,234,105.00	40,000,000.00	—	—	—	40,000,000.00	1,015,234,105.00
2011:							
I. Restricted tradable shares							
1. State-owned legal person shares	359,318,695.00	—	—	—	—	—	359,318,695.00
2. Other domestic-owned shares	353,684,210.00	—	—	—	—	—	353,684,210.00
Total restricted tradable shares	713,002,905.00	—	—	—	—	—	713,002,905.00
II. Tradable shares							
1. Foreign-owned shares listed overseas	262,231,200.00	—	—	—	—	—	262,231,200.00
Total tradable shares	262,231,200.00	—	—	—	—	—	262,231,200.00
III. Total shares	975,234,105.00	—	—	—	—	—	975,234,105.00

Note (1) On 16 July 2012, pursuant to the approval of Commission license [2012] No. 942 in the title of "The approval in respect of the initial public offering of China Molybdenum Co., Ltd." issued by China Securities Regulatory Commission, the Company was approved to issue up to 542 million RMB ordinary shares (A share). Up to 26 September 2012, the Company had issued 200,000,000 shares of RMB ordinary shares (A shares) with a par value of RMB0.20 each, the issue price each share is RMB3.00 each share. Those shares are traded on the Shanghai Stock Exchange from 9 October 2012. Total proceeds raised from the issuance is amounting to RMB600 million, net proceeds derived after deduction of related issuance expenses is RMB558,146,699.71. After that, share capital of the Company is increased by RMB40 million and capital reserve is increased by RMB518, 146,699.71.

Note (2) In accordance with "境內證券市場轉持部分國有股充實全國社會保障基金實施辦法Domestic Stock Market turned held part of the state-owned shares to enrich the national social security fund implementation approach" (Cai Qi [2009] No. 94), LMG is required to transfer to the National Council for Social Security Fund of the PRC ("NSSF") such number of Domestic Shares as in aggregate equivalent to 10% of the number of the Offer Shares when the Company completed the public offering and listing of its A shares on Shanghai Stock Exchange. NSSF would inherit the lock-up obligations from LMG.

During the current year, there is no purchase, sale or redemption of the Company's listed shares by the subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the year (note)	Decrease in the year	Closing balance
2012:				
Capital premium	7,584,830,422.21	518,146,699.71	—	8,102,977,121.92
Including: Capital contributed by investors	7,582,708,382.21	518,146,699.71	—	8,100,855,081.92
Others	2,122,040.00	—	—	2,122,040.00
Item	Opening balance	Increase in the year (note)	Decrease in the year	Closing balance
2011:				
Capital premium	7,584,830,422.21	—	—	7,584,830,422.21
Including: Capital contributed by investors	7,582,708,382.21	—	—	7,582,708,382.21
Others	2,122,040.00	—	—	2,122,040.00

Note: Details refer to Note (V).33 (Note 1).

35. Special reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2012:				
Production safety fee	78,916,909.25	121,025,774.88	121,130,131.03	78,812,553.10
Provision for production maintenance fee	—	303,469,906.95	303,344,196.73	125,710.22
Total	78,916,909.25	424,495,681.83	424,474,327.76	78,938,263.32
Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2011:				
Production safety fee	35,102,901.76	67,648,708.82	23,834,701.33	78,916,909.25
Provision for production maintenance fee	59,289,335.38	286,513,621.02	345,802,956.40	—
Total	94,392,237.14	354,162,329.84	369,637,657.73	78,916,909.25

36. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2012:				
Statutory surplus reserve (note)	704,898,171.11	—	—	704,898,171.11
Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2011:				
Statutory surplus reserve	594,576,602.00	110,321,569.11	—	704,898,171.11

Note: In accordance with The Company Law of the PRC and the Articles of Association of the Company, the appropriation ceased to apply in current year since the balance of the statutory surplus reserve has reached 50% of the Company's share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Undistributed profits

Unit: RMB

Item	Amount	Proportion of appropriation
2012:		
Undistributed profits at the end of prior year	1,048,096,576.11	
Add: Net profit attributable to owners of the Company for the period	1,050,304,676.57	
Less: Appropriation to statutory surplus reserve (Note 1)	—	
Declaration of dividends on ordinary shares (Note 2)	456,855,347.25	
Undistributed profits at the end of the year	1,641,545,905.43	
2011:		
Undistributed profits at the end of prior year	2,010,215,040.41	
Add: Net profit attributable to owners of the Company for the period	1,118,175,996.91	
Less: Appropriation to statutory surplus reserve	110,321,569.11	10% net profit of the Company
Declaration of dividends on ordinary shares	1,969,972,892.10	
Undistributed profits at the end of the year	1,048,096,576.11	

Note 1: Details refer to Note (V).36(note).

Note 2: Cash dividend approved in shareholders' meeting during the year

In 2012, interim dividends in cash of RMB0.09 per share (2011: Nil) were distributed to all the shareholders, on the basis of 5,076,170,525 issued shares (with the par value of RMB0.20 per share).

Note 3: Profit distribution decided after the balance sheet date

According to a proposal of the board of directors, dividends in cash of RMB0.12 per share (2011: Nil) will be distributed to all the shareholders on the basis of 5,076,170,525 issued shares (with the par value of RMB0.20 per share). The above proposed dividends distribution is subject to shareholders' approval in the forthcoming annual shareholders' meeting.

Note 4: Appropriation to surplus reserve by subsidiaries

As at 31 December 2012, the balance of the Group's undistributed profits include appropriation of surplus reserves by subsidiaries amounting to RMB138,532,487.29 (31 December 2011: RMB119,229,341.58).

38. Operating revenue and operating costs

(1) Operating revenue

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Principal operating revenue	5,569,041,700.17	5,935,544,808.34
Other operating revenue	141,852,204.10	164,106,769.89
Principal operating costs	3,880,807,347.13	3,761,295,188.25
Other operating costs	128,409,460.76	150,074,926.98

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Operating revenue and operating costs

(2) Principal operating activities (classified by products)

Unit: RMB

Name of product	Amount recognised in the current year		Amount recognised in the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Molybdenum and related products	2,768,197,229.87	2,030,167,589.77	3,718,631,039.59	2,243,216,488.88
Tungsten and related products	929,048,872.45	204,561,971.95	626,551,958.27	152,002,914.18
Gold, silver and related products	965,459,191.69	805,948,686.96	638,563,369.33	413,169,326.91
Electrolytic lead	578,801,461.27	606,501,885.72	401,694,263.58	433,405,643.35
Others	327,534,944.89	233,627,212.73	550,104,177.57	519,500,814.93
Total	5,569,041,700.17	3,880,807,347.13	5,935,544,808.34	3,761,295,188.25

(3) Operating revenue from the Group's top five customers

Unit: RMB

Name of customer	Operating revenue	Proportion to total operating revenue of the Group (%)
Company F	513,151,362.74	8.99
Company R	327,736,508.08	5.74
Company I	212,158,747.70	3.71
Company S	211,953,946.59	3.71
Company T	165,301,822.45	2.89
Total	1,430,302,387.56	25.04

39. Business taxes and levies

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Basis of calculation
Business tax	8,884,991.88	4,427,628.60	Note (III)
City construction and maintenance tax	20,881,534.68	26,961,401.05	Note (III)
Education surtax	12,926,147.97	16,619,993.09	Note (III)
Resource tax	210,417,582.53	153,809,214.93	Note (III)
Tariff	3,658,672.15	730,131.55	Note (III)
Others	12,121,093.62	16,247,748.00	
Total	268,890,022.83	218,796,117.22	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. General administrative expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Salary, bonus and allowances	121,161,651.18	115,231,633.94
Depreciation and amortisation	57,656,709.50	51,236,348.54
Auditor's remuneration	4,442,681.21	9,227,581.40
Consulting and agency fees	23,932,348.02	29,907,252.71
Entertainment expenditures	20,267,339.91	19,036,848.77
Technology development fee	112,686,792.60	154,254,327.18
Others	93,183,925.17	81,129,032.51
Total	433,331,447.59	460,023,025.05

41. Financial expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses on bonds	80,249,999.99	54,716,666.67
Interest expenses	12,669,945.92	31,071,338.88
Including: Bank borrowings due within 5 years	12,669,945.92	31,071,338.88
Total interest expenses:	92,919,945.91	85,788,005.55
Less: Capitalised interest expenses	—	—
Less: Interest income	49,334,655.06	31,961,188.47
Exchange differences	49,233.11	1,909,134.42
Less: Capitalised exchange differences	—	—
Others	5,962,533.20	12,964,911.17
Total	49,597,057.16	68,700,862.67

42. Impairment losses on assets

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision	8,312,775.41	(3,717,186.73)
Written-down of inventories	19,540,785.04	26,913,382.58
Total	27,853,560.45	23,196,195.85

43. Gains from changes in fair values

Unit: RMB

Source resulting in gains from changes in fair values	Amount recognised in the current year	Amount recognised in the prior year
Held-for-trading financial assets	(738,261.14)	(2,469,548.93)
Total	(738,261.14)	(2,469,548.93)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Income from long-term equity investments under equity method	116,760,141.81	109,243,630.10
Investment income from bonds and banks' products	32,000,568.82	13,277,259.77
Investment income from holding held-to-maturity investments	331,073.28	361,077.84
Investment income on disposal of held-for -trading financial assets	1,415,000.00	4,159,506.08
Investment income on disposal of long-term equity investments	535,800.00	—
Total	151,042,583.91	127,041,473.79

(2) Income from long-term equity investments under equity method

Unit: RMB

Investee	Amount recognised in the current year	Amount recognised in the prior year	Reasons for increase or decrease in the current compared to the prior period
Yulu Mining	141,370,357.51	117,680,966.39	The increase/decrease profits of the invested company
Yuhua Molybdenum	(197,100.28)	252,682.04	The increase/decrease profits of the invested company
High-Tech	(14,459,115.42)	(969,018.33)	The increase/decrease profits of the invested company
Fuchuan	(9,954,000.00)	(7,721,000.00)	The increase/decrease profits of the invested company
Total	116,760,141.81	109,243,630.10	

There is no significant restriction on remittance of investment income.

Investment income for both current and prior years is come from the unlisted entities.

45. Non-operating income

(1) Details of non-operating income are as follows:

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Total gains on disposal of non-current assets	294,327.33	1,530,948.02
Including: Gains on disposal of fixed assets	294,327.33	262,599.37
Government grants	52,198,939.78	7,945,698.74
Insurance claims	604,116.35	2,942,052.18
Others	1,089,935.54	2,385,437.85
Total	54,187,319.00	14,804,136.79

(2) Details of government grants

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Subsidy for national mineral resources comprehensive utilisation model base	41,030,000.00	—
Special funds for the conservation and comprehensive utilization of mineral resources	1,786,777.80	—
Special funds of 30,000 tons/day of molybdenum tailings utilisation	5,000,000.00	—
Financial incentives to high-tech enterprises	—	15,000.00
Others	4,382,161.98	7,930,698.74
Total	52,198,939.78	7,945,698.74

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Total losses on disposal of non-current assets	1,036,818.99	15,357,352.18
Including: Losses on disposal of fixed assets	1,036,818.99	15,357,352.18
Donations to third parties	1,658,070.00	1,200,000.00
Others	1,514,641.53	3,841,181.87
Total	4,209,530.52	20,398,534.05

47. Income tax expense

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Current tax expense calculated according to tax laws and relevant requirements	176,296,706.47	363,523,930.16
Effect of tax rate adjustment for 2011 (note)	(126,955,295.28)	—
Settlement difference in income tax for the previous years	7,787,979.53	4,624,808.57
Adjustments to deferred tax	23,451,977.49	(12,393,998.71)
Total	80,581,368.21	355,754,740.02

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

	Amount for the current year	Amount for the prior year
Accounting profit	1,096,957,043.93	1,511,916,517.49
Income tax expenses calculated at 15% (prior year: 25 %)	164,543,556.59	377,979,129.37
Effect of expenses that are not deductible for tax purposes	5,447,287.00	26,438,022.00
Effect of using previously unrecognised deductible losses and deductible temporary differences	—	(1,069,115.72)
Effect of tax-free income/extra tax deductible expenses	(33,140,713.53)	(67,721,577.37)
Effect of unrecognised deductible losses and deductible temporary differences	23,617,993.88	15,503,473.17
Effect of different tax rates of subsidiaries operating in other jurisdictions	17,804,571.74	—
Changes in opening balances of deferred tax assets due to the change in tax rate	21,475,988.28	—
Effect of tax rate adjustment for 2011 (note)	(126,955,295.28)	—
Settlement difference in income tax for the previous years	7,787,979.53	4,624,808.57
Total	80,581,368.21	355,754,740.02

Note: Details refer to Note (V).23.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Calculation process of basic earnings per share

For the purpose of calculating basic earnings per share, net profit for the current year attributable to ordinary shareholders is as follows:

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Net profit for the current year attributable to ordinary shareholders	1,050,304,676.57	1,118,175,996.91
Including: Net profit from continuing operations	1,050,304,676.57	1,118,175,996.91
Net profit from discontinued operations	—	—

For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares and its calculation process is as follows:

Unit: RMB

Item	Number for the current year	Number for the prior year
Number of ordinary shares outstanding at the beginning of year	4,876,170,525	4,876,170,525
Add: Weighted average number of ordinary shares issued during the year	50,000,000	—
Less: Weighted average number of ordinary shares repurchased during the year	—	—
Number of ordinary shares outstanding at the end of year	4,926,170,525	4,876,170,525

Earnings per share

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to shareholders of the Company:	1,050,304,676.57	1,118,175,996.91
Basic earnings per share	0.21	0.23
Calculated based on net profit from continuing operations attributable to shareholders of the Company:	1,050,304,676.57	1,118,175,996.91
Basic earnings per share	0.21	0.23
Calculated based on net profit from discontinued operations attributable to shareholders of the Company:	—	—
Basic earnings per share	—	—

The Company has no dilutive potential ordinary shares.

49. Other comprehensive income

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Exchange differences of financial statements denominated in foreign currencies	(215,779.49)	1,897,969.35
Gains (losses) arising from the changes of fair value of available-for-sale financial assets	—	—
Gains (losses) arising from disposal of available-for-sale financial assets	—	—
Total	(215,779.49)	1,897,969.35

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Receipts of indemnity and penalty, etc.	1,561,606.35	6,345,698.74
Receipts of interest income	49,334,655.06	32,427,661.87
Receipts of government grants	63,727,848.18	10,000,000.00
Others	132,445.54	4,375,390.87
Total	114,756,555.13	53,148,751.48

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Payments for consulting fee, technology development fee and transportation fee, etc.	152,438,665.18	110,550,034.51
Payments of donations and penalty, etc.	3,172,711.53	5,041,181.87
Payments of bank charges and consulting fees	6,065,965.00	9,182,428.31
Others	26,901,902.60	5,491,472.93
Total	188,579,244.31	130,265,117.62

(3) Cash receipts from disposals and recovery of investments

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Cash receipts from disposal of available-for-sale financial assets, held-for-trading financial assets and banks' products	6,922,456,683.35	7,074,700,000.00
Cash receipts from disposal of central government bonds	80,000,000.00	85,684,340.51
Cash receipts from disposal of long-term equity investments	2,635,800.00	—
Total	7,005,092,483.35	7,160,384,340.51

(4) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Cash receipts from refund of prepayments to land use right	38,750,000.00	—
Total	38,750,000.00	—

(5) Cash payments to acquire investments

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Cash payments for purchasing available-for-sale financial assets, held-for-trading financial assets and bank's products	8,272,456,683.35	7,074,700,000.00
Cash payments for structured deposit products	1,170,000,000.00	—
Total	9,442,456,683.35	7,074,700,000.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current year	Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,016,375,675.72	1,156,161,777.47
Add: Provision for impairment losses of assets	27,853,560.45	23,196,195.85
Depreciation of fixed assets	345,918,521.03	419,321,495.31
Amortisation of intangible assets	54,457,702.49	43,354,139.84
Amortisation of long-term deferred expenses	10,671,514.63	9,631,413.10
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	742,491.66	13,826,404.16
Losses (gains) on changes in fair values	738,261.14	2,469,548.93
Losses on disposal of fixed assets	27,047,924.54	—
Financial expenses (income)	92,919,945.91	90,905,462.35
Losses (gains) arising from investments	(151,042,583.91)	(127,041,473.79)
Decrease (increase) in deferred tax assets	23,451,977.49	(12,393,998.74)
Decrease (increase) in inventories	316,278,425.21	(201,174,454.55)
Decrease (increase) in receivables from operating activities	(29,746,439.08)	(371,950,329.93)
Increase (decrease) in payables from operating activities	(133,452,073.09)	60,030,509.20
Amortisation of deferred income	(504,313.80)	(5,791,240.54)
Increase (decrease) in special reserve	21,354.07	(15,475,327.89)
Decrease (increase) in restricted bank deposits	4,435,205.63	(56,921,454.72)
Net cash flow from operating activities	1,606,167,150.09	1,028,148,666.05
2. Significant investing and financing activities that do not involve cash receipts and payments:		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	1,013,636,840.70	2,779,197,065.90
Less: Opening balance of cash	2,779,197,065.90	2,839,448,966.57
Add: Closing balance of cash equivalents	450,000,000.00	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	(1,315,560,225.20)	(60,251,900.67)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	1,013,636,840.70	2,779,197,065.90
Included in:		
Cash on hand	823,393.53	1,364,440.13
Bank deposits	999,503,413.80	2,777,156,311.58
Other monetary funds	13,310,033.37	676,314.19
II. Cash equivalents (note)	450,000,000.00	—
III. Closing balance of cash and cash equivalents	1,463,636,840.70	2,779,197,065.90

Note: Cash equivalents represent the structured deposit products due within three months.

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries within the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Subsidiaries of the Company

Please see Note (IV) for details for subsidiaries of the Company.

2. Associates and joint ventures of the Company

Please see Note (IV).10 for details for associates and joint ventures of the Company.

3. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company	Organisation code
LMG	shareholder of the Company	790627544
CFC 洛陽礦業集團嵩縣黃金礦業有限公司	shareholder of the Company	752458495
Luoyang Mining Group Songxian Gold Mining Limited ("Songxian Gold")(Note)	subsidiary of the shareholder	67536903-3
樂川縣田豐礦業有限公司 Luanchuan Tianfeng Mining Company Limited ("Tian Feng Mining") (Note)	subsidiary of the shareholder	757124224

Note: On 3 May 2011, the shareholders of the Company disposed its shares in "Tian Feng Mining" and "Songxian Gold", "Tian Feng mining" and "Songxian gold" are no longer the related parties of the Company from then on.

4. Related party transactions

(1) Sales and purchase of goods

	Name of other related party	Amount for the current year	Amount for the prior year
Sales of goods	Yuhua Molybdenum	141,501,726.86	338,259,027.22
Sales of goods	Tian Feng Mining	—	2,366,590.40
Total		141,501,726.86	340,625,617.62
Purchase of goods	Fuchuan	140,610,036.96	182,970,852.91
Purchase of goods	Songxian Gold	—	7,685,163.85
Purchase of goods	High-Tech	—	1,008,547.00
Total		140,610,036.96	191,664,563.76

(2) Guarantees with related parties

Unit: RMB

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
LMG	Subsidiary - Yongning Gold & Lead	5,600,000.00	25 June 2011	28 November 2012	Yes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Related party transactions (continued)

(3) Assets transfer with related parties

Related party	Details of related party transaction	Type of related party transaction	Pricing principle of related party transaction	Amount for the current year		Amount for the prior year	
				Amount	Proportion of the amount of related party transactions to that of similar transactions (%)	Amount	Proportion of the amount of related party transactions to that of similar transactions (%)
High-Tech	Land use rights	Other assets	Market price	—	—	2,191,301.00	100.00

(4) Compensation for key management personnel

Unit: RMB'000

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	11,218	11,032

5. Amounts due from / to related parties

Unit: RMB

Item	Name of related party	Closing balance	Opening balance
Accounts receivable	Yuhua Molybdenum	—	75,878,845.89
Other receivables	Huanyu	21,200,000.00	21,200,000.00
	High-Tech	407,070.00	—
Prepayments	Fuchuan	82,690,379.25	92,912,647.08
Accounts payable	Fuchuan	—	5,896,032.50
Other payables	Fuchuan	510,776.21	—
Huanyu		4,000,000.00	4,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Directors, supervisors and employees' emoluments

Directors' emoluments for the year ended 31 December 2012 are as follows:

	Basic director's fee RMB'000	Retirement salary and allowances RMB'000	Performance related bonus RMB'000	Pensions RMB'000	Social welfare and housing funds (except pensions) RMB'000	Total RMB'000
Executive director:						
段玉賢Duan, Yuxian (note 1)	—	333	1,238	19	21	1,611
李朝春Li, Chaochun	—	380	941	—	—	1,321
吳文君Wu, Wenjun	—	380	941	19	21	1,361
李發本Li, Faben	—	380	941	19	21	1,361
王欽喜Wang, Qinxi	—	360	891	19	21	1,291
Non-executive director:						
張玉峰Zhang, Yufeng	90	—	—	—	—	90
舒鶴棟Shu, Hedong	90	—	—	—	—	90
Independent non-executive director:						
高德柱Gao, Dezhu (note 2)	94	—	—	—	—	94
曾紹金Zeng, Shaojin (note 2)	94	—	—	—	—	94
古德生Gu, Desheng (note 2)	94	—	—	—	—	94
吳明華Ng Ming Wah, Charles (note 2)	157	—	—	—	—	157
白彥春Bai, Yanchun (note 3)	75	—	—	—	—	75
徐珊Xu, Shan (note 3)	75	—	—	—	—	75
徐旭Xu, Xu (Note 3)	75	—	—	—	—	75
程鈺Cheng, Yu (Note 3)	75	—	—	—	—	75
Total	919	1,833	4,952	76	84	7,864

Note 1: Resigned on 24 October 2012.

Note 2: Retired on 17 August 2012.

Note 3: Appointed on 17 August 2012.

Directors' emoluments for the year ended 31 December 2011 are as follows:

	Basic director's fee RMB'000	Retirement salary and allowances RMB'000	Performance related bonus RMB'000	Pensions RMB'000	Social welfare and housing funds (except pensions) RMB'000	Total RMB'000
Executive director:						
段玉賢Duan, Yuxian	—	400	967	6	18	1,391
李朝春Li, Chaochun	—	380	918	—	—	1,298
吳文君Wu, Wenjun	—	380	918	6	18	1,322
李發本Li, Faben	—	380	918	6	18	1,322
王欽喜Wang, Qinxi	—	360	870	6	18	1,254
Non-executive director:						
張玉峰Zhang, Yufeng	70	—	—	—	—	70
舒鶴棟Shu, Hedong	70	—	—	—	—	70
Independent non-executive director:						
高德柱Gao, Dezhu	117	—	—	—	—	117
曾紹金Zeng, Shaojin	117	—	—	—	—	117
古德生Gu, Desheng	117	—	—	—	—	117
吳明華Ng Ming Wah, Charles	217	—	—	—	—	217
Total	708	1,900	4,591	24	72	7,295

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Directors', supervisors' and employees' remuneration (continued)

Supervisors' emoluments for the year ended 31 December 2012 are as follows:

	Salary and allowances RMB'000	Performance related bonus RMB'000	Pensions RMB'000	Social welfare and housing funds (excluded pensions) RMB'000	Total RMB'000
鄧交雲Deng, Jiaoyun	350	866	19	21	1,256
尹東方Yin, Dongfang	90	—	—	—	90
張振昊Zhang, Zhenhao	90	—	—	—	90
Total	530	866	19	21	1,436

Supervisors' emoluments for the year ended 31 December 2011 are as follows:

	Salary and allowances RMB'000	Performance related bonus RMB'000	Pensions RMB'000	Social welfare and housing funds (excluded pensions) RMB'000	Total RMB'000
鄧交雲Deng, Jiaoyun	350	846	6	18	1,220
尹東方Yin, Dongfang	70	—	—	—	70
張振昊Zhang, Zhenhao	70	—	—	—	70
Total	490	846	6	18	1,360

7. Five highest paid individuals

The five highest paid individuals represented five directors (2011: five) for the year ended 31 December 2012.

Salary Range:

	Head count in current year	Head count in prior year
RMB1,000,001 to RMB1,500,000	5	5

(VII) COMMITMENTS

1. Significant commitments

(1) Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognised in the financial statements: — Commitment for acquisition and construction of long-term assets	639,069	512,431
Capital commitments approved by the management but not contracted:	—	—
Total	639,069	512,431

(2) At the balance sheet date, the Group has no other commitments that need to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(VIII) EVENTS AFTER THE BALANCE SHEET DATE

1. Profit appropriation after the balance sheet date

According to a proposal of the Board of Directors' 4th meeting of the Third Session held on 14 March 2013, total dividends in cash of RMB609,140,463.00 (pre-tax) is proposed to be distributed to all the shareholders on the basis of 5,076,170,525 issued shares. The above proposed dividends distribution is subject to be approved in the forthcoming annual shareholders' meeting.

(IX) OTHER SIGNIFICANT EVENTS

1. 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 profit and loss are RMB57,864,998.27 (2011: RMB55,895,564.18). As at 31 December 2012, the payable of basis pension insurance was amounting to RMB1,582,684.50 (at 31 December 2011: RMB1,154,196.20).

2. Net current assets

Unit: RMB

	Closing balance	Opening balance
Current assets	7,613,405,604.92	6,850,694,122.40
Less: Current liabilities	1,305,634,325.80	3,366,799,713.64
Net current assets	6,307,771,279.12	3,483,894,408.76

3. Total assets less current liabilities

	Closing balance	Opening balance
Total Assets	15,749,315,192.48	14,946,123,955.04
Less: Current liabilities	1,305,634,325.80	3,366,799,713.64
Total assets less current liabilities	14,443,680,866.68	11,579,324,241.40

4. Assets and liabilities measured at fair value

Item	Opening balance RMB'000	Profit or loss arising from changes in fair value for the year RMB'000	Changes in fair value recognised in equity RMB'000	Provision for impairment losses in the current year RMB'000	Closing balance RMB'000
Financial Assets					
Financial Assets at fair value through profit or loss	11,629,534.63	(738,261.14)	—	—	10,891,273.49

5. Segment reporting - Business Segment

Based on the Group's internal organisation structure, management requirements and internal reporting system, the operations of the Group are classified into six reporting segments. The reporting segments are determined based on internal management and reporting system. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. Major products delivered or provided by each of the reporting segments are Molybdenum additive materials, Deep-processed molybdenum products, Tungsten and related products, Gold, silver and related products, Electrolytic lead and others.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(IX) OTHER SIGNIFICANT EVENTS (CONTINUED)

5. Segment reporting - Business Segment (continued)

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

(1) Segment information

RMB'000

Current year	Molybdenum additive materials	Deep-processed molybdenum products	Tungsten and related products	Gold, silver and related products	Electrolytic lead	Others	Unallocated items	Inter-segment eliminations	Total
Operating revenue									
External revenue	2,632,689	135,508	929,049	965,459	578,802	469,387	—	—	5,710,894
Inter-segment revenue	37,088	11,683	—	—	—	—	—	(48,771)	—
Total segment operating revenue	2,669,777	147,191	929,049	965,459	578,802	469,387	—	(48,771)	5,710,894
Total operating revenue in the financial statements	2,669,777	147,191	929,049	965,459	578,802	469,387	—	(48,771)	5,710,894
Operating costs	1,927,321	151,617	204,562	805,949	606,502	362,037	—	(48,771)	4,009,217
Segment operating profit (losses)	742,456	(4,426)	724,487	159,510	(27,700)	107,350	—	—	1,701,677
Operating profit (losses) in the financial statements	742,456	(4,426)	724,487	159,510	(27,700)	107,350	—	—	1,701,677
Business taxes and levies	—	—	—	—	—	—	268,890	—	268,890
Selling expenses	—	—	—	—	—	—	25,330	—	25,330
Administrative expenses	—	—	—	—	—	—	433,331	—	433,331
Financial expenses	—	—	—	—	—	—	49,597	—	49,597
Impairment losses of assets	—	—	—	—	—	—	27,854	—	27,854
Gains (losses) from changes in fair values	—	—	—	—	—	—	(738)	—	(738)
Investment income	—	—	—	—	—	—	151,043	—	151,043
Operating profit	742,456	(4,426)	724,487	159,510	(27,700)	107,350	(654,697)	—	1,046,980
Non-operating income	—	—	—	—	—	—	54,187	—	54,187
Non-operating expenses	—	—	—	—	—	—	4,210	—	4,210
Total profit	742,456	(4,426)	724,487	159,510	(27,700)	107,350	(604,720)	—	1,096,957
Income tax expenses	—	—	—	—	—	—	80,581	—	80,581
Net profit	742,456	(4,426)	724,487	159,510	(27,700)	107,350	(685,301)	—	1,016,376

RMB'000

Prior year	Molybdenum additive materials	Deep-processed molybdenum products	Tungsten and related products	Gold, silver and related products	Electrolytic lead	Others	Unallocated items	Inter-segment eliminations	Total
Operating revenue									
External revenue	3,416,424	161,728	626,552	638,563	401,694	854,691	—	—	6,099,652
Inter-segment revenue	111,888	51,838	—	—	—	—	—	(163,726)	—
Total segment operating revenue	3,528,312	213,566	626,552	638,563	401,694	854,691	—	(163,726)	6,099,652
Total operating revenue in the financial statements	3,528,312	213,566	626,552	638,563	401,694	854,691	—	(163,726)	6,099,652
Operating costs	2,132,845	199,539	152,003	413,169	433,406	744,134	—	(163,726)	3,911,370
Segment operating profit (losses)	1,395,467	14,027	474,549	225,394	(31,712)	110,557	—	—	2,188,282
Operating profit (losses) in the financial statements	1,395,467	14,027	474,549	225,394	(31,712)	110,557	—	—	2,188,282
Business taxes and levies	—	—	—	—	—	—	218,796	—	218,796
Selling expenses	—	—	—	—	—	—	24,626	—	24,626
Administrative expenses	—	—	—	—	—	—	460,023	—	460,023
Financial expenses	—	—	—	—	—	—	68,701	—	68,701
Impairment losses of assets	—	—	—	—	—	—	23,196	—	23,196
Gains (losses) from changes in fair values	—	—	—	—	—	—	(2,470)	—	(2,470)
Investment income	—	—	—	—	—	—	127,041	—	127,041
Operating profit	1,395,467	14,027	474,549	225,394	(31,712)	110,557	(670,771)	—	1,517,511
Non-operating income	—	—	—	—	—	—	14,804	—	14,804
Non-operating expenses	—	—	—	—	—	—	20,399	—	20,399
Total profit	1,395,467	14,027	474,549	225,394	(31,712)	110,557	(676,366)	—	1,511,916
Income tax expenses	—	—	—	—	—	—	355,755	—	355,755
Net profit	1,395,467	14,027	474,549	225,394	(31,712)	110,557	(1,032,121)	—	1,156,161

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(IX) OTHER SIGNIFICANT EVENTS (CONTINUED)

5. Segment reporting - Business Segment (continued)

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:

	Amount recognised in the current year	Amount recognised in the prior year
External revenue		RMB'000
PRC	5,666,793	6,030,456
United Kingdom	4,792	37,823
United States	26,487	2,341
Germany	1,874	11,424
Others	10,948	17,608
Total	5,710,894	6,099,652

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

6. Financial instruments and risk management

The Group's major financial instruments include bank balances and cash, held-for-trading investment, accounts receivable, other receivables, accounts payable, bills payable, other payables, borrowings and bonds payable etc.. Details of these financial instruments are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

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.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise the adverse impacts of risks on the Group's operation performance, and maximise the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1. Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. As at 31 December 2012, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's operating performance.

Item	Closing balance	Opening balance
U.S. dollar (USD):		
Bank balances and cash	22,142	54,378
Short-term borrowings	—	(122,237)
Subtotal	22,142	(67,859)
HK dollar (HKD):		
Bank balances and cash	420	255
Subtotal	420	255

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. The Group currently does not take any measures to hedge currency risk exposures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(IX) OTHER SIGNIFICANT EVENTS (CONTINUED)

6. Financial instruments and risk management (continued)

1. Risk management objectives and policies (continued)

1.1 Market risk (continued)

1.1.1. Currency risk (continued)

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 period and held constant throughout the reporting period. A negative number indicates a decrease in pre-tax profit where RMB strengthens against the respective currencies which is mainly attributable to the exposure of outstanding USD and HKD bank balances. A positive number indicates an increase in pre-tax profit where RMB strengthens against the respective currencies and is mainly attributable to USD borrowings. If RMB weakens against the respective currencies, there would be an equal and opposite impact on the profit.

Item	Changes in exchange rates	Current year		Prior year	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Pre-tax effect on the profit or loss for the year and shareholders' equity	USD 10% decrease against RMB	(2,214)	(2,214)	6,786	6,786
	HKD 10% decrease against RMB	(42)	(42)	(26)	(26)

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

1.1.2. Interest rate risk

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate bonds payables and fixed -rate bank borrowings. The Group did not take any measures to hedge interest rate risk exposures.

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

Interest rate risk sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments;
- For fixed rate financial instruments measured at fair value, the changes in market interest rates will affect the fair value;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the year and shareholders' equity:

Item	Changes in interest rates	Current year		Prior year	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Profit or loss for the year and shareholders' equity	50 basis points higher	4,950	4,950	5,665	5,665
	50 basis points lower	(4,950)	(4,950)	(5,665)	(5,665)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(IX) OTHER SIGNIFICANT EVENTS (CONTINUED)

6. Financial instruments and risk management (continued)

1. Risk management objectives and policies (continued)

1.1 Market risk (continued)

1.1.3. Other price risk

The Group's held-for-trading financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the risks of changes in the security prices. The Group minimises the equity security price risks by holding a portfolio of equity securities with different risks.

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. The Group did not take any measures to hedge the price risk exposures as the amount is not significant.

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, pre-tax profit for the year ended 31 December 2012 would increase/decrease by RMB2,178,000 (2011: RMB2,326,000).

1.2. Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

The Group, trades only with recognised, creditworthy third parties. Total amount of top five entities with the largest balances of accounts receivable as at 31 December 2012 takes 49.03% of the amount of total accounts receivable (31 December 2011: 50.97%). Accounts receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is not significant. 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.

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

The credit risk on liquid fund is limited because they are deposited with banks with high credit ratings.

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.

1.3. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

RMB'000

	Less than 1 year	1-2 years	Over 2 years	Total
Bank borrowings	10,414	—	—	10,414
Bills payable	75,891	—	—	75,891
Accounts payable	267,690	—	—	267,690
Interests payable	41,167	—	—	41,167
Dividends payable	150,547	—	—	150,547
Other payables	481,231	—	—	481,231
Non-current liabilities due within one year	246,000	—	—	246,000
Other current liabilities	16,434	—	—	16,434
Bonds payable	—	98,800	2,354,033	2,452,833
Total	1,289,374	98,800	2,354,033	3,742,207

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(IX) OTHER SIGNIFICANT EVENTS (CONTINUED)

6. Financial instruments and risk management (continued)

2. Fair value

Fair values of the financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

Fair value hierarchy

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 - those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - 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 - those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Held-for-trading financial assets	10,891	—	—	10,891

RMB'000

7. Litigations

On 17 December 2012, the Company received relevant documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that Feihongxiang Mining Company Limited, Luoyang, (洛陽市飛虹祥礦業有限公司) ("Feihongxiang") filed a lawsuit accusing that the construction of Luchanggou tailing storage owned by the Company was over and occupied the Wangjiagou lead and zinc mining area owned by Feihongxiang and demanded the Company to cease the infringement and compensate for their damages by approximately RMB150 million. The Company and its attorneys believe that no occupancy recognised by the competent administration department of national land and resources and construction over the mining rights of Wangjiagou exist in Luchanggou tailing storage. Feihongxiang believed that there was currently insufficient rationale that the construction of Luchanggou tailing storage of the Company was over and occupied Wangjiagou mining area. In addition, pursuant to the proof from the competent environmental protection department in the location where the Luchanggou tailing storage of the Company is situated, there is currently insufficient rationale that, as Feihongxiang believed, the sewage discharged by Luchanggou tailing storage breached relevant regulations and eroded the mineral deposit of Wangjiagou mining area. Therefore, the Company believes that the litigation currently would not have any significant impact on the financial position of the Company and has not made any provision for an amount claimed in the aforesaid issue in its financial statements for the end of the year.

On 30 January 2013, the Company received relevant documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that West Lead Mine, Yangshuao, Luanchuan County (欒川縣楊樹凹西鉛礦) ("Yangshuao") filed a lawsuit accusing that the tailing storage built by the No. 3 Ore Processing Branch, a subsidiary of the Company, was in its mining area. As the height of the dam of the tailing storage increased to occupy upwards and the level of the groundwater rose, the mining facilities and equipment of Yangshuao were damaged and its mining needed to be written off. The plaintiff was unable to exploit the defined lead-zinc ore and an economic loss was thus incurred. Therefore, the plaintiff made claims that No. 3 Ore Processing Branch shall cease the infringement and compensate the plaintiff for a direct economic loss of approximately RMB18 million. The Company and its attorneys reviewed all the evidence submitted by Yangshuao and believe that the existence of the infringement claimed by the plaintiff could not be confirmed. If Yangshuao is unable to submit new evidence to the court, its claim of infringement is unlikely to be supported by the court only based on the existing evidence. Therefore, the Company believes that the litigation currently would not have any significant impact on the financial position of the Company and has not made any provision for an amount claimed in the aforesaid issue in its financial statements for the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Bank balances and cash

Unit: RMB

Item	Closing balance		Amount in RMB	Opening balance		Amount in RMB
	Foreign currency	Exchange rate		Foreign currency	Exchange rate	
Cash:						
RMB			334,445.90			291,340.18
Bank balances:						
RMB			778,558,024.45			1,641,710,230.84
US dollars	641,252.24	6.2855	4,030,590.93	652,715.32	6.3009	4,112,693.95
HK dollars	28,750.76	0.8108	23,311.12	28,744.05	0.8107	23,302.80
Other currency funds:						
RMB			1,250,136,062.67			81,181,625.96
Total			2,033,082,435.07			1,727,319,193.73

2. Held-for-trading financial assets

Unit: RMB

Item	Closing fair value	Opening fair value
1. Held-for-trading investments in debt securities	—	50,000,000.00
2. Held-for-trading investments in equity instruments	9,437,760.00	10,168,560.00
Total	9,437,760.00	60,168,560.00

3. Bills receivable

Categories of bills receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	1,190,664,406.12	970,061,089.37

4. Accounts receivable

Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount Amount	Proportion (%)
Accounts receivable that are individually significant	201,604,766.81	99.97	—	—	183,335,465.86	93.74	—	—
Accounts receivable that are not individually significant	56,307.15	0.03	975,300.29	100.00	12,235,093.62	6.26	975,300.29	100.00
Total	201,661,073.96	100.00	975,300.29	100.00	195,570,559.48	100.00	975,300.29	100.00

The Company determines that accounts receivable of more than RMB5,000,000 is considered as individually significant accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

Aging analysis of accounts receivable is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount (%)	Amount	Proportion (%)	Bad debt provision	Carrying amount (%)
Within 1 year	197,749,320.54	98.06	—	197,749,320.54	194,595,259.19	99.50	—	194,595,259.19
More than 1 year but not exceeding 2 years	2,936,453.13	1.46	—	2,936,453.13	—	—	—	—
More than 2 years but not exceeding 3 years	—	—	—	—	975,300.29	0.50	975,300.29	—
More than 3 years	975,300.29	0.48	975,300.29	—	—	—	—	—
Total	201,661,073.96	100.00	975,300.29	200,685,773.67	195,570,559.48	100.00	975,300.29	194,595,259.19

5. Prepayments

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	3,872,847.52	83.95	1,809,731,837.42	99.56
More than 1 year but not exceeding 2 years	303,145.65	6.57	7,737,740.40	0.43
More than 2 years but not exceeding 3 years	327,860.61	7.11	25,048.00	—
More than 3 years	109,286.00	2.37	298,477.08	0.01
Total	4,613,139.78	100.00	1,817,793,102.90	100.00

6. Other receivable

Disclosure of other receivables by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Amount	Proportion (%)	Carrying amount Amount	Proportion (%)
Other receivable that are individually significant and for which bad debt provision has been assessed individually	1,881,625,168.99	98.95	—	—	262,138,438.44	94.05	—	—
Other receivable that are not individually significant but for which bad debt provision has been assessed individually	19,905,317.20	1.05	10,979,464.39	100.00	16,578,087.62	5.95	5,864,634.91	100.00
Total	1,901,530,486.19	100.00	10,979,464.39	100.00	278,716,526.06	100.00	5,864,634.91	100.00

The Company determines that other receivable of more than RMB5,000,000 is considered as individually significant other receivable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. Other receivable (continued)

Aging analysis of other receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount (%)	Amount	Proportion (%)	Bad debt provision	Carrying amount (%)
Within 1 year	1,866,880,724.92	98.18	579,703.12	1,866,301,021.80	214,240,185.10	76.87	4,388,293.95	209,851,891.15
More than 1 year but not exceeding 2 years	4,112,642.28	0.22	4,112,642.28	—	63,259,972.42	22.70	259,972.42	63,000,000.00
More than 2 years but not exceeding 3 years	29,566,119.52	1.55	5,316,119.52	24,250,000.00	88,318.71	0.03	88,318.71	—
More than 3 years	970,999.47	0.05	970,999.47	—	1,128,049.83	0.40	1,128,049.83	—
Total	1,901,530,486.19	100.00	10,979,464.39	1,890,551,021.80	278,716,526.06	100.00	5,864,634.91	272,851,891.15

7. Inventories

Categories of inventories:

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	97,287,747.41	—	97,287,747.41	133,740,176.49	—	133,740,176.49
Finished goods	86,912,634.05	—	86,912,634.05	43,076,772.77	—	43,076,772.77
Total	184,200,381.46	—	184,200,381.46	176,816,949.26	—	176,816,949.26

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

8. Long-term equity investments

Details of long-term equity investments are as follows:

Investee	Investment cost Unit: RMB	Closing balance Unit: RMB	Opening balance Unit: RMB
Equity Method			
Yulu Mining	20,000,000.00	174,233,382.53	152,863,025.02
Yuhua Molybdenum	1,650,000.00	3,414,284.44	3,611,384.72
High-Tech	265,000,000.00	231,655,926.69	246,115,042.11
		409,303,593.66	402,589,451.85
Cost Method			
Refining	5,638,250.27	5,638,250.27	5,638,250.27
Dachuan	37,500,000.00	157,500,000.00	157,500,000.00
Sales and Trading	2,000,000.00	2,000,000.00	2,000,000.00
Dadongpo	33,483,750.00	33,483,749.86	33,483,749.86
Jiuyang	17,028,900.00	17,028,900.00	17,028,900.00
Sangjiang	33,397,038.41	33,397,038.41	33,397,038.41
International Hotel	30,000,000.00	210,000,000.00	210,000,000.00
Kunyu	350,000,000.00	350,000,000.00	350,000,000.00
Tungsten	1,000,000,000.00	100,000,000.00	100,000,000.00
Metals Investment	2,500,000,000.00	500,000,000.00	500,000,000.00
Hong Kong	0.96	0.96	0.96
Metal Material	650,000,000.00	650,000,000.00	650,000,000.00
Furun	8,803,190.84	8,803,190.84	8,803,190.84
Construction Investment	4,875,086.50	4,875,086.50	4,875,086.50
Xinjiang Luomu	980,000,000.00	980,000,000.00	980,000,000.00
Huqi	271,420,000.00	271,420,000.00	271,420,000.00
Sales subsidiary	50,000,000.00	50,000,000.00	50,000,000.00
The Carbide	500,000.00	500,000.00	—
Subtotal		3,374,646,216.84	3,374,146,216.84
Luanchuan Lengshui Rural Credit Cooperatives	2,000,000.00	—	2,000,000.00
Henan Qianjin Dynamite Project Co., Ltd.	200,000.00	200,000.00	200,000.00
Others	4,928.00	4,928.00	4,928.00
Subtotal		204,928.00	2,204,928.00
Total		3,784,154,738.50	3,778,940,596.69
Less: Provision for impairment losses		—	—
Net carrying amount		3,784,154,738.50	3,778,940,596.69

Details of subsidiaries, associates and their principal finance information refer to Note (IV) and Note(V).9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Fixed assets

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount	3,268,905,834.60	79,328,676.56	47,657,965.88	3,300,576,545.28
Including: Buildings and mining structures	2,355,110,168.44	48,763,700.61	45,961,005.88	2,357,912,863.17
Plant and machinery	711,201,369.65	27,944,086.72	1,643,610.00	737,501,846.37
Furniture, fixtures and equipment	139,125,484.67	2,038,597.05	53,350.00	141,110,731.72
Motor vehicles	63,468,811.84	582,292.18	—	64,051,104.02
II. Total accumulated depreciation	1,368,991,846.67	183,937,410.04	20,381,573.77	1,532,547,682.94
Including: Buildings and mining structures	919,902,235.41	102,857,534.61	18,840,807.68	1,003,918,962.34
Plant and machinery	341,683,844.70	64,289,478.36	1,489,540.49	404,483,782.57
Furniture, fixtures and equipment	54,647,129.80	10,731,859.89	51,225.60	65,327,764.09
Motor vehicles	52,758,636.76	6,058,537.18	—	58,817,173.94
III. Total net book value of fixed assets	1,899,913,987.93	—	—	1,768,028,862.34
Including: Buildings and mining structures	1,435,207,933.03	—	—	1,353,993,900.83
Plant and machinery	369,517,524.95	—	—	333,018,063.80
Furniture, fixtures and equipment	84,478,354.87	—	—	75,782,967.63
Motor vehicles	10,710,175.08	—	—	5,233,930.08
IV. Total provision for impairment losses	174,309.27	—	174,309.27	—
Including: Buildings and mining structures	174,309.27	—	174,309.27	—
Plant and machinery	—	—	—	—
Furniture, fixtures and equipment	—	—	—	—
Motor vehicles	—	—	—	—
V. Total carrying amount of fixed assets	1,899,739,678.66	—	—	1,768,028,862.34
Including: Buildings and mining structures	1,435,033,623.76	—	—	1,353,993,900.83
Plant and machinery	369,517,524.95	—	—	333,018,063.80
Furniture, fixtures and equipment	84,478,354.87	—	—	75,782,967.63
Motor vehicles	10,710,175.08	—	—	5,233,930.08

10. Intangible assets

Unit: RMB

Item	Opening carrying amount	Increase in the current year	Decrease in the current year	Closing carrying amount
I. Total original carrying amount	780,886,747.24	136,771,530.82	—	917,658,278.06
Land use rights	377,436,757.78	44,224,857.00	—	421,661,614.78
Mining rights	401,485,700.00	—	—	401,485,700.00
Trademark rights	967,170.00	319,580.00	—	1,286,750.00
Non-proprietary technology	—	83,831,281.87	—	83,831,281.87
Others	997,119.46	8,395,811.95	—	9,392,931.41
II. Total accumulated amortisation	177,533,185.00	42,065,016.66	—	219,598,201.66
Land use rights	32,109,820.44	8,233,426.26	—	40,343,246.70
Mining rights	144,669,970.56	27,219,369.48	—	171,889,340.04
Trademark rights	625,186.88	202,952.55	—	828,139.43
Non-proprietary technology	—	6,287,346.18	—	6,287,346.18
Others	128,207.12	121,922.19	—	250,129.31
III. Total net book value of intangible assets	603,353,562.24	—	—	698,060,076.40
Land use rights	345,326,937.34	—	—	381,318,368.08
Mining rights	256,815,729.44	—	—	229,596,359.96
Trademark rights	341,983.12	—	—	458,610.57
Non-proprietary technology	—	—	—	77,543,935.69
Others	868,912.34	—	—	9,142,802.10
IV. Total provision for impairment	—	—	—	—
V. Total carrying amount of intangible assets	603,353,562.24	—	—	698,060,076.40
Land use rights	345,326,937.34	—	—	381,318,368.08
Mining rights	256,815,729.44	—	—	229,596,359.96
Trademark rights	341,983.12	—	—	458,610.57
Non-proprietary technology	—	—	—	77,543,935.69
Others	868,912.34	—	—	9,142,802.10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

11. Deferred tax assets

(1) Recognised deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deferred tax assets:		
Provision for impairment losses of assets	1,793,214.70	1,753,561.12
Deferred income of government grant	7,405,707.61	6,114,018.44
Changes in fair value	1,199,496.00	1,255,405.84
Accrued expenses	22,629,738.26	29,111,333.94
Provision for special reserve	11,769,988.09	19,729,227.31
Losses on disposal of fixed assets without filing	3,510,509.81	—
Total	48,308,654.47	57,963,546.65

(2) Details of taxable temporary differences and deductible temporary differences

Unit: RMB

Item	Temporary differences	
	Closing balance	Opening balance
Provision for impairment losses of assets	11,954,764.68	7,014,244.47
Deferred income of government grant	36,103,710.16	24,456,073.76
Changes in fair value	7,996,640.00	5,021,623.34
Net accrued and unpaid expenses	150,864,921.72	116,445,335.78
Provision for special reserve	78,466,587.27	78,916,909.25
Losses on disposal of fixed assets without filing	23,403,398.76	—
Total	308,790,022.59	231,854,186.60

12. Details of provision for impairment losses of assets

Unit: RMB

Item	Opening carrying amount	Increased in the current year	Decreased in the current year		Closing carrying amount
			Reversals	Write-off	
I. Bad debts provision	6,839,935.20	5,114,829.48	—	—	11,954,764.68
II. Provision for decline in value of inventories	—	—	—	—	—
III. Provision for impairment losses of fixed assets	174,309.27	—	—	174,309.27	—
Total	7,014,244.47	5,114,829.48	—	174,309.27	11,954,764.68

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

13. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Loans receivable from Construction Investment (Note 1)	1,105,000,000.00	1,105,000,000.00
Prepayments for acquisition of buildings (Note 2)	35,611,455.00	35,611,455.00
Prepayments for Geological Museum use right	—	30,000,000.00
Prepayment for exploration assets (Note 2)	50,000,000.00	50,000,000.00
Total	1,190,611,455.00	1,220,611,455.00

Note 1: Payments to Construction Investment for acquisition of Huan Yu.

On 22 December 2009, the Company entered into a loan agreement (the "Loan Agreement") with Luoyang Construction Investment and Mining Co., Ltd. ("Construction Investment" or the "Borrower") to advance a loan in the aggregate amount of RMB1,150,000,000. The Borrower will use the loan to finance the possible acquisition (the "Intended Acquisition") by the Borrower of all or any part of the equity interest in Xuzhou Huanyu Molybdenum Co., Ltd. ("Huanyu") or Luoyang Fuchuan Mining Co., Ltd. ("Fuchuan"). Fuchuan owns and operates the Shangfanggou molybdenum mine located in Luanchuan County, Luoyang City, PRC. Xuzhou Huanyu owns 90% equity interest in Fuchuan. After the completion of the Intended Acquisition, the Company acquired 100% equity interest in Construction Investment on 22 April 2010. Then the Company considers the actual payments of RMB1,105,000,000 as a long-term injection to Construction Investment.

Note 2: Details refer to Note (V).17.

14. Short-term borrowings

Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Unsecured and non-guaranteed loans	—	150,000,000.00
Total	—	150,000,000.00

15. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax (note)	(116,389,359.68)	1,547,322.24
City construction and maintenance tax	1,964,404.56	1,350,532.01
Value added tax	15,317,564.81	48,297,661.62
Resource tax	10,274,994.60	1,023,069.16
Mineral resources compensation fee	25,360,440.33	17,274,092.70
Price adjustment fund	362,202.73	519,596.78
Education surtax	1,178,398.50	810,321.59
Others	9,740,036.71	5,372,540.85
Total	(52,191,317.44)	76,195,136.95

Note: Details refer to Note (V).23.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

16. Operating revenue and operating costs

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Principal operating revenue	2,861,448,459.40	5,756,321,917.40
Other operating revenue	62,274,971.08	77,578,653.02
Principal operating costs	1,406,435,823.15	3,931,002,112.33
Other operating costs	63,839,259.44	76,142,632.77

17. Business taxes and levies

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Basis of calculation
City construction and maintenance tax	18,972,175.39	23,977,497.86	Note (III)
Education surtax	11,383,060.98	14,386,520.32	Note (III)
Resource tax	206,936,107.88	151,019,488.16	Note (III)
Tariff	3,658,672.15	730,131.55	Note (III)
Others	14,206,230.01	15,142,848.37	
Totals	255,156,246.41	205,256,486.26	

18. General administrative expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Salary, bonus and allowances	48,971,426.05	49,204,642.53
Depreciation and amortisation	23,181,284.68	20,911,980.99
Auditor's remuneration	3,881,181.21	8,502,024.88
Consulting and agency fees	23,056,918.02	29,907,252.71
Entertainment expenditures	12,468,465.80	10,470,584.08
Technology development fee	111,771,589.14	132,627,075.33
Others	47,686,971.08	50,331,773.79
Total	271,017,835.98	301,955,334.31

19. Financial expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Interest expenses on bonds	80,249,999.99	54,716,666.67
Interest expenses	13,871,227.74	30,722,348.67
Including: Bank borrowings due within 5 years	5,593,880.70	21,035,381.50
Total interest expenses:	94,121,227.73	85,439,015.34
Less: Capitalised interest expenses	—	—
Less: Interest income	93,167,869.99	47,168,778.10
Exchange differences	50,441.37	3,758,601.57
Less: Capitalised exchange differences	—	—
Others	4,613,051.58	12,175,862.83
Total	5,616,850.69	54,204,701.64

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

20. Impairment losses on assets

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Bad debt losses	5,114,829.48	(3,790,678.00)
Total	5,114,829.48	(3,790,678.00)

21. Investment income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Investment income from long-term equity investments under equity method	126,714,141.81	116,919,691.28
Cash dividends distributed by the investees under cost method	11,819,644.91	9,367,875.73
Investment income from bonds and banks' wealth investment product	19,270,034.65	12,549,389.54
Investment income on disposal of held-for-trading financial assets	1,415,000.00	—
Investment income from holding held-for-trading financial assets	331,073.28	2,612,323.05
Investment income from disposal of equity investments	535,800.00	—
Total	160,085,694.65	141,449,279.60

22. Non-operating income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Total gains on disposal of non-current assets	280,411.23	1,322,437.26
Government grant	49,632,363.60	4,585,698.74
Others	49,382.48	1,518,955.52
Total	49,962,157.31	7,427,091.52

23. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Total losses on disposal of non-current assets	—	600.00
Donations to third parties	1,271,000.00	760,000.00
Others	866,446.22	2,512,383.82
Total	2,137,446.22	3,272,983.82

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

24. Income tax expense

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Current tax expense calculated according to tax laws and relevant requirements	145,338,697.18	303,759,779.24
Effect of tax rate adjustment for 2011 (note)	(126,955,295.28)	—
Settlement difference in income tax for the previous years	7,660,521.68	(3,396,641.00)
Adjustments to deferred tax	9,654,892.18	646,009.02
Total	35,698,815.76	301,009,147.26

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Accounting profit	1,123,594,235.87	1,404,224,838.36
Income tax expenses calculated at 15% (prior year: 25 %)	168,539,135.38	351,056,209.59
Effect of expenses that are not deductible for tax purposes	1,286,536.38	18,168,421.81
Effect of tax-free income/extra tax deductible expenses	(36,308,070.68)	(64,818,843.14)
Changes in opening balances of deferred tax assets due to the change in tax rate	21,475,988.28	—
Effect of tax rate adjustment for 2011 (note)	(126,955,295.28)	—
Settlement difference in income tax for the previous years	7,660,521.68	(3,396,641.00)
Total	35,698,815.76	301,009,147.26

Note: Details refer to Note (V).23.

25. Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current year	Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,087,895,420.11	1,103,215,691.10
Add: Provision for impairment losses of assets	5,114,829.48	(3,790,678.00)
Depreciation of fixed assets	183,937,410.04	264,084,418.70
Amortisation of intangible assets	42,065,016.66	30,141,067.05
Amortisation of long-term deferred expenses	9,251,731.35	8,353,791.61
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(280,411.23)	(1,321,837.26)
Losses (gains) on changes in fair values	730,800.00	1,545,120.00
Losses on disposal of fixed assets	27,047,924.54	—
Financial expenses (income)	37,506,265.54	93,029,015.34
Losses (gains) arising from investments	(160,085,694.65)	(141,449,279.60)
Decrease (increase) in deferred tax assets	9,654,892.18	646,008.99
Decrease (increase) in inventories	(7,383,432.20)	(5,611,240.60)
Decrease (increase) in receivables from operating activities	(383,702,198.27)	518,831,391.15
Increase (decrease) in payables from operating activities	70,165,166.74	(391,409,625.17)
Amortisation of deferred income Increase (decrease) in special reserve	(385,585.80)	—
Increase (decrease) in special reserve	(450,321.98)	(15,475,327.89)
Decrease (increase) in restricted bank deposits	80,732,681.45	(56,921,454.72)
Net cash flow from operating activities	1,001,814,493.96	1,403,867,060.70
2. Net changes in cash and cash equivalents:		
Closing balance of cash	782,946,372.40	1,646,450,449.61
Less: Opening balance of cash	1,646,450,449.61	1,600,862,352.82
Add: Closing balance of cash equivalents	450,000,000.00	—
Less: Opening balance of cash equivalents	—	—
Net increase in cash and cash equivalents	(413,504,077.21)	45,588,096.79

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

26. Related party relationships and transactions

Please see Note (IV) for details for subsidiaries of the Company, and Note (IV).10 for details for associates and joint ventures of the Company.

(1) Related party transactions

- (1.1) Sales and purchase of goods, provision and receipt of services

Unit: RMB

Related party	Details of related party transaction	Type of related party transaction	Pricing principle of related party transactions	Amount for the current year Amount	Amount for the prior year Amount
Yuhua Molybdenum	Goods	Sales	Contract price	—	194,158,731.58
Sales subsidiary	Goods	Sales	Contract price	900,176,520.46	324,582,018.29
Refining	Goods	Sales	Contract price	272,547,358.08	574,017,945.43
Sales and Trading	Goods	Sales	Contract price	263,817,431.85	85,671,461.47
Dachuan	Goods	Sales	Contract price	27,624,556.54	121,563,262.87
Dadongpo	Goods	Sales	Contract price	128,414,154.33	129,786,114.15
Jiuyang	Goods	Sales	Contract price	86,546,500.92	79,758,003.60
Sanqiang	Goods	Sales	Contract price	131,325,659.19	136,460,792.16
Hong Kong	Goods	Sales	Contract price	19,939,170.10	—
Metal Material	Goods	Sales	Contract price	882,703,980.12	1,550,269,336.01
Tianfeng Mining	Goods	Sales	Contract price	—	2,366,590.40
Total				2,713,095,331.59	3,198,634,255.96
Sales subsidiary	Goods	Purchases	Contract price	—	19,862,875.20
Refining	Goods	Purchases	Contract price	—	790,976,962.17
Dachuan	Goods	Purchases	Contract price	11,682,822.34	16,955,940.37
Dadongpo	Goods	Purchases	Contract price	—	17,248,155.57
Jiuyang	Goods	Purchases	Contract price	1,984,102.56	13,597,963.84
Sanqiang	Goods	Purchases	Contract price	—	21,622,633.07
Metal Material	Goods	Purchases	Contract price	19,733,580.84	1,018,187,661.73
Sales and Trading	Goods	Purchases	Contract price	—	—
Yongning Gold & Lead	Goods	Purchases	Contract price	—	129,014,330.31
Fuchuan	Goods	Purchases	Contract price	—	2,512,927.92
Total				33,400,505.74	2,029,979,450.18

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

26. Related party relationships and transactions (continued)

(1) Related party transactions (continued)

(1.2) Borrowings/loans with related parties

2012:

	Lent to during the current year RMB	Received during the current year RMB	Closing balance RMB	Lent to during the prior year RMB	Received during the prior year RMB	Opening balance RMB
Lent to:						
Sales Subsidiary	1,188,051,111.68	995,519,548.54	442,507,698.29	348,842,434.20	98,866,299.05	249,976,135.15
Refining	300,000,000.00	610,095,751.09	89,904,248.91	412,000,000.00	72,347,816.83	400,000,000.00
Tungsten	—	—	—	195,918,071.24	216,371,757.15	—
International Hotel	12,000,000.00	—	193,317,000.00	—	—	181,317,000.00
Metals						
Investment	—	—	—	565,000,000.00	624,670,000.00	—
Jiuyang	196,374,622.86	119,619,683.72	76,754,939.14	4,197,808.23	4,197,808.23	—
Sanqiang	277,788,932.01	177,350,432.78	100,438,499.23	—	—	—
Metal material	—	480,000,000.00	—	480,000,000.00	—	480,000,000.00
Carbide	5,169,100.00	500,000.00	4,669,100.00	—	—	—
Yongning Gold & Lead	929,013,404.83	153,879,933.79	929,013,404.83	772,314,021.57	618,434,087.78	153,879,933.79
Qixing	8,760,278.59	—	8,760,278.59	—	—	—
Construction						
Investment	—	—	15,010,000.00	—	10,000,000.00	15,010,000.00
Total	2,917,157,449.97	2,536,965,349.92	1,860,375,168.99	2,778,272,335.24	1,644,887,769.04	1,480,183,068.94

	Borrowed from during the current year RMB	Repaid during the current year RMB	Closing balance RMB	Borrowed from during the prior year RMB	Repaid during the prior year RMB	Opening balance RMB
Borrowed from:						
Metals Investment	—	—	—	48,791,572.55	48,791,572.55	—
Tungsten	—	—	—	84,972,218.89	84,972,218.89	—
Sales and						
Trading	—	—	—	151,275,345.28	152,213,383.02	—
Yongning						
Gold & Lead	6,553,727.39	—	33,249,847.68	976,630,746.00	950,930,859.93	26,696,120.29
Metal material	—	—	—	1,213,686,612.81	1,217,813,597.04	—
Kunyu	463,553,398.65	471,490,390.17	20,967,224.69	505,485,162.82	485,349,554.56	28,904,216.21
Sanqiang	—	37,327,455.85	—	322,700,601.62	334,724,305.61	37,327,455.85
Dadongpo	125,885,914.94	203,743,470.37	20,350,825.52	302,994,631.10	348,738,059.25	98,208,380.95
Dachuan	225,567,853.00	227,312,136.41	34,058,799.51	249,710,520.77	252,793,116.28	35,803,082.92
Jiuyang	—	—	—	182,299,147.41	194,859,853.23	—
Xinjiang Luomu	110,475,473.96	5,610,784.58	110,000,000.00	103,871,945.08	686,637,482.00	5,135,310.62
International Hotel	76,138,438.21	83,853,921.77	5,702,031.22	101,720,209.64	108,351,536.68	13,417,514.78
Refining	—	—	—	615,697,575.71	626,220,499.20	—
Construction						
Investment	37,000,000.00	—	37,000,000.00	—	—	—
Total	1,045,174,806.15	1,029,338,159.15	261,328,728.62	4,859,836,289.68	5,492,396,038.24	245,492,081.62

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

26. Related party relationships and transactions (continued)

(1) Related party transactions (continued)

(1.2) Borrowings/loans with related parties (continued)

2011:

	Lent to during the current year RMB	Received during the current year RMB	Closing balance RMB	Lent to during the prior year RMB	Received during the prior year RMB	Opening balance RMB
Lent to:						
Sales Subsidiary	348,842,434.20	98,866,299.05	249,976,135.15	—	—	—
Refining	412,000,000.00	72,347,816.83	400,000,000.00	56,056,625.30	45,509,993.25	60,347,816.83
Tungsten	195,918,071.24	216,371,757.15	—	20,453,685.91	—	20,453,685.91
International Hotel	—	—	181,317,000.00	26,958,709.05	—	181,317,000.00
Metals Investment	565,000,000.00	624,670,000.00	—	59,670,000.00	—	59,670,000.00
Jiuyang	4,197,808.23	4,197,808.23	—	—	—	—
Metal material	480,000,000.00	—	480,000,000.00	—	—	—
Yongning Gold & Lead	772,314,021.57	618,434,087.78	153,879,933.79	—	—	—
Construction	—	—	—	—	—	—
Investment	—	10,000,000.00	15,010,000.00	25,010,000.00	—	25,010,000.00
Total	2,778,272,335.24	1,644,887,769.04	1,480,183,068.94	188,149,020.26	45,509,993.25	346,798,502.74

	Borrowed from during the current year RMB	Repaid during the current year RMB	Closing balance RMB	Borrowed from during the prior year RMB	Repaid during the prior year RMB	Opening balance RMB
Borrowed from:						
Materials Investment	48,791,572.55	48,791,572.55	—	1,180,281,958.04	1,370,281,958.04	—
Tungsten	84,972,218.89	84,972,218.89	—	1,137,706,667.79	1,221,825,336.10	—
High-tech	—	—	—	50,562,112.11	150,660,000.00	—
Sales and Trading	151,275,345.28	152,213,383.02	—	166,403,504.78	166,783,182.20	938,037.74
Yongning Gold & Lead	976,630,746.00	950,930,859.93	26,696,120.29	545,453.91	—	996,234.22
Metal	—	—	—	—	—	—
Material	1,213,686,612.81	1,217,813,597.04	—	3,915,721.15	—	4,126,984.23
Kunyu	505,485,162.82	485,349,554.56	28,904,216.21	545,752,310.03	539,653,364.99	8,768,607.95
Sanqiang	322,700,601.62	334,724,305.61	37,327,455.85	377,432,328.61	345,692,773.17	49,351,159.84
Dadongpo	302,994,631.10	348,738,059.25	98,208,380.95	321,220,185.50	313,952,422.21	143,951,809.10
Dachuan	249,710,520.77	252,793,116.28	35,803,082.92	152,191,308.33	123,389,046.30	38,885,678.43
Jiuyang	182,299,147.41	194,859,853.23	—	243,803,060.54	234,398,511.55	12,560,705.82
Xinjiang luomu	103,871,945.08	686,637,482.00	5,135,310.62	1,456,600,847.54	868,700,000.00	587,900,847.54
International Hotel	101,720,209.64	108,351,536.68	13,417,514.78	81,607,948.05	61,559,106.23	20,048,841.82
Refining	615,697,575.71	626,220,499.20	—	18,030,701.92	7,507,778.43	10,522,923.49
Total	4,859,836,289.68	5,492,396,038.24	245,492,081.62	5,736,054,108.30	5,404,403,479.22	878,051,830.18

(1.3) Interests on related parties

	Current year RMB	Prior year RMB
Net interests paid to (received from) related parties	(48,337,615.15)	(24,477,775.87)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(X) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

26. Related party relationships and transactions (continued)

(1) Related party transactions (continued)

(1.4) Assets transfer with related parties

Unit: RMB

Related party	Contents of related party transaction	Type of related party transaction	Pricing principle of related party transaction	Amount for 2012		Amount for 2011	
				Amount	Proportion of the amount of related party transactions to that of similar transactions (%)	Amount	Proportion of the amount of related party transactions to that of similar transactions (%)
High-tech	Land use rights	Other assets	Market price	—	—	2,191,301.00	100.00

(2) Amount due from and amount due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts receivable	Sales and Trading	62,436,215.02	183,335,465.86
	Refining	10,076.96	10,076.96
	Dachuan	20,734,329.85	—
Dividends receivable	Hong Kong	10,150,917.30	—
	Sanqiang	11,158,892.09	11,158,892.09
	Dadongpo	7,913,440.23	7,913,440.23
Other receivables	Jiuyang	28,013,751.76	28,013,751.76
	Kunyu	—	9,367,875.73
	Refining	89,904,248.91	4,178,011.12
	Sales Subsidiary	442,507,698.29	259,822,656.35
	Yongning Gold & Lead	929,013,404.83	—
	International Hotel	193,317,000.00	181,317,000.00
	Qixing	8,760,278.59	—
	Jiuyang	76,754,939.14	—
	Metals Investment	—	5,000,000.00
	Construction Investment	15,010,000.00	15,010,000.00
Other non-current assets	Sanqiang	100,438,499.23	—
	Carbide	4,669,100.00	—
	High-tech	407,070.00	—
Interest receivable	Construction Investment	1,105,000,000.00	1,105,000,000.00
	Refining	—	2,100,000.00
	Metals Investment	100.00	1,557,838.58
Prepayments	Yongning Gold & Lead	89,124,016.56	32,509,054.37
	Jiuyang	—	5,394,083.27
	Yongning Gold & Lead	—	878,098,935.15
Other payables	Refining	—	400,000,000.00
	Metal Material	—	480,000,000.00
	Sanqiang	—	37,327,455.85
	Dachuan	34,058,799.51	35,803,083.92
	Dadongpo	20,350,825.52	98,208,380.95
	Kunyu	20,967,224.69	28,904,216.21
	Yongning Gold & Lead	33,249,847.68	26,696,120.29
Other payables	Construction Investment	37,000,000.00	—
	Hongkong	2,141,778.18	2,141,778.18
	Xinjiang Luomu	110,000,000.00	5,135,310.62
	International Hotel	5,702,031.22	13,417,514.78

(XI) APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the board of directors and authorised for issue on 14 March 2013.

SUPPLEMENTARY INFORMATION

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount
Profit	1,016,375,675.72
Add(less): Non-recurring profit or loss items	
— Profit or loss on disposal of non-current assets	742,491.66
— Government grants recognised in profit or loss	(52,198,939.78)
— Investment income from banks' products	(30,229,854.92)
— Investment income on disposal of held-to-trading financial assets	(1,415,000.00)
— Investment income on disposal of equity investments	(535,800.00)
— Profit or loss on changes in the fair value of held-for-trading financial assets	738,261.14
— Other non-operating income or expenses other than the above	1,478,659.64
— Effect of change in tax rate for the year ended 31 December 2011	(126,955,295.28)
— Changes in opening balance of deferred tax assets due to the change in tax rate	21,475,988.28
Subtotal	(186,899,489.26)
Tax effects	13,127,260.63
Net profit after deducting non-recurring profit or loss	842,603,447.09
Including: Net profit attributable to shareholders of the parent company	877,939,958.52
Net profit attributable to minority interests	(35,336,511.43)

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE ("EPS")

The return on net assets and EPS have been prepared by China Molybdenum Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	9.50	0.21	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	7.94	0.18	N/A

SUPPLEMENTARY INFORMATION

3. ANALYTICAL REVIEW OF FLUCTUATION ON CONSOLIDATED FINANCIAL STATEMENT ITEMS (“F/S ITEMS”)

Unit: RMB

F/S items	Closing balance/ amount for current year	Opening balance/ amount for prior year	Change by %	Cause for the changes
1 Held-for-trading financial assets	10,891,273.49	61,629,534.63	(82%)	decrease of closing balance was mainly due to the redemption of the government bonds
2 Other receivables	70,336,012.59	126,272,930.32	(44%)	decrease of closing balance was mainly due to the recovery of the receivables
3 Other current assets	1,412,014,904.49	92,700,516.79	1,423%	increase of closing balance was mainly due to the investment on banks' product
4 Long-term deferred expenses	135,300,540.93	96,325,122.39	40%	increase of closing balance was mainly due to the payment of geological museum use rights
5 Short-term borrowings	10,000,000.00	334,675,124.00	(97%)	decrease of closing balance was mainly due to the repayments of bank borrowings
6 Receipts in advance	49,024,118.34	96,938,639.19	(49%)	decrease of closing balance was mainly due to the realisation of sales
7 Employee benefit payable	120,121,388.57	83,061,884.75	45%	increase of closing balance was mainly due to the accrued bonus of 2012
8 Dividends payable	150,547,472.71	40,845,798.67	269%	increase of closing balance was mainly due to the unpaid interim dividend
9 Other payables	481,230,559.29	275,843,596.02	74%	increase of closing balance was mainly due to the increase of payables for acquisition of property, plant and equipment and construction materials
10 Non-current liabilities due within one year	262,320,927.26	29,600,000.00	786%	increase of closing balance was mainly due to payables for acquisition of exploration assets transferred from other non-current liabilities to non-current liabilities due within one year
11 Other non-current liabilities	25,303,634.90	275,591,339.96	(91%)	decrease of closing balance was mainly due to payables for acquisition of exploration assets transferred from other non-current liabilities to non-current liabilities due within one year
12 Short-term financing bonds payable	—	2,000,000,000.00	(100%)	decrease of closing balance was mainly due to the repayment of bonds
13 Bonds payable	2,000,000,000.00	—	—	the closing balance represented the amounts received from the issuance of a five-year medium-term note during the year
14 Income tax expenses	80,581,368.21	355,754,740.02	(77%)	decrease of income tax expenses was mainly attributable to the Company's entitlement to an income tax preferential ratio of 15% from year 2011 to 2013 upon being recognised as a new and high technology enterprise during the year, and there was an reversal of overpaid income tax expenses of year 2011

SUPPLEMENTARY INFORMATION

4. THE GROUP'S OPERATING RESULTS, ASSETS AND LIABILITIES FOR THE PAST FIVE YEARS

Item	2012	2011	2010	2009	2008
I. Total operating revenue	5,710,893,904.27	6,099,651,578.23	4,496,966,550.62	3,132,808,825.82	5,563,746,309.49
II. Total operating costs					
Less: Operating costs	4,009,216,807.89	3,911,370,115.23	2,643,702,269.28	2,112,237,138.53	2,613,157,703.38
Business taxes and levies	268,890,022.83	218,796,117.22	189,262,351.66	175,659,682.50	406,848,844.21
Selling expenses	25,330,075.67	24,626,272.32	15,105,016.61	13,992,195.92	25,020,431.65
Administrative expenses	433,331,447.59	460,023,025.05	334,990,183.03	282,743,838.34	260,204,915.33
Financial expenses	49,597,057.16	68,700,862.67	(6,737,309.71)	(53,064,839.93)	10,899,849.28
Impairment losses of assets	27,853,560.45	23,196,195.85	(510,973.30)	(9,034,966.67)	20,300,695.47
Add: Gains (losses) from changes in fair values	(738,261.14)	(2,469,548.93)	(4,561,086.14)	8,342,404.34	(35,911,743.67)
Investment income (losses)	151,042,583.91	127,041,473.79	97,983,666.51	90,197,123.42	125,754,475.38
Including: Income from investments in associates and joint ventures	116,760,141.81	109,243,630.10	25,831,569.77	16,561,019.49	14,792,466.16
III. Operating profit	1,046,979,255.45	1,517,510,914.75	1,414,577,593.42	708,815,304.89	2,317,156,601.88
Add: Non-operating income	54,187,319.00	14,804,136.79	16,009,810.73	21,949,903.84	5,999,046.96
Less: Non-operating expenses	4,209,530.52	20,398,534.05	15,886,847.48	22,979,483.91	21,966,688.36
Including: Losses from disposal of non-current assets	1,036,818.99	15,357,352.18	713,257.28	15,262,066.23	11,037,006.97
IV. Total profit	1,096,957,043.93	1,511,916,517.49	1,414,700,556.67	707,785,724.82	2,301,188,960.48
Less: Income tax expenses	80,581,368.21	355,754,740.02	357,865,750.97	181,395,509.32	605,234,493.15
V. Net profit	1,016,375,675.72	1,156,161,777.47	1,056,834,805.70	526,390,215.50	1,695,954,467.33
Net profit attributable to shareholders of the parent company	1,050,304,676.57	1,118,175,996.91	1,020,691,889.73	495,094,787.38	1,488,043,363.77
Profit or loss attributable to minority interests	(33,929,000.85)	37,985,780.56	36,142,915.97	31,295,428.12	207,911,103.56
VI. Earnings per share:					
Basic earnings per share	0.21	0.23	0.21	0.10	0.31
VII. Other comprehensive income	(215,779.49)	1,897,969.35	(2,001,322.58)	494,477.48	(2,605,496.72)
VIII. Total comprehensive income:	1,016,159,896.23	1,158,059,746.82	1,054,833,483.12	526,884,692.98	1,693,348,970.61
Total comprehensive income attributable to shareholders of the parent company	1,050,088,897.08	1,120,073,966.26	1,018,690,567.15	495,589,264.86	1,485,437,867.05
Total comprehensive income (losses) attributable to minority interests	(33,929,000.85)	37,985,780.56	36,142,915.97	31,295,428.12	207,911,103.56

Item	31 December 2012	31 December 2011	31 December 2010	31 December 2009	31 December 2008
Total assets	15,749,315,192.48	14,946,123,955.04	13,709,639,894.39	12,260,956,892.03	12,406,164,720.24
Total liabilities	3,377,921,043.83	3,687,136,847.05	2,009,249,509.34	1,258,014,210.93	1,069,412,705.37
Minority interests	829,859,172.33	868,853,735.28	444,882,758.61	320,271,819.73	407,957,296.13
Total equity attributable to the shareholders of the parent company	11,541,534,976.32	10,390,133,372.71	11,255,507,626.44	10,682,670,861.37	10,928,794,718.74



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