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

Stock Code: 3993

2017
ANNUAL REPORT

* For identification purposes only

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THIS ANNUAL REPORT INCLUDES FORWARD-LOOKING STATEMENTS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACTS, THAT ADDRESS 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 AND UNCERTAINTIES. THE COMPANY MAKES THE FORWARD-LOOKING STATEMENTS IN THE ANNUAL REPORT FOR THE YEAR REFERRED TO HEREIN AS AT 29 MARCH 2018 AND UNDERTAKES NO OBLIGATION OR RESPONSIBILITY TO UPDATE THESE STATEMENTS, AND DO NOT CONSTITUTE THE COMPANY'S SUBSTANTIVE UNDERTAKINGS TO INVESTORS. INVESTORS ARE ADVISED TO PAY ATTENTION TO INVESTMENT RISKS.

Note: This annual report was prepared in both Chinese and English versions. Where there is discrepancy between the Chinese and English versions, the Chinese version shall prevail.

COMPANY PROFILE

China Molybdenum Co., Ltd. (hereinafter referred to as "**CMOC**" or the "**Company**", together with its subsidiaries, the "**Group**") engages in non-ferrous metal mining, mainly the selection, smelting, and deep processing of copper, molybdenum, tungsten, cobalt, niobium and phosphate. With a relatively integrated industrial chain, the Company is globally one of the top five molybdenum manufacturers, the largest tungsten manufacturer, the second largest cobalt and niobium manufacturer, and a leading copper manufacturer; as well as the second largest phosphate fertilizer manufacturer in Brazil. The Company is currently listed on the Shanghai Stock Exchange (the "**SSE**") (Stock Code: 603993) and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 03993).

CMOC has the highest molybdenum iron and molybdenum oxide production capacity in China. Sandaozhuang molybdenum and tungsten mine, wholly owned and operated by the Company, has the largest proven molybdenum reserves and the second largest proven tungsten reserves in the country, making it a very competitive, low cost producer of these metals. Shangfanggou molybdenum and iron mine, owned by the joint venture of the Company, has abundant high-grade molybdenum reserves. Donggebi molybdenum mine in Hami, Xinjiang, owned by a subsidiary of the Company, is the first super-scale porphyry molybdenum mine in Xinjiang, and features a large reserve that is high grade, shallow depth, and easy to exploit.

The overseas businesses of CMOC are in Brazil, the Democratic Republic of Congo ("**DRC**") and Australia. CMOC International, located in Phoenix, Arizona U.S.A. is responsible for the operation and control of our International business.

Copebras Indústria Ltda. ("**CIL**") and Niobras Mineração Ltda ("**NML**") are located in Brazil. CMOC indirectly holds 100% equity of the phosphate business of CIL. CIL is a sophisticated producer of phosphate fertilizer and the second largest fertilizer manufacturer in Brazil, covering the entire phosphate industrial chain. The total annual amount of minerals that it processes reaches nearly 6 million tonnes, and the total production ranks second in Brazil. Its main products include high-analysis phosphate fertilizer (MAP, GTSP), low-analysis phosphate fertilizer (SSG and SSP powder), animal feed supplements (DCP), intermediate products (phosphoric acid and sulfuric acid, the latter mainly used by CIL), and relevant by-products (gypsum, fluosilicic acid). CMOC indirectly holds 100% equity of the niobium business of NML. NML is the world's second largest niobium manufacturer and engages in exploiting and processing niobium minerals. Its main product is ferroniobium. NML produces niobium products that meet customer's requirements by processing niobium minerals, including crushing, screening, concentrating, leaching, and smelting. Its productive assets include the Boa Vista Mine, BV processing plant, BVFR processing plant, and a process plant for phosphate tailings.

Tenke Fungurume Mining ("**TFM**") is located in the DRC. The Company holds 56% of its equity indirectly plus the exclusive right to purchase an additional 24% equity in TFM. TFM engages in exploration, mining, refining, processing and selling copper and cobalt in a mining concession that covers nearly 1,600 sq km. Its main products are copper cathode and cobalt hydroxide. TFM operates a large, high-grade copper deposit that also hosts one of the largest, high-grade cobalt deposits in the world.

The Company also holds 80% equity of Northparkes Copper and Gold Mine ("**NPM**") in Australia, which utilizes both block cave and sublevel underground mining methods. Its advanced extraction process associated with the active block cave are fully automated.

Our vision is to develop a respected international resources company. While consolidating and maintaining our advantage of current low-cost business, we are also committed to investing in and integrating high-quality resources all over the world, relying on international management practices with the flexibility to raise funding via multi-channel financing platforms.

I. MAJOR ACCOUNTING DATA

Unit: RMB million

Major accounting data	2017	2016	Increase or decrease as compared to the same period last year *(%)*	2015
Operating revenue	**24,147.56**	6,949.57	247.47	4,196.84
Net profit attributable to shareholders of listed companies	**2,727.80**	998.04	173.32	761.16
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed companies	**3,125.34**	907.67	244.33	745.24
Net cash flow from operating activities	**8,428.81**	2,914.83	189.17	1,358.77

Major accounting data	At the end of 2017	At the end of 2016	Increase or decrease as compared to the end of same period last year *(%)*	At the end of 2015
Net assets attributable to the shareholders of listed companies	**38,157.18**	18,738.06	103.63	17,353.48
Total assets	**97,837.25**	87,924.36	11.27	30,880.53
Total share capital	**4,319.85**	3,377.44	27.90	3,377.44

II. MAJOR FINANCIAL INDICATORS

Items	For the year ended 31 December 2017	2016	Increase or decrease as compared to the same period last year *(%)*	For the year ended 31 December 2015
Basic earnings per share ("**EPS**") *(RMB per share)*	**0.14**	0.06	133	0.05
Diluted EPS *(RMB per share)*	**N/A**	N/A	N/A	N/A
Basic EPS after deduction of non-recurring profits or losses *(RMB per share)*	**0.16**	0.05	220	0.05
Weighted average return on net assets *(%)*	**9.89**	5.52	Increased by 4.37 percentage points	4.77
Weighted average return on net assets after deduction of non-recurring profits or losses *(%)*	**11.25**	5.03	Increased by 6.22 percentage points	4.67

III. MAJOR FINANCIAL DATA FOR 2017 BY QUARTER

Unit: RMB million

Items	First quarter (From January to March)	Second quarter (From April to June)	Third quarter (From July to September)	Fourth quarter (From October to December)
Operating revenue	5,782.53	5,872.41	6,051.59	6,441.03
Net profit attributable to shareholders of listed companies	597.22	237.92	769.40	1,123.26
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed companies	575.03	584.09	797.28	1,168.94
Net cash flow from operating activities	1,427.25	2,054.17	2,185.04	2,762.36

IV. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: '0,000 Yuan Currency: RMB

Non-recurring profit or loss items	Amount for 2017	Notes (if appropriate)	Amount for 2016	Amount for 2015
Profit or loss on disposal of non-current assets	**-1,749.16**		577.06	-3,804.12
Government grants included in profit and loss for the Period, except for those closely relevant to the Company's normal business and in compliance with national policies and regulations and granted continuously according to certain standardized amounts or quotas	**2,379.58**	Subsidy of RMB7.005 million from low-grade scheelite demonstration project, RMB6.5965 million from special funds for foreign trade development and RMB3.36 million from special funds for manufacturing development	2,574.88	4,513.25
Gains in fair value of identifiable net assets attributable to invested units at the time of acquisition over investment costs for acquiring subsidiaries, associates and joint ventures by the enterprise	**–**		–	-16,189.05
Profit or loss on debt restructuring	**-4.80**		-49.97	-2,851.65
Profit and loss of changes in fair value arising from holding of financial assets held for trading and financial liabilities held for trading, and investment gains from disposal of financial assets held for trading, financial liabilities held for trading and financial assets available for sale, except for effective hedging activities associated with normal business operations of the Company	**-39,324.04**	Including contingent consideration of copper and cobalt of RMB428.69 million generated from acquisition	21,339.22	12,367.44
Negative goodwill generated by business combination not involving enterprises under common control	**–**		43,090.84	–
Transaction costs arising from M&A	**–**		-23,613.98	–
Loss on impairment of available-for-sale financial assets	**–**		-29,175.75	–

Non-recurring profit or loss items	Amount for 2017	Notes (if appropriate)	Amount for 2016	Amount for 2015
Loss on impairment of long-term assets	–		-119.39	–
Other non-operating income or expenses other than the above items	**-515.10**	RMB29.2353 million for charitable donation expenditure	-2,295.54	-2,302.32
Effects of minority interests	**-10.23**		0.42	-12.23
Income tax effects	**-531.00**		-3,290.56	9,871.04
Total	**-39,754.75**		9,037.23	1,592.36

V. CONSOLIDATED FINANCIAL STATEMENTS

(I) Consolidated Balance Sheet

	As at 31 December		
Items	**2017** ***RMB million***	2016 (restated) *RMB million*	Increase (decrease)
Current assets:			
Cash and cash balances	**26,508.76**	9,970.22	165.88%
Financial assets measured at fair value through profit or loss	**–**	55.60	-100.00%
Notes receivable	**1,750.69**	950.86	84.12%
Accounts receivable	**2,144.63**	1,461.81	46.71%
Prepayments	**110.58**	295.57	-62.59%
Interest receivable	**656.70**	40.49	1521.88%
Other receivables	**789.92**	1,147.04	-31.13%
Inventories	**5,705.50**	5,082.77	12.25%
Other current assets	**1,382.00**	798.59	73.06%
Total current assets	**39,048.80**	19,802.96	97.19%
Non-current assets:			
Available-for-sale financial assets	**3,246.90**	3,000.60	8.21%
Long-term equity investment	**1,136.37**	1,191.50	-4.63%
Fixed assets	**24,234.93**	27,272.92	-11.14%
Construction in progress	**950.11**	695.36	36.64%
Long-term inventory	**4,352.01**	4,269.62	1.93%
Intangible assets	**21,536.18**	24,501.31	-12.10%
Goodwill	**833.59**	892.33	-6.58%
Long-term prepaid expenses	**116.19**	115.25	0.82%
Deferred tax assets	**304.70**	432.12	-29.49%
Other non-current assets	**2,077.45**	5,750.40	-63.87%
Total non-current assets	**58,788.45**	68,121.40	-13.70%
Total assets	**97,837.25**	87,924.36	11.27%

FINANCIAL HIGHLIGHTS

Items	As at 31 December 2017 RMB million	2016 (restated) RMB million	Increase (decrease)
Current liabilities:			
Short-term borrowings	**1,478.13**	4,372.43	-66.19%
Financial liabilities measured at fair value through profit or loss	**3,592.19**	2,821.44	27.32%
Notes payable	**23.96**	660.00	-96.37%
Accounts payable	**976.48**	741.51	31.69%
Advances from customers	**127.80**	51.87	146.39%
Employee benefits payable	**445.41**	354.82	25.53%
Taxes payable	**1,137.80**	57.86	1866.47%
Interest payable	**219.81**	183.68	19.67%
Dividends payable	**27.89**	27.89	0.00%
Other payables	**604.77**	1,416.78	-57.31%
Non-current liabilities due within one year	**4,797.82**	2,584.50	85.64%
Other current liabilities	**71.07**	2,708.90	-97.38%
Total current liabilities	**13,503.11**	15,981.67	-15.51%
Non-current liabilities:			
Long-term borrowing	**22,033.89**	23,376.88	-5.74%
Bonds payable	**2,000.00**	2,000.00	0.00%
Long-term employee benefits payable	**64.38**	43.28	48.75%
Provision	**2,049.90**	1,757.79	16.62%
Deferred income	**72.89**	80.31	-9.24%
Deferred tax liabilities	**8,603.59**	9,832.65	-12.50%
Other non-current liabilities	**3,600.34**	514.85	599.30%
Total non-current liabilities	**38,425.00**	37,605.76	2.18%
Total liabilities	**51,928.11**	53,587.43	-3.10%
Shareholders' equity:			
Share capital	**4,319.85**	3,377.44	27.90%
Capital reserve	**27,582.79**	10,720.31	157.29%
Other comprehensive income	**-238.82**	282.85	-184.43%
Special reserve	**7.73**	8.57	-9.80%
Surplus reserve	**968.19**	840.10	15.25%
Retained profits	**5,517.44**	3,508.79	57.25%
Total equity attributable to shareholders of the parent company	**38,157.18**	18,738.06	103.63%
Minority interests	**7,751.95**	15,598.87	-50.30%
Total shareholders' equity	**45,909.13**	34,336.93	33.70%
Total liabilities and shareholders' equity	**97,837.25**	87,924.36	11.27%

(II) Consolidated Income Statement

Items	For the year ended 31 December 2017 RMB million	2016 RMB million	Increase (decrease)
I. Total operating revenue	**24,147.56**	6,949.57	247.47%
Including: Operating revenue	**24,147.56**	6,949.57	247.47%
Less: Operating costs	**15,211.94**	4,623.82	228.99%
Taxes and surcharges	**344.33**	230.31	49.51%
Selling expenses	**214.84**	90.62	137.08%
Administrative expenses	**1,159.09**	714.73	62.17%
Financial expenses	**1,416.97**	407.67	247.58%
Assets impairment loss	**56.60**	351.86	-83.91%
Add: Gains or losses from changes in fair value (loss expressed with "-")	**-471.77**	46.42	-1116.31%
Income from investment (loss expressed with "-")	**108.70**	174.18	-37.59%
Including: Income from investment in joint ventures and associates	**30.17**	7.21	318.45%
Income (loss) from disposal of assets	**-17.49**	5.77	-403.12%
Other incomes	**13.86**	–	–
II. Operating profit (loss expressed with "-")	**5,377.08**	756.94	610.37%
Add: Non-operating income	**39.05**	460.43	-91.52%
Less: Non-operating expenses	**34.31**	27.23	26.00%
III. Total profit (total loss expressed with "-")	**5,381.82**	1,190.14	352.20%
Less: Income tax expenses	**1,786.20**	170.90	945.17%
IV. Net profit (net loss expressed with "-")	**3,595.62**	1,019.24	252.77%
(1) Classified by business continuity:			
1. Net profit from continuing operations	**3,595.62**	1,019.24	252.77%
2. Net profit from discontinued operations	**–**	–	–
(2) Classified by ownership:			
1. Profit or loss attributable to minority shareholders	**867.82**	21.20	3,993.49%
2. Net profit attributable to owners of the parent company	**2,727.80**	998.04	173.32%
V. Other comprehensive income, net of tax	**-1,024.04**	1,060.63	-196.55%
Other comprehensive income attributable to owners of the parent company, net of tax	**-521.67**	915.35	-156.99%
(1) Other comprehensive income that cannot be reclassified into profit or loss in subsequent periods	**–**	–	–
(2) Other comprehensive income that can be reclassified into profit or loss in subsequent periods	**-521.67**	915.35	-156.99%
1. Gains or losses from changes in fair value of Gains or losses from available-for-sale financial assets	**372.38**	265.28	40.37%
2. Exchange differences on translation of foreign operations	**-894.05**	650.07	-237.53%
Other comprehensive income attributable to minority shareholders, net of tax	**-502.37**	145.29	-445.77%

Items	For the year ended 31 December 2017 RMB million	2016 RMB million	Increase (decrease)
VI. Total comprehensive income	**2,571.57**	2,079.87	23.64%
Total comprehensive income attributable to owners of the parent company	**2,206.12**	1,913.39	15.30%
Total comprehensive income attributable to minority shareholders	**365.45**	166.48	119.52%
VII. Earnings per share			
(1) Basic earnings per share *(RMB/share)*	**0.14**	0.06	133.33%
(2) Diluted earnings per share *(RMB/share)*	**N/A**	N/A	N/A

(III) Consolidated Statement of Cash Flow

Items	For the year ended 31 December 2017 RMB million	2016 RMB million	Increase (decrease)
I. Cash flows from operating activities:			
Cash received from sales of goods and services	**24,594.25**	7,644.88	221.71%
Other cash received related to operating activities	**654.82**	424.66	54.20%
Sub-total of cash inflows from operating activities	**25,249.06**	8,069.53	212.89%
Cash paid for purchasing goods and receiving labor services	**11,736.23**	3,270.94	258.80%
Cash paid to employees and paid for employees	**1,770.19**	807.88	119.12%
Taxes and fees paid	**2,040.13**	679.11	200.41%
Cash paid for other operating activities	**1,273.70**	396.78	221.01%
Sub-total of cash outflow from operating activities	**16,820.25**	5,154.71	226.31%
Net cash flow from operating activities	**8,428.81**	2,914.83	189.17%
II. Cash flows from investment activities:			
Cash received from recovery of investment	**2,002.81**	3,335.93	-39.96%
Cash received from investment income	**93.33**	270.86	-65.54%
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	**26.99**	29.30	-7.88%
Sub-total of cash inflows from investment activities	**2,123.13**	3,636.09	-41.61%
Cash paid for acquisitions or disposal of subsidiaries and other operation units	**–**	28,104.66	-100.00%
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets	**1,066.48**	854.26	24.84%
Cash paid for investment	**4,834.29**	1,416.19	241.36%
Cash paid for other investment activities	**331.60**	908.96	-63.52%
Sub-total of cash outflow from investment activities	**6,232.36**	31,284.08	-80.08%
Net cash flows from investment activities	**-4,109.23**	-27,647.99	85.14%

Items	For the year ended 31 December **2017** ***RMB million***	2016 *RMB million*	Increase (decrease)
III. Cash flows from financing activities:			
Cash received from absorbing investment	**17,858.63**	–	–
Cash received from borrowings	**10,560.51**	29,429.21	-64.12%
Cash received from other financing activities	**1,485.20**	3,027.28	-50.94%
Sub-total of cash inflows from financing activities	**29,904.33**	32,456.49	-7.86%
Cash paid for debt repayment	**11,038.95**	5,186.64	112.83%
Cash paid for distribution of dividends, profits and interest payment	**2,147.31**	1,108.37	93.74%
Including: Dividends paid by subsidiaries to non-controlling shareholders	**347.52**	161.57	115.09%
Cash paid for other related to financing activities	**9,346.04**	2,170.79	330.54%
Sub-total of cash outflow from financing activities	**22,532.30**	8,465.80	166.16%
Net cash flow from financing activities	**7,372.04**	23,990.69	-69.27%
IV. Effect of exchange rate changes on cash and cash equivalents	**-330.41**	180.52	-283.03%
V. Net increase (decrease) in cash and cash equivalents	**11,361.21**	-561.95	2,121.75%
Add: Balance of cash and cash equivalents at the beginning of year	**8,420.21**	8,982.16	-6.26%
VI. Balance of cash and cash equivalents at the end of year	**19,781.42**	8,420.21	134.93%

CHAIRMAN'S LETTER

Li Chaochun
Chairman

Dear Shareholders,

Thanks to the Company's major acquisitions completed at the end of 2016, and the subsequent recovery of the global commodities market, we are now entering the harvest season. We are pleased to announce that in 2017, the Group realized a consolidated net profit of RMB3.6 billion, with year-on-year growth of 253%. The net profit attributable to shareholders of the parent company was RMB2.7 billion with a year-on-year increase of 173%. The cash flow from operating activities was RMB8.4 billion, representing a year-on-year increase of 189%. The cash reserves available for use by the end of the year amounted to RMB26.5 billion. Following our long-term steady and high-ratio dividend policy, the Board of Directors have proposed to distribute to shareholders a total annual dividend of RMB1.642 billion (including tax).

Backed by a unique product portfolio with scarce resources, we are now benefiting from the Chinese economic structure upgrade and the vigorous development of the global EV sector, and attracting a lot of interest on the capital markets. In the past 12 months, the cumulative increase in the Company's A share and H share prices reached 186% and 270% respectively, making it one of the best performing stocks in the global mining sector. The Company's total market value has remained above RMB150 billion, ranking among the top global mining companies. This fully reflects our investors' recognition of our strategic deployment, art of timing and speedy execution.

REVIEW

The acquisitions were just a beginning, and our first task was to go through transition period smoothly. As a mining company, we always regard the implementation of the highest safety and environmental standards as our first priority. Last year, the Lost Time Injury indicator in the DRC and Brazil operations were 3 and 2, respectively, which were significantly lower than those before the acquisitions. Our Australian operation achieved a historical record of 134 consecutive days with zero injury. In our China operation, we fully implemented the Ten Safety Principles and started to adopt international evaluation systems. While carrying out multiple transitional tasks including IT system migration, relocation of the regional center in Brazil, and office development in Phoenix, we also experienced a rare rainy season in the DRC and rising cost of raw material globally. Despite all these factors, the overall production outputs and costs of the DRC and Brazil operations have remained stable. These two important indicators of safety and operational stability highlight the smooth transition we had achieved.

We keep managing and optimizing the balance sheet. Last July, the Company successfully raised RMB18 billion from its non-public issuance of A Shares, which was the largest fund-raising in Chinese capital market in the past two years. The issuance was over-subscribed for 2.15 times, introducing eight high-quality long-term institutional investors such as China Structural Reform Fund and Bosera Fund. The issuance greatly optimized the Company's assets and liabilities structure. By the end of last year, the Company's gear ratio had been reduced to 53.1% and the interest-bearing net debt ratio was only 10.4%.

We implement a delicacy management philosophy and firmly believe that cost reduction comes from every detail. As an example, the Brazil operation has launched the "Kaizen project" which inspires all employees to explore cost reduction measures in the details of their daily work. At the same time, we further promoted cost reduction by optimizing production sites layout and processes. We always value and continuously invest in technological innovation because we believe it is the key to long-term and structural cost reduction. Last year we made many new achievements in these areas: inspired by the automated underground mining technology of our Australia NPM operation, our China site independently developed an intelligent mining processing line comprising remote-controlled trucks, excavators and high pressure pneumatic DTH drilling machines for open-pit mining. Having merits such as effectively preventing operational risks in hazardous areas, drastically reducing mining costs and improving operators' working conditions, this technology won the first prize for Technological Progress in China's non-ferrous metals industry.

We further increase our profitability by improving product structure and quality. The APT project of our tungsten business is a *Demonstration Base Project for Comprehensive Utilization of Resources* supported by the Chinese Ministry of Land and Resources. With its production process being an innovation in China and internationally, this project created the fastest record for construction and ramping up in the tungsten hydrometallurgy industry. Its advantages include high recovery rate, low cost and efficient recycling. In particular, by achieving almost zero emissions of waste and used water, it solved the long-standing environmental problem in the tungsten industry. This project also significantly reduced production costs by recovering molybdenum and other by-products, and increased the sale price of our tungsten product. The ATP project has reached an internationally leading level and won the first prize for "innovation in universities – research institutions – industry cooperation" in China.

Last April, through an exclusive option we secured an additional 24% interest in TFM, our DRC mining operation, we increased our controlling interests in this world-class project to 80%. In addition, the Company participated in the establishment of the New China Capital Legend Natural Resources Fund, which signed at the end of last year an agreement to buy the world's 3rd largest non-ferrous metals trading company. This transaction is expected to be closed in the first half of 2018.

OUTLOOK – MEETING GREATER CHALLENGES

In 2018, we achieved a smooth transition following these acquisitions, and our focus in 2018 will be on efficient integration. Our overseas operating assets of different kinds in Australia, South America and Africa, each formerly affiliated to a different major international mining company, have different languages and local environments; if we add to this the international office based in Phoenix, USA and the currently expanding Group headquarters in China, it is not an overstatement to say that integrating new teams from all corners of the globe, each with different culture and background, will represent one of the greatest challenges for our integration. But we all share something in common: we belong to the same CMOC big family. We will work hard to build unified, inclusive, and strong CMOC culture and values. We will prove to the market that CMOC is not only good at acquisitions, but is also a good operator. Efficient integration can bring additional value creation.

Mining is a traditional industry. Its products have homogeneous characteristics and its business logic is simple: be the best in the industry at maintaining a competitive cost advantage. Competitive cost advantage comes from two equally important aspects: resource and management. Quality resource is a gift from the nature but can also be obtained through successful exploration and acquisition. Excellent management, on the other side, depends on internal strength built through continuous efforts. Business management is an endless learning experience in which the East and the West have both their own strengths. Each company has a different style, and no model can be copied thoughtlessly. As an international company headquartered in China, we aim to promote Chinese values in the process of establishing corporate core values while at the same time maintaining a resolutely open and inclusive attitude.

Success belongs to the past. We will not be content with our current achievements and stop here. 2018 is the starting point of a new journey. We will keep on dreaming big, remain true to our original aspiration, act decisively and forge ahead.

SINCERE THANKS

I would like to express my earnest gratitude to shareholders, local governments and communities, customers and partners for their deep trust and long-term support. I also sincerely thank all Board members, domestic and international management teams, and all staff for their hard work and outstanding contribution to our Group's achievements.

Li Chaochun
Chairman

Beijing, the PRC
29 March 2018

MARKET REVIEW AND PROSPECTS

For the year ended 31 December 2017, the Company generated revenue mainly from the sales of copper, cobalt, molybdenum, tungsten, niobium, phosphates and other relevant products. The Company's results are largely subject to the fluctuations in the prices of the above resources. At the same time, NPM of the Company has certain sales of gold as a by-product. Accordingly, the fluctuation of the prices in gold would also has an impact on results of the Company.

PRICES COMPARISON OF RELEVANT PRODUCTS OF THE COMPANY FOR THE YEAR OF 2017 AND THE CORRESPONDING PERIOD LAST YEAR

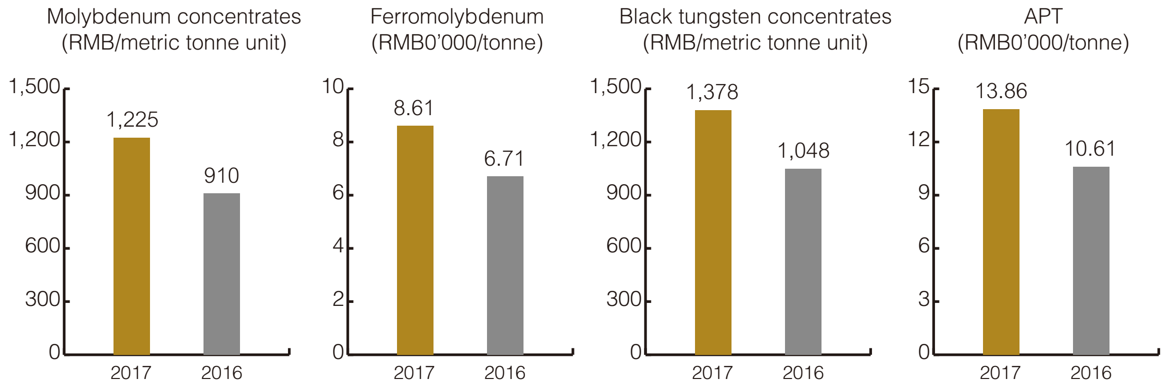
Products		Domestic market price of the relevant products of the Company		
		2017	2016	**Increase/ decrease on a year-to-year basis** *(%)*
Molybdenum	Molybdenum concentrates *(RMB/metric tonne unit)*	**1,225**	910	34.62
	Ferromolybdenum *(RMB0'000/tonne)*	**8.61**	6.71	28.32
Tungsten	Black tungsten concentrates *(RMB/metric tonne unit)*	**1,378**	1,048	31.49
	APT *(RMB0'000/tonne)*	**13.86**	10.61	30.63

Note: The prices of relevant products in the above table are extracted from relevant domestic websites.

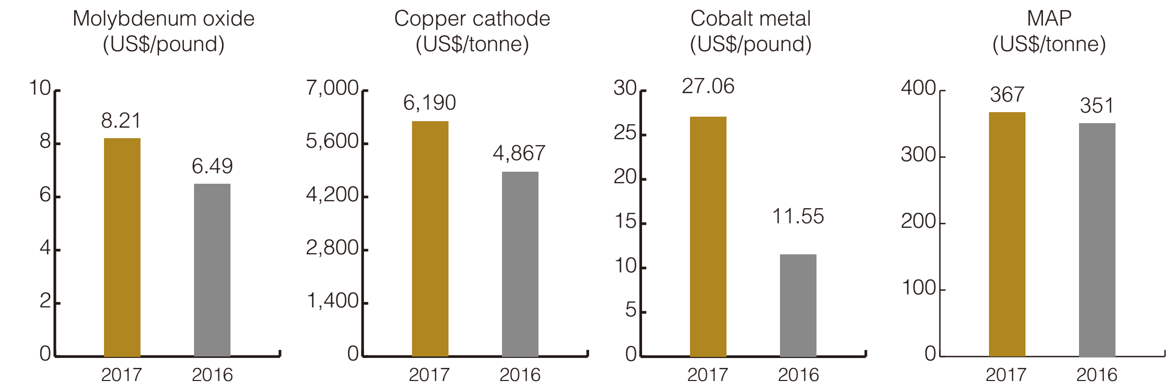
Products		International market price of the relevant products of the Company		
		2017	2016	**Increase/ decrease on a year-to-year basis** *(%)*
Molybdenum	Molybdenum oxide *(US$/pound)*	**8.21**	6.49	26.50
Copper	Copper cathode *(US$/tonne)*	**6,190**	4,867	27.18
Cobalt	Cobalt metal *(US$/pound)*	**27.06**	11.55	134.29
Phosphate	MAP *(US$/tonne)*	**367**	351	4.56

Note: The prices of molybdenum oxide are extracted from the relevant international websites. The price of copper represented the average price quoted by the London Metal Exchange ("**LME**"). The prices of cobalt are extracted from the LME. The price of phosphate fertilizer represented the average price of MAP quoted by the CRU.

Domestic Market Price of Relevant Products of the Company



International Market Price of Relevant Products of the Company



MARKET REVIEW AND PROSPECTS

MARKET REVIEW ON EACH METAL SEGMENT IN 2017

(1) Molybdenum market

The major molybdenum product of the Company is ferromolybdenum, which is sold mainly in the domestic market. The macro economy witnessed stability and growth in the year of 2017. The steel sector has been affected by the supply-side reform and normalized environmental supervisions, output of stainless steel increases, and market players saw an improved business environment. In the raw material market, molybdenum supply and demand experienced periodic tensions, and the overseas molybdenum market also showed an upward trend. Both the internal and external factors stimulated the stages of rebound in the domestic molybdenum market. Without the support of demands, prices saw slight adjustments at the beginning of the first quarter, which was mainly attributable to the abundant stock of large-sized steel plants and the production halt of the small-and medium-sized plants. Later in the first quarter, the market saw rising actual demands with market speculation intentions, which boosted domestic raw material prices to new highs, and the price of ferromolybdenum recovered steadily. Early in the second quarter, the molybdenum raw material market stabilized at a high level, and the molybdenum market did not show any material changes due to the uncertainty about the impact of environmental policies in Northeast China. Output of molybdenum-bearing steel for steel companies decreased slightly later in the second quarter. Contracted demands against sufficient supply, and the accumulative stock led to price competition among market players, where the domestic molybdenum market saw corrections with a weak momentum. However, in the third quarter (an off-season for the molybdenum market), the molybdenum market saw unabated strong demand, recording stable trading volume of molybdenum concentrate and tight spot supply. Overall demands of steel plants grew amidst stability, while ferromolybdenum companies did not have sufficient stock. Therefore, the overall market trended upward with fluctuations. The molybdenum market continued to grow steadily in the fourth quarter, which was attributable to less capital and stock pressure of the mines, stable demands on the steel plants and the impact of environmental policies. Particularly, molybdenum prices in the domestic market saw positive development in December due to the tight supply in the molybdenum raw material market and the normal demands of downstream steel plants, plus their early stock preparation.

In 2017, the average price of molybdenum concentrate was RMB1,225/metric tonne unit, representing an increase of 34.62% as compared with the same period last year. The lowest price was RMB1,000/metric tonne unit, and the highest price was RMB1,500/metric tonne unit. The average price of ferromolybdenum was RMB86,100/tonne, representing an increase of 28.32% as compared with the same period last year. The lowest price was RMB71,000/tonne, and the highest price was RMB108,000/tonne.

The average MW price of molybdenum oxide in 2017 was US$8.21/pound of molybdenum, with a year-on-year increase of 26.5%. The lowest price was US$6.8/pound of molybdenum, and the highest price was US$10.5/pound of molybdenum.

(2) Tungsten market

Major tungsten products of the Company are tungsten concentrate and ammonium paratungstate (APT), which are sold mainly in the domestic market. In 2017, the domestic tungsten market staged rallies due to the little changes in the operation rate of the mines, derived from cost restrictions and environmental supervisions, the reluctance to sell out prevailing among large-sized companies, and the periodical tight supply in the raw material market. In the first quarter, large tungsten mining enterprises supply to purchase orders and long-term orders in the Chinese market, while small- and medium-sized tungsten mines maintained a low operation rate. Supply in the raw material market became tight, and stock of downstream companies stayed at a low level. Companies had to accept higher prices to maintain operation, and the tungsten market recovered moderately but steadily. Early in the second quarter, stricter environmental supervision led to further production halt in some tungsten companies, and the upstream raw material market saw a tight supply; the tungsten market remained strong because of the unabated demands from the downstream customers. Later in the quarter, which would be followed by the traditional off-season, buyers were bearish about future market development and demanded a lower price, which caused the overall tungsten market to trend downward. The third quarter was the traditional off-season for the tungsten market, during which, demands from end users saw little improvement; however, the tungsten market rebounded with the support from the low operation rate of mines and low output, which was due to environmental scrutiny and weather factors. There was a great stock consumption of low-cost tungsten concentrate. Demands from end users did not improve at the beginning of the fourth quarter, and had a limited consumption of raw materials supplied from the upstream companies. As market players held a wait-and-see attitude, the tungsten market recorded a decline with fluctuations; however, later in the fourth quarter, the market recovered gradually due to a lower operation rate caused by weather factors, environmental supervision, inadequate supply of raw material and stronger reluctance to sell out.

In 2017, the average price of 65% of domestic black tungsten concentrates was RMB89,600/tonne, with a year-on-year increase of 31.49%. The lowest price was RMB72,000/tonne, and the highest price was RMB120,000/tonne. The average price of ammonium paratungstate (APT) was RMB138,600/tonne, with a year-on-year increase of 30.63%. The lowest price was RMB109,000/tonne, and the highest price was RMB185,000/tonne.

According to the data of Metal Bulletin ("**MB**"), the average price of APT in the European market in 2017 was US$242/metric tonne unit, representing a year-on-year increase of 26%. The lowest price was US$187/metric tonne unit, and the highest price was US$301/metric tonne unit.

(3) Copper market

The Company sells the majority of its copper as copper cathode, with a smaller amount sold as copper concentrates in the international markets. Copper prices maintained a mostly upward trend throughout 2017, increasing nearly 30% during the year. Much of the appreciation in the price of copper occurred during the second half of 2017 and was aided by better worldwide economic news and increasing investor demand. Price appreciation accelerated during December due to expectations of tighter supply-side fundamentals related to the many labor negotiations set to occur during 2018. The benchmark LME cash settlement price at the end of 2017 finished at US$7,207/tonne, about 30% higher than the beginning of the year. Stock levels on the combined LME, Comex and SSE saw periods of heavy inflows and outflows, ending with 6% lower at the end of 2017 as compared to the end of 2016. Annual copper concentrate benchmark processing and refining charges settled at US$92.50/tonne, while spot charges trended below benchmark for most of the year. There was little progress during December 2017 in the negotiations for 2018's long-term TC/RC contracts. Under this condition, by early January 2018, the China Smelters Purchasing Team had agreed on 2018 benchmark processing and refining charges of US$82.25/tonne, a decrease of 12% from the perspective of copper producers.

(4) Cobalt market

The Company is the second largest producer of mined cobalt in the world. Cobalt products are hydrogenated cobalt and are sold in the international markets. At the beginning of 2017, the benchmark price of cobalt increased by approximately 145%, beginning the year at US$14.30/lb. and ending at US$35.00/lb. in December 2017 (based on the MB low grade price quotation). The higher cobalt price was primarily driven by strong demand from the battery segment, mostly owing to the automotive industry's aggressive roadmap for electric vehicle production over the next several years. Higher cobalt prices were also fueled by other market participants not previously part of the cobalt market, including financial investors looking to capitalize on cobalt as an asset class.

(5) Niobium market

The Company is the world's second largest producer of niobium. Niobium products are ferroniobium, mainly sold in the international market, with a small amount sold in China. The Company is a significant supplier to the global steel industry as the main end-use consumer (accounting for approximately 90% of total niobium consumption). Niobium demand is relatively less elastic compared to other commodities used in steel production, as niobium only accounts for a small proportion of the cost of steel production.

The overall world steel demand rose by 5.3% in 2017, significantly higher than that in recent years, and demand for niobium containing steels was strong, including applications in the automobile, building and construction sectors and a rebound in demand in oil and gas pipeline steels. During 2017, Brazilian ferroniobium exports were 27% higher than the previous year. This export growth was supported by strong demand in major end markets. China imports from Brazil grew by 36%, EU imports were up by 34% and imports into the United States were up by 11%. Moreover, ongoing recovery in the United States steel industry drove higher imports of ferroniobium, which rose by 11% during the year. Regarding prices, strong competition during the first half of the year kept pressure on prices that subsequently gave way to tighter supply conditions and better pricing during the second half of the year.

(6) Phosphates market in Brazil

The Company is the second largest supplier of phosphate fertilizer in Brazil, and the majority of its product in the Brazilian market is phosphate fertilizer. Brazil is one of the world's main producers and exporters of agricultural products, including soybeans, corn, sugarcane, coffee, citrus, beef and chicken. With high demand for fertilizers, Brazil is the fourth largest fertilizer consumer in the world, with annual demand significantly exceeding its domestic production. Mono-ammonium phosphate ("**MAP**") and single superphosphate ("**SSP**") are the main high- and low-concentrated phosphate fertilizer products in the Brazilian market, respectively.

Brazilian fertilizer deliveries in 2017 were 1% higher than those in 2016, reaching approximately 34.5 million tonnes, mainly due to a favorable barter ratio (the cost of fertilizer relative to crop commodity prices) and an increased demand for phosphates (which exceeded 13 million tonnes). Increased demand particularly in the early of the year drove up prices in the first quarter. Although MAP CFR Brazil prices decreased through the second and third quarters, a price recovery was experienced toward the year-end with the price reaching US$405/tonne in December. The 2017 average MAP CFR was US$367/tonne.

MARKET PROSPECTS FOR MAJOR METAL SECTORS FOR 2018

1. Molybdenum market

Marking the first year to implement the policies of the 19th National People's Congress of the Communist Party of China, the year 2018 will see better fundamental and favorable conditions for economic and social development. Employment and prices that are closely related to people's life will remain stable. The quality and efficiency of development will continue to improve. The country's economy will maintain stability and a strong momentum under the new normal. In view of the price hike, the molybdenum market is predicted to record a slight increase in supply in 2018; however, chances for significant increase will be slim, especially when ore grade of the large mines decreases and supply of high-quality raw materials might continue to be tight. Guided by the national environmental policies and the supply-side reform, steel plants will vigorously promote transformation and develop special high-quality steel in 2018, which will boost molybdenum demands. Therefore, the molybdenum demands in the domestic market are bound to further increase. In general, the molybdenum market will be better in the future because of the steady and positive economic development and the increasing demands stimulated by adjustments of product portfolios in the steel sector.

In the international market, the International Monetary Fund (IMF) projects that global GDP will grow by 3.7% in 2018, rallying by 0.1% as compared with last year. Driven by the European and American economies, the world economy will continue to recover, and emerging economies are expected to realize steady growth. As the steel sector will improve with the support of oil prices and other commodities, the molybdenum market is expected to see increasing demands. Although the production cut announced by Codelco in November 2017 will have a significant impact on molybdenum supply in the international market, the global molybdenum output will not change significantly given the planned production expansion of Collahuasi and Antamina.

2. Tungsten market

A number of agencies predict that China's economy will maintain steady development in 2018, with GDP growing by 6.7% and economic growth entering into a stable range. It is expected that the tungsten market will record certain growth in demands of end users, as the country's economy will blaze positive development and maintain stability, and sectors related to hard alloy, tungsten products and special steel will further improve. Affected by the tightening environmental policies in China, raw material prices will remain strong, and the tungsten market is expected to fare better.

3. Copper market

Global manufacturing continued to accelerate at the end of 2017. Rates of expansion in output and new orders strengthened to the highest levels since February 2011, leading to better job growth and business optimism. JPMorgan's Global Manufacturing Index rose to the peak of the past seven years at 54.5 in December 2017 and has now signaled expansion in each of the past 22 months. The strong headline indicator suggests the global economy is firmly in place to maintain momentum in 2018. Subsequently, Wood Mackenzie estimates the health of the global economy is to drive a modest acceleration in copper consumption growth of 2% in 2018, and will expand to 2.2% in 2019. Future Chinese limitations on scrap could drive greater refined consumption within the country while supply disruptions related to 2018 labor negotiations in Peru and Chile could also provide further upside to prices during the year.

4. Cobalt market

Cobalt demand is expected to reach approximately 112,000 tonnes in 2018, delivering a small market surplus of 3,000 tonnes. The near-term tightness in the market and robust pricing reflects expectations of greater long-term future demand against the uncertainty of future supply. According to the CRU, demand is expected to grow at a compound annualized growth rate of 9% till 2023, largely driven by the battery segment and, to a lesser extent, cobalt alloys used in metallurgical applications. Regarding pricing, expectations of strong and steady sustained demand, including an increasing desire to trustworthy source cobalt, are anticipated to keep prices well supported.

5. Niobium market

According to the World Steel Association, global steel production is expected to increase by approximately 2% during 2018, as growth among developing economies, excluding China, is expected to lead the way. The World Steel Association forecasts that steel production in emerging and developing economies could rise to nearly 5% while more developed markets will experience flat to lower growth. China's steel production increased at a strong pace of 5.7% during 2017; however, slower economic growth and tighter environmental regulations are forecasted to keep steel production flat in 2018. Elsewhere, steel output in North America and the EU was above average during 2017, each increasing by approximately 4% from 2016 and it is forecasted that steel output in the EU and the United States will grow by 1.4% and 1.1%, respectively, in 2018. Of the market sectors which are the main consumers of ferroniobium, growth in the automobile sector is expected to continue to slow in 2018; however, demand for niobium should grow in-step with a recovery in the construction sector and the oil and gas markets.

6. Phosphate market in Brazil

Global phosphates demand was healthy in 2017 mainly driven by a combination of seasonal effects, higher Chinese/Asian demand in the first and fourth quarter of 2017, additional demand in Latin America in the first quarter, and supply-related issues, such as loading issues and lower operating costs in the main producer facilities located in Morocco and the United States, respectively. In terms of pricing, MAP prices reacted positively from the last week of September following the international sulphur prices spike, and were also as a result of closure of a 1.6M tonne phosphates capacity facility at a major player in the United States.

Benchmark MAP CFR Brazil is expected to remain strong at around US$400/tonne level in the first quarter of 2018, although the international markets may experience downward price pressure during the off-season with additional phosphate capacity/supply from Saudi Arabia and Morocco coming on-stream in the second quarter of 2018. Overall, for 2018, favorable barter ratio levels and lower credit constraints will likely foster strong fertilizer demands similar to that of 2017.

In terms of the 2018 market outlook in Brazil, favorable farmer profitability and lower credit constraints are expected to cultivate strong fertilizer demands comparable to that of 2017, despite impacts of a possible reduction of the planted area of safrinha (second corn crop) on the demand of fertilizers (due to the lower prices of corn in 2016/2017 and the delay in the planting of the soybean crop). In contrast, the good performance of other crops such as cotton, coffee and oranges should counterbalance such effects.

BUSINESS REVIEW AND PROSPECTS

2017 BUSINESS REVIEW ON ALL METAL SECTORS

1. Molybdenum sector

For the year ended 31 December 2017, the Company realized a production volume of molybdenum of 16,717 tonnes, and the production cost in unit cash of RMB54,638/tonne.

2. Tungsten sector

For the year ended 31 December 2017, the Company realized a production volume of tungsten of 11,744 tonnes (excluding Yulu Mining), and the production cost in unit cash of RMB17,896/tonne.

3. Copper and cobalt sector

For the year ended 31 December 2017, where calculated based on 80% of equity interests, NPM realized a production volume of available-for-sale copper metal of 34,913 tonnes, and a C1 cash cost of US$0.92 per pound, and it realized a production volume of 28,198 ounces for gold available for sale.

For the year ended 31 December 2017, TFM Copper and Cobalt Mine realized a production volume of 213,843 tonnes of copper metal and a C1 cash cost of US$0.15 per pound, and it realized a production volume of 16,419 tonnes of cobalt.

4. Niobium and phosphate sector

For the year ended 31 December 2017, production of phosphate fertilizers in Brazil (high-analysis fertilizer + low-analysis fertilizer) reached 1,152,554 tonnes; where output of niobium metal was 8,674 tonnes.

2017 OPERATION REVIEW

As the world economy showed continuous recovery in 2017, prices of commodities, led by copper, climbed steadily. The cobalt price jumped because of the explosive growth of the new energy vehicle sector, and China's supply-side reform stimulated the stable growth of stainless steel output, which led to increasing demands for molybdenum. Under such a backdrop, relevant business sectors of the Company maintained and sustained positive development.

1. Exclusive option to acquire minority interests in the copper and cobalt business in the DRC, entrenching the results of overseas mergers and acquisitions and enhancing control over the project

On 20 January 2017, the Company and BHR entered into the "Cooperation Framework Agreement between China Molybdenum Co., Ltd. and BHR Newwood Investment Management Limited on the Investment Cooperation Regarding Tenke Fungurume Mining Area", pursuant to which BHR exclusively and irrevocably granted the Company the exclusive option to buy a 24% minority interest in TFM. BHR's acquisition of the minority interest in TFM was completed on 20 April. Given that the Company completed the acquisition of and indirectly held a 56% interest in TFM, by obtaining the exclusive right to buy the further 24% minority interest in TFM through the Cooperation Framework Agreement, the Company actually holds 80% of interests in TFM, the DRC, which consolidated its position and control over the project, and further boosted its profitability and risk-resisting capability.

2. Completion of the non-public issuance of A shares which effectively optimised the capital structure and solidified the strength of the Company

Work related to the non-public issuance of A shares raising RMB18 billion was successfully completed on 24 July 2017, with 2.15 times over-subscription. Subscribers included large state-owned investment institutions, strategic investment corporations and large mutual funds. The success of non-public issuance of A shares refined the capital structure and equity structure of the Company and further solidified its strength, laying a solid foundation for its acquisition of quality international assets in the future. The A shares of the Company is a constituent index of the SSE 50 Index and the CSI 300 Index, and one of the first 222 A Shares included in the MSCI Index.

3. Participation in the establishment of resource investment fund and engagement in a global leading metal trader

In November 2017, CMOC Limited (a wholly-owned subsidiary of the Company in Hong Kong), as a general partner, participated in the establishment of the NCCL Natural Resources Investment Fund (the "**Fund**") with a scale of US$1 billion. CMOC Limited made a capital contribution of no more than US$450 million and shall be liable to the extent of its capital contribution. The first installment of the Fund was US$500.10 million, among which, the Company subscribed for US$225.00 million. In December 2017, the Fund entered into The Sale and Purchase Agreement with Louis Dreyfus Company B.V. ("**LDC**"). It was agreed that the Fund shall acquire 100% of the equity interests of Louis Dreyfus Company Metals B.V., which is dedicated to the trading of base and precious metals raw materials.

4. Stable operation and improved management in international assets

Upon the successful completion of two major overseas mergers and acquisitions projects in 2016, the Company has been committed to creating a better and sound governance and control system, integrating management and fostering a strong pool of talent. At present, the management and control platform for overseas businesses is in place, and the management structure has been further improved. While acquired international businesses are transitioning and operating smoothly, the Company is also committed to operational improvements: improving operation efficiency in Brazil business, adopting measures to reduce costs, enhancing production and operation stability and re-negotiating supply chain contracts, streamlining procedures of support functions to reduce costs, and conducting research on leaching from low-grade resources and development of sulphide resources for copper and cobalt business in the DRC.

5. Tighter cost control and higher standards for production and technical indicators, resulting in remarkable achievement of the comprehensive resources recovery project and further reinforcing competitive advantage in cost structure

For the year ended 31 December 2017, in order to consolidate and enhance its competitive advantage in cost structure, the Company implemented a series of measures to refine the management. As a result, the recovery rate of molybdenum and tungsten ore processing was taken to a higher level, and the centralized procurement rate increased by 8.38 percentage points over that at the end of last year. The Company also realized a sharp decline in consumption of ore dressing agents, spare parts and energy as compared with the same period last year, by efficiently mobilizing energy and equipment management companies. In order to resolve the increasing costs caused by lower ore grade, NPM has completed research on new pits and a feasibility study on renovation plans.

For the year ended 31 December 2017, in terms of domestic business, 4,619 tonnes (with copper content of 20%) of copper concentrate by-product were recycled, increasing a revenue of RMB25.66 million; 208 kilograms of rhenium by-product were recovered, increasing a revenue of RMB0.78 million; 578 tonnes of ammonium molybdate were recovered from secondary treatment, increasing a revenue of RMB35.95 million. The recovery system for by-products of fluorspar is under construction, and iron recovery is in the trial stage for an enlarged recovery on industrial scale.

6. Strict requirements and implementation in full force to ensure safety and environmental protection

To achieve production safety with zero injury and environmental protection with zero accident, the Company never stopped in maintaining high standards of safety and environmental protection, creating a favorable environment for the production and operation. The Company continued to implement the "Ten Principal Standards for Safety" and "Danger Source Identification, Prevention and Control", intensifying safety trainings and enhancing safety inspection and risk rectification. In terms of environmental protection, the Company acted proactively by ramping up investment in environmental protection and ensuring the normal operation of environmental protection equipment and facilities, to guarantee environmental compliance and clear obstacles to production and operation. The Company also introduced and improved the system of environmental accountability and facilitated the establishment of an environmental management system. During 2017, the domestic operations realized "zero death" and "zero pollution" in production safety and environmental protection, and the Company was the only non-coal company in Luoyang that was recognized as a "Model for Production Safety" by the People's Government of Henan Province.

7. Enhanced Communist Party building and anti-corruption work that facilitated production and operation

To improve solidarity, cohesion and policy execution, the Company pressed ahead with the development of its corporate culture, and encouraged mutual exchange and learning among each unit, therefore facilitating production and operation. The Company promoted the publicity of Party rules and discipline, established an active monitoring mechanism, and maintained strict standards to combat corruption.

BUSINESS PROSPECTS FOR 2018

Based on future economic and market dynamics, we set the following budgeted targets:

1. Molybdenum sector

The budgeted production volume of molybdenum is 13,500 tonnes to 14,900 tonnes, and the production cost in unit cash will be RMB60,000/tonne to RMB66,300/tonne.

2. Tungsten sector

The budgeted production volume of tungsten is 11,000 tonnes to 12,000 tonnes (excluding Yulu Mining), and the production cost in unit cash will be RMB21,500/tonne to RMB23,700/tonne.

3. Copper and cobalt sector

Where calculated based on 80% of equity interests, the budgeted production volume of available-for-sale copper metal of NPM is 30,000 tonnes to 32,000 tonnes with a C1 cash cost at US$1.07 to US$1.19 per pound, and it expects a production volume of 26,400 ounces to 28,000 ounces of gold available for sale.

The budgeted production volume of copper from TFM Copper and Cobalt Mine is 190,000 tonnes to 205,000 tonnes with C1 cash cost at US$-0.44 to US$-0.4 per pound, and it will realize a production volume of 16,000 tonnes to 17,500 tonnes of cobalt metal.

4. Niobium and phosphate sector

The production volume and costs of niobium and phosphate remained stable.

The above production plans do not constitute substantive commitments to investors and investors should pay attention to investment risks.

OVERVIEW

For the year ended 31 December 2017, the net profit of the Group increased from RMB1,019.24 million for the year ended 31 December 2016 to RMB3,595.62 million, representing an increase of RMB2,576.38 million or 252.77%, in which the net profit attributable to the owners of the parent company of the Group for the year ended 31 December 2017 was RMB2,727.80 million, representing an increase of RMB1,729.76 million or 173.32% from RMB998.04 million for the year ended 31 December 2016. The increase in profit of the Group was mainly attributable to the inclusion of newly-added copper and cobalt business in the DRC and niobium and phosphates businesses in Brazil as compared with that of last year as a result of completion of overseas mergers and acquisitions by the Group in the fourth quarter of 2016, as well as the increase in sales prices of molybdenum, tungsten, copper and cobalt as compared with that of last year.

OPERATING RESULTS

The revenue and gross profit of the Group increased due to the completion of the mergers and acquisitions of copper and cobalt business in the DRC and niobium and phosphates businesses in Brazil during the fourth quarter of 2016, representing a year-on-year increase as compared to the consolidated reporting period, as well as the increase in sales prices of molybdenum, tungsten, copper and cobalt. In 2017, the principal business income of the Group amounted to RMB23,968.55 million, representing a year-on-year increase of RMB17,171.26 million. For the year ended 31 December 2017, the gross profit of the Group amounted to RMB8,905.47 million, representing a year-on-year increase of RMB6,612.47 million.

The table below sets out the principal business income, cost, gross profit and gross profit margin of our products in 2017 and 2016:

PRINCIPAL BUSINESSES BY INDUSTRY, PRODUCT AND REGION

Unit: RMB million

Principal businesses by industry

By industry	Operating revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
Non-ferrous metal mining	23,968.55	15,063.08	37.15	252.62	234.42	Increased by 3.42 percentage points

Principal businesses by product

By product	Operating revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
Molybdenum and tungsten-related products	3,772.29	1,819.36	51.77	33.98	20.36	Increased by 5.45 percentage points
Copper and gold-related products	1,663.82	1,145.76	31.14	20.46	13.03	Increased by 4.53 percentage points

Principal businesses by product

By product	Operating revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
Niobium-related products	1,670.08	1,251.48	25.06	306.69	308.21	Decreased by 0.28 percentage points
Phosphate-related products	2,834.19	2,462.08	13.13	288.45	321.03	Decreased by 6.72 percentage points
Copper and cobalt-related products	13,844.64	8,302.17	40.03	968.14	733.29	Increased by 16.90 percentage points
Others	183.53	82.23	55.19	11.90	-10.03	Increased by 10.92 percentage points

Principal businesses by region

By region	Operating revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
China	3,955.82	1,901.59	51.93	32.76	18.63	Increased by 5.73 percentage points
Australia	1,663.82	1,145.76	31.14	20.46	13.03	Increased by 4.53 percentage points
Brazil	4,504.27	3,713.57	17.55	295.02	316.62	Decreased by 4.28 percentage points
DRC	13,844.64	8,302.17	40.03	968.14	733.29	Increased by 16.90 percentage points

The Company completed the mergers and acquisitions of copper and cobalt business in the DRC and the niobium and phosphates businesses in Brazil in the fourth quarter of 2016, representing a year-on-year increase as compared to the consolidated reporting period.

PRODUCTION AND SALES VOLUME OF PRINCIPAL PRODUCTS

Principal products	Production volume *(Tonnes)*	Sales volume *(Tonnes)*	Inventory *(Tonnes)*	Increase or decrease of production volume as compared to last year *(%)*	Increase or decrease of sales volume as compared to last year *(%)*	Increase or decrease of inventory as compared to last year *(%)*
Molybdenum	16,717	19,252	2,620	2.55	-6.07	-14.99
Tungsten	11,744	12,062	602	16.07	5.09	-46.68
Copper metal of NPM (Based on 80% of equity interests)	34,913	35,168	2,407	-5.00	-2.21	-10.59
Copper metal of TFM	213,843	214,866	16,931	827.78	685.44	-5.72
Cobalt metal	16,419	15,326	3,307	943.14	739.78	49.23
Niobium metal	8,674	8,548	1,842	366.59	327.83	7.33
Phosphates fertilizer (HA+LA)	1,152,554	1,137,978	54,462	279.36	275.08	578.23

Explanation on Production and Sales Volume

The increase in the production and sales volume of copper, cobalt, niobium and phosphates fertilizer was mainly attributable to the completion of mergers and acquisitions of copper and cobalt business in the DRC and the niobium and phosphates businesses in Brazil in the fourth quarter of 2016, representing a year-on-year increase as compared to the consolidated reporting period.

COMPONENT OF COST OF PRINCIPAL PRODUCTS

Unit: RMB million

By Industry

Industry	Component of cost	Amount for the current period	Percentage over total cost for the current period *(%)*	Amount for the same period last year	Percentage over total cost for the same period last year *(%)*	Percentage of changes in amount as compared to the same period last year *(%)*
Non-ferrous metal mining	Materials	6,958.96	46.48	1,187.97	28.06	485.78
	Labor	1,559.26	10.42	767.78	18.14	103.09
	Depreciation	4,243.10	28.34	1,002.73	23.69	323.16
	Energy	767.56	5.13	402.88	9.52	90.52
	Manufacturing fees	1,441.70	9.63	871.98	20.60	65.34

By Product

By product	Component of cost	Amount for the current period	Percentage over total cost for the current period (%)	Amount for the same period last year	Percentage over total cost for the same period last year (%)	Percentage of changes in amount as compared to the same period last year (%)
Molybdenum and tungsten-related products	Materials	614.38	36.17	403.32	29.70	52.33
	Labor	300.90	17.72	237.42	17.48	26.73
	Depreciation	159.34	9.38	152.91	11.26	4.21
	Energy	240.32	14.15	222.31	16.37	8.10
	Manufacturing fees	383.60	22.58	341.95	25.18	12.18
Copper and gold-related products	Materials	210.53	18.14	192.73	19.05	9.24
	Labor	177.82	15.32	193.11	19.09	-7.92
	Depreciation	516.40	44.50	489.82	48.42	5.43
	Energy	84.96	7.32	84.45	8.35	0.60
	Manufacturing fees	170.81	14.72	51.56	5.10	231.27
Niobium-related products	Materials	623.44	47.92	57.18	19.80	990.28
	Labor	167.76	12.89	43.12	14.93	289.08
	Depreciation	294.64	22.65	73.11	25.31	303.04
	Energy	59.51	4.57	14.22	4.92	318.43
	Manufacturing fees	155.65	11.96	101.19	35.04	53.81
Phosphates-related products	Materials	1,596.90	61.78	277.55	50.94	475.35
	Labor	305.58	11.82	97.37	17.87	213.83
	Depreciation	342.14	13.24	33.80	6.20	912.31
	Energy	148.26	5.74	35.16	6.45	321.64
	Manufacturing fees	191.87	7.42	101.01	18.54	89.96
Copper and cobalt-related products	Materials	3,913.72	47.58	257.20	24.97	1,421.69
	Labor	607.21	7.38	196.76	19.10	208.61
	Depreciation	2,930.59	35.63	253.10	24.57	1,057.88
	Energy	234.52	2.85	46.74	4.54	401.78
	Manufacturing fees	539.77	6.56	276.27	26.82	95.38

Overseas mergers and acquisitions were completed in the fourth quarter of 2016, representing a year-on-year increase as compared with the consolidated reporting period. The figures for the same period of last year were not comparable.

SELLING EXPENSES

For the year ended 31 December 2017, the selling expenses of the Group amounted to RMB214.84 million, representing an increase of RMB124.22 million or 137.08% from RMB90.62 million for the same period in 2016. It was mainly due to the expansion of sales scale arising from the increase in the newly-added business of the Group, resulting in an increase in selling expenses.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2017, the administrative expenses of the Group amounted to RMB1,159.09 million, representing an increase of RMB444.36 million or 62.17% from RMB714.73 million for the same period in 2016. It was mainly due to the increase of administrative expenses as a result of the scale expansion of the Group's overseas business.

FINANCE EXPENSES

For the year ended 31 December 2017, the finance expenses of the Group amounted to RMB1,416.97 million, representing an increase of RMB1,009.30 million or 247.58% from RMB407.67 million for the same period in 2016, mainly due to the increase in interest expenses and exchange gains and losses of the Group for the period.

INCOME TAX EXPENSES

For the year ended 31 December 2017, the income tax expenses of the Group amounted to RMB1,786.20 million, representing an increase of RMB1,615.30 million or 945.17% from RMB170.90 million for the same period of 2016. Such increase was mainly attributable to the increase of the total profit of the Group for the period.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

For the year ended 31 December 2017, the net profit of the Group attributable to owners of the parent company increased by RMB1,729.76 million or 173.32% from RMB998.04 million for the year ended 31 December 2016 to RMB2,727.80 million for the year ended 31 December 2017. Such increase was mainly attributable to the inclusion of newly-added copper and cobalt business in the DRC and niobium and phosphates businesses in Brazil as compared with that of last year as a result of completion of overseas mergers and acquisitions by the Group in the fourth quarter of 2016, as well as the increase in sales prices of molybdenum, tungsten, copper and cobalt as compared with that of last year.

FINANCIAL POSITION

As at 31 December 2017, the total assets of the Group amounted to RMB97,837.25 million, comprising non-current assets of RMB58,788.45 million and current assets of RMB39,048.80 million. Equity attributable to shareholders of the parent company as at 31 December 2017 increased by RMB19,419.12 million or 103.63% to RMB38,157.18 million from RMB18,738.06 million as at 31 December 2016. Such increase was mainly due to the increase in shareholders' equity after the completion of private placement of A Shares in July 2017.

CURRENT ASSETS

As at 31 December 2017, the current assets of the Group increased by RMB19,245.84 million or 97.19% to RMB39,048.80 million from RMB19,802.96 million as at 31 December 2016. Such increase in the current assets was mainly attributable to the increase in the net cash flow from operating activities and increase in capital fund for the period.

NON-CURRENT ASSETS

As at 31 December 2017, the non-current assets of the Group decreased by RMB9,332.95 million or 13.70% to RMB58,788.45 million from RMB68,121.40 million as at 31 December 2016. Such decrease in the non-current assets was mainly because the time-deposit, wealth management products and structured deposits with a term of more than one year expired in 2017.

SCOPE OF RESTRICTED ASSETS

As at 31 December 2017, among other bank and cash balance, the structured bank deposits amounted to RMB4,700.00 million (opening balance for the year: RMB400.00 million), the bank acceptance bond deposits amounted to RMB300.00 million (opening balance for the year: RMB450.00 million), the loan guarantee deposits amounted to RMB1,701.42 million (opening balance for the year: RMB630.00 million), the special security deposits for the mine environment restoration and rehabilitation amounted to RMB24.42 million (opening balance for the year: RMB20.02 million), and other deposits amounted to RMB1.50 million (opening balance for the year: RMB50.00 million). The above structured deposits cannot be withdrawn in advance during the deposit period.

Save for the above, the Group has no other asset collateral or pledge.

ENTRUSTED WEALTH MANAGEMENT

Unit: RMB million

Entrustee	Types	Amount	Start date	Expiry date	Capital sources	Capital investment	Payment methods of remuneration	Annualized rate of return	Expected return (if any)	Actual gain or loss	Actual recovery	statutory procedure or not	Entrusted wealth management plan or not in the future	Provision amount of devaluation reserve (if any)
Shenwan Hongyuan	Asset management plan	200.00	2014/6/5	2018/6/5	Funds in hand	Standardised credit assets	Floating revenue	6.50%		33.26		Yes		0
Ping An Huitong	Asset management plan	350.00	2015/5/18	2018/5/18	Funds in hand	Standardised credit assets	Floating revenue	5.84%		53.82		Yes		0
Ping An Huitong	Asset management plan	250.00	2015/7/29	2018/7/29	Funds in hand	Standardised credit assets	Floating revenue	5.24%		31.88		Yes		0
NEW CHINA CAPITAL MANAGEMENT	Asset management plan	1,763.47	2017/9/8	2019/9/7	Funds in hand	Portfolio investment	Payment in due course	–		–		Yes		0
Luoyang branch of China CITIC Bank	Principal guaranteed structured deposits	300.00	2015/4/10	2018/4/10	Funds in hand	Wealth management funds from banks	Floating revenue	5.15%		38.69		Yes		0
Luoyang branch of China Minsheng Bank	Principal guaranteed structured deposits	400.00	2017/3/22	2018/3/22	Funds in hand	Wealth management funds from banks	Floating revenue	3.60%		–		Yes		0
Tianshan sub-branch of China Merchants Bank	Principal guaranteed structured deposits	1,500.00	2017/7/27	2018/1/29	Funds in hand	Wealth management funds from banks	Floating revenue	3.90%		–		Yes		0
Business department of Henan branch of Bank of China	Principal guaranteed structured deposits	2,000.00	2017/7/28	2018/1/29	Funds in hand	Wealth management funds from banks	Floating revenue	3.81%		–		Yes		0
Luanchuan sub-branch of Bank of China	Principal guaranteed structured deposits	2,500.00	2017/7/28	2018/1/29	Funds in hand	Wealth management funds from banks	Floating revenue	3.81%		–		Yes		0
Shanghai branch of China Development Bank	Principal guaranteed structured deposits	300.00	2017/8/4	2018/2/5	Funds in hand	Wealth management funds from banks	Floating revenue	4.00%		–		Yes		0
Luoyang branch of China Minsheng Bank	Principal guaranteed structured deposits	500.00	2017/10/27	2018/1/26	Funds in hand	Wealth management funds from banks	Floating revenue	4.30%		–		Yes		0
Luoyang branch of China CITIC Bank	Principal guaranteed structured deposits	800.00	2017/10/27	2018/1/26	Funds in hand	Wealth management funds from banks	Floating revenue	4.55%		–		Yes		0

Entrustee	Types	Amount	Start date	Expiry date	Capital sources	Capital investment	Payment methods of remuneration	Annualized rate of return	Expected return (if any)	Actual gain or loss	Actual recovery	statutory procedure or not	Entrusted wealth management plan or not in the future	Provision amount of devaluation reserve (if any)
Luoyang branch of Ping An Bank	Principal guaranteed structured deposits	2,000.00	2017/10/30	2018/5/2	Funds in hand	Wealth management funds from banks	Floating revenue	4.35%		–		Yes		0
Luoyang branch of Industrial Bank	Principal guaranteed structured deposits	100.00	2017/10/30	2018/2/1	Funds in hand	Wealth management funds from banks	Floating revenue	4.37%		–		Yes		0
Huangpu sub-branch of Ping An Bank	Principal guaranteed structured deposits	300.00	2017/11/1	2018/2/1	Funds in hand	Wealth management funds from banks	Floating revenue	4.20%		–		Yes		0
Luoyang branch of Zhongyuan Bank	Principal guaranteed structured deposits	100.00	2017/11/2	2018/2/1	Funds in hand	Wealth management funds from banks	Floating revenue	4.30%		–		Yes		0
Luoyang branch of China CITIC Bank	Principal guaranteed structured deposits	700.00	2017/11/1	2018/1/30	Funds in hand	Wealth management funds from banks	Floating revenue	4.55%		–		Yes		0
Luoyang branch of Industrial Bank	Principal guaranteed structured deposits	100.00	2017/12/18	2018/12/18	Funds in hand	Wealth management funds from banks	Floating revenue	4.79%		–		Yes		0
Zhengzhou branch of Hengfeng Bank	Principal guaranteed structured deposits	400.00	2017/12/13	2018/12/13	Funds in hand	Wealth management funds from banks	Floating revenue	4.73%		–		Yes		0
Xiamen International Bank	Principal guaranteed structured deposits	200.00	2017/12/20	2018/12/20	Funds in hand	Wealth management funds from banks	Floating revenue	4.90%		–		Yes		0
Luoyang branch of Bank of Communications	Principal guaranteed structured deposits	100.00	2017/12/22	2018/12/21	Funds in hand	Wealth management funds from banks	Floating revenue	4.65%		–		Yes		0
Luoyang branch of Ping An Bank	Principal guaranteed structured deposits	1,500.00	2017/12/21	2018/6/21	Funds in hand	Wealth management funds from banks	Floating revenue	4.65%		–		Yes		0
Suzhou branch of CGB	Principal guaranteed structured deposits	100.00	2017/12/22	2018/3/22	Funds in hand	Wealth management funds from banks	Floating revenue	4.60%		–		Yes		0
Xiamen International Bank	Principal guaranteed structured deposits	150.00	2017/12/20	2018/3/20	Funds in hand	Wealth management funds from banks	Floating revenue	4.70%		–		Yes		0
Fengtai sub-branch of Industrial Bank	Principal guaranteed structured deposits	100.00	2017/12/29	2018/9/25	Funds in hand	Wealth management funds from banks	Floating revenue	5.00%		–		Yes		0
Total		16,713.47								157.65				0

Amount in aggregate of principal and income that have not been recovered overdue *(RMB)*	Not applicable
Description on entrusted wealth management	Not applicable

CURRENT LIABILITIES

As at 31 December 2017, the current liabilities of the Group decreased by RMB2,478.56 million or 15.51% to RMB13,503.11 million from RMB15,981.67 million as at 31 December 2016. Such decrease in the current liabilities was mainly attributable to the repayment of partial short-term borrowings in 2017 and the repayment of super short-term financing bonds in due in 2017.

NON-CURRENT LIABILITIES

As at 31 December 2017, the non-current liabilities of the Group increased by RMB819.24 million or 2.18% to RMB38,425.00 million from RMB37,605.76 million as at 31 December 2016. Such increase in the non-current liabilities was mainly attributable to the confirmation of the payment obligations to BHR shareholders in 2017.

CONTINGENCY

As at 31 December 2017, the contingent liabilities of the Group are as follows:

(1) Outstanding lawsuits

The Group's business in China

On 30 January 2013, the Group received relevant documents from Luoyang Intermediate People's Court of Henan Province stating that Yangshuwa West Lead Mine ("**Yangshuwa**"), located at Luanchuan County, sued a tailings pond built by the Third Mineral Processing Company, a branch of a subsidiary of the Group. The tailing pond is located within the mining areas of the Yangshuwa. Due to the increase in the dam of the tailings pond, the tailings pond is invaded and the groundwater level is increased, causing the mining facility and equipment to be destroyed and the abandonment of the mining project, making the proven lead-zinc ore body incapable of mining, thus bringing economic losses to the accuser. Therefore, the Third Mineral Processing Company was required to stop infringement and compensate for direct economic losses of approximately RMB18 million and related loss of available profits. According to the result of the judicial appraisal, Yangshuwa's mining rights assessment value involved in this lawsuit was RMB1.724 million. The relevant litigation is currently pending. The Group considers that the fact of the infringement asserted by Yangshuwa cannot be confirmed based on the existing circumstances and the evidence submitted. It is therefore believed that the litigation matter will not have a material impact on the financial position of the Group currently. The related amount of compensation was not included in the financial statements as at 31 December 2017.

The Group's copper and cobalt business in the DRC

At the end of 2015, TFM negotiated with Société Nationale d' Electricité ("**SNEL**") to resolve the effectiveness, power supply quality and quantity of the current power supply. According to the revised terms of the power agreement contained in the settlement plan, TFM agreed to pay an electricity price of US$0.0569 per kWh from the beginning of January 2016 (the previous electricity price was US$0.0350 per kWh) and paid US$10 million in settlement compensation to obtain more continuous power supply from SNEL. As at 31 December 2017, the two sides have not yet signed any formal agreement and the negotiation is still in progress. For this contingent liability, TFM has already made a provision of US$10 million in expenditure in previous years.

In addition, the Group's copper and cobalt salesmen in the DRC may have some legal actions, claims and liabilities claims in their daily operations. The management believes that based on the currently available information, the results of these contingent events will not have a material adverse effect on the financial status, operating results or cash flow of the related business.

The Group's cerium and phosphate business in Brazil

The Group's cerium and phosphate business in Brazil may face various lawsuits in its daily business activities. The management judged the loss of relevant lawsuits and the possibility of outflow of economic benefits based on the information they possess and the professional opinions of external legal experts. For outflow of economic benefits which is less likely to happen, it shall be represented as a contingent event. The outcome of such contingent events will not have a material adverse effect on the financial position, operating results or cash flows of the related business.

(2) Guarantees

As at 31 December 2017, the Group's Northparkes copper and gold mining business in Australia provided guarantees for its related business operations to the government agencies of New South Wales, with a guarantee amount of A$32.92 million (equivalent to RMB167.76 million). The joint venture of relevant business had agreed that any liability arising out of this business shall be enforced from this guarantee. As at 31 December 2017, no major guarantee responsibility occurred.

GEARING RATIO

The gearing ratio (total liabilities divided by total assets) of the Group decreased to 53.08% as at 31 December 2017 from 60.95% as at 31 December 2016. The decrease in the gearing ratio was mainly due to the increase in operating cash flow and the increase in capital fund in 2017.

CASH FLOW

As at 31 December 2017, cash and cash equivalents of the Group increased by RMB11,361.21 million or 134.93% to RMB19,781.42 million from RMB8,420.21 million as at 31 December 2016.

For the year ended 31 December 2017, net cash inflow generated from operating activities was RMB8,428.81 million; net cash outflow from investment activities was RMB4,109.23 million; and net cash inflow generated from financing activities was RMB7,372.04 million.

Unit: RMB million

Items	2017	2016	Increase or decrease *(%)*
Cash received from sales of goods and provision of services	**24,594.25**	7,644.88	221.71
Other cash receipts relating to operating activities	**654.82**	424.66	54.20
Cash for purchasing goods, receiving labor services	**11,736.23**	3,270.94	258.80
Cash paid to employees and paid for employees	**1,770.19**	807.88	119.12
Taxes and fees paid	**2,040.13**	679.11	200.41
Other cash payments relating to operating activities	**1,273.70**	396.78	221.01
Cash receipts from recovery of investments	**2,002.81**	3,335.93	-39.96
Cash received from investment income	**93.33**	270.86	-65.54
Cash paid for acquisitions or disposals of subsidiaries and other business units	**–**	28,104.66	-100.00
Cash paid for investment	**4,834.29**	1,416.19	241.36
Cash receipts from borrowings	**10,560.51**	29,429.21	-64.12
Other cash receipts relating to financing activities	**1,485.20**	3,027.28	-50.94
Cash repayments of indebtedness	**11,038.95**	5,186.64	112.83
Cash payments for distribution of dividends or profits and settlement of interests	**2,147.31**	1,108.37	93.73
Other cash payments relating to financing activities	**9,346.04**	2,170.79	330.54

(1) The increase in cash flow relating to operating activities was mainly due to the completion of the mergers and acquisitions of copper and cobalt business in the DRC and niobium and phosphates businesses in Brazil by the Company during the fourth quarter of 2016, representing a year-on-year increase as compared to the consolidated reporting period.

(2) The decrease in cash receipts from recovery of investments and cash received from investment income were mainly due to the year-on-year decrease in wealth management in due in 2017.

(3) The decrease in cash paid for acquisition or disposal of subsidiaries and other business units was mainly due to the merger and acquisition of overseas asset of the Company during the fourth quarter of 2016 in contrast to no investment expense in acquisition of subsidiaries in 2017.

(4) The increase in cash paid for investment was mainly due to the significant increase in purchase of structured deposits from bank and other wealth management products from other financial institutions in 2017.

(5) The decrease in cash receipts from borrowings was mainly due to the increase in loans for merger and acquisition as a result of the merger and acquisition of oversea asset by the Company during the fourth quarter of 2016, while no material financing activity in 2017.

(6) The decrease in other cash receipts relating to financing activities was mainly due to the significant year-on-year decrease in the gold leasing business matured in 2017.

(7) The increase in cash repayments of indebtedness was mainly due to the repayment of partial short-term borrowings in 2017 and the repayment of super short-term financing bonds in due in 2017.

(8) The increase in cash payments for distribution of dividends or profits and settlement of interests was mainly due to the increase in borrowing interests paid in 2017.

(9) The increase in other cash payments relating to financing activities was mainly due to the payment for acquisition of minority interests within the consolidated scope in 2017.

(I) RESOURCES AND RESERVES

As at 31 December 2017, the ore resources and reserves of the Company were as follows:

Category	Mining Area	Resources Total (million tonnes)	Resources Grade (%)	Reserves Total (million tonnes)	Reserves Grade (%)
Molybdenum	Sandaozhuang Molybdenum and Tungsten Mine	497.36	0.100	267.24	0.105
	Shangfanggou Molybdenum Mine	463	0.139	41.22	0.181
	Xinjiang Molybdenum Mine	441	0.106	141.58	0.139
Tungsten	Sandaozhuang Molybdenum and Tungsten Mine	497.36	0.092	267.24	0.120
Copper	TFM in the DRC	831.5	2.94	184.6	2.37
	NPM in Australia	471.81	0.56	125.74	0.57
Cobalt	TFM in the DRC	831.5	0.28	184.6	0.32
Gold	NPM in Australia	471.81	0.19(g/t)	125.74	0.20(g/t)
Niobium	Brazil Mine area I	100.1	1.17	37.4	0.97
	Brazil Mine area II	459.2	0.23	217.7	0.34
Phosphate	Brazil Mine area II	459.2	11.29	217.7	12.21

Notes:

(1) The Shangfanggou molybdenum mine is owned by Luoyang Fuchuan Mining Co., Ltd., a joint venture of the Company. Its shareholding structure as at 31 December 2017 is as follows: a 10% equity interest of which is owned by Luanchuan Fukai Business and Trading Company Limited (欒川縣富凱商貿有限公司), a wholly-owned subsidiary of the Company and a 90% equity interest of which is owned by Xuzhou Huanyu Molybdenum Industry Co., Ltd. (徐州環宇鉬業有限公司) ("**Xuzhou Huanyu**"), a joint venture of the Company (the Company holds a 50% equity interest in Xuzhou Huanyu and Luoyang Guo'an Trade Co., Ltd. (洛陽國安商貿有限公司) holds a 50% equity interest in Xuzhou Huanyu).

(2) Resources and reserves of mines are measured under the standard of the Joint Ore Reserves Committee (聯合礦石儲量委員會), except for those of Xinjiang Molybdenum Mine that are measured under the PRC standard. The above reserves of ore resources have been confirmed by our internal expert.

(II) EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

(I) Exploration

NPM exploration activities:

Surface drilling programs were undertaken on EL5800, EL5801, EL5323, and ML1247, ML1367, ML1641 during 2017. A total of 20,300 meters of surface drilling was undertaken during the period, comprising 65 holes of diamond core (14,122 meters), reverse circulation (RC) (5,913 meters) and aircore drilling (265m).

Underground diamond core drilling was completed in the E26 Lift 1NU and the E26 SLC areas (ML1247), comprising 12 holes for 1,388 meters.

Drilling completed is a mix of regional drilling programs, near-mine exploration prospects and evaluation targets on the Northparkes Mining Leases.

The other major activity undertaken this year has been the re-assay of historic aircore and RAB drill returns for a broad pathfinder element suite; 10,720 residual samples were submitted for re-assay using the ALS 48 element suite (ME-MS61) plus fire assay gold (Au-AA21).

Exploration activities in the Boa Vista Mine in Brazil:

To support long term planning and to convert mineral resources in the Chapadão Mine, 13 diamond drill holes totaling 2,969.80 meters were performed by using 2 drill rigs in the FFG-04 area, and 12 diamond drill holes totaling 3,001.00 meters in the north part of Boa Vista Mine using 1 drill rig.

In order to carry out geochemical and geophysical phosphate anomalies, 2 diamond drill holes were performed in the Botafogo target using 1 drilling.

In terms of geophysical studies, 4 diamond drill holes (CT1-CHP-LP70, CT1-CHP-LP77, CT1-CHP-LP81, CT1-CHP-LP82) totaling 680 meters and 9 blastholes totaling 36 meters were completed using gamma-gamma and nature gamma methods.

Exploration activities of TFM Mine:

Exploration drilling completed during 2017 comprised 92,688 meters of surface drilling in 654 core holes and was completed using 8 rigs.

Drilling was concentrated on the Dipeta Syncline, Shadirandzoro, Kapapidi and the Kwatebala regions. Minor condemnation drilling program includes: condemnation over the planned heap leach, geomechanical drilling on the Mambilima deposit and limestone exploration done in the Mofya quarry.

(II) Development

(1) Sandaozhuang Mine

For the year ended 31 December 2017, the Company did not have any significant development in Sandaozhuang Mine.

(2) Shangfanggou Mine

For the year ended 31 December 2017, the Company did not have any significant development in Shangfanggou Mine.

(3) Xinjiang Mine

For the year ended 31 December 2017, the Company did not have any significant development in Xinjiang Mine.

(4) NPM Copper and Gold Mine

Tailings storage facility construction was completed in 2017 on the TSF Infill project; while construction activities continued on Escort stage 2 and TSF 1 closure.

Underground lateral development of 392 meters was completed on schedule for the ventilation upgrade project.

(5) Brazil Niobium and Phosphates Mine

Grade control to support the mining: 153 drill holes were carried out with reverse circulation (RC) in the Chapadão Mine totaling 4,455 meters in the Neverland, Cerradinho and Downstream areas. 1,151 drill holes were carried out in Boa Vista Mine with reverse circulation (RC), totaling 28,488.75 meters.

Infrastructure in the Boa Vista Mine: 7 piezometers built, re-location of power energy, 1 water wheel, regional monitoring network, gas station infrastructure and radio system.

(6) TFM in the DRC

Clear and Grub activity, 140 hectares in total, occurred at Tenke, Kansalawile, Mambalima and Fungurume. 9km of haul roads were developed to Mofya Quarry, Kansalawile and Mambalima deposits. Dewatering activity focused on Mofya, Mwadinkomba and Fungurume.

(III) Mining

	2017
Domestic mining activities	
Production volume of Sandaozhuang Molybdenum and Tungsten Mine *(kilotonnes)*	19,015.6
Overseas mining activities	
Production volume of NPM Copper Mine *(kilotonnes)*	6,465
Production volume of Brazil Niobium Mine *(kilotonnes)*	3,190
Production volume of Brazil Phosphates Mine *(kilotonnes)*	5,616
Production volume of TFM Copper and Cobalt Mine *(kilotonnes)*	8,666

Remarks:

1. The mining production volume above were calculated based on the statistics prepared by the Company and have been confirmed by our internal experts.

2. For the year ended 31 December 2017, no mining activities were conducted in Xinjiang Mine and Shangfanggou Mine.

(III) EXPLORATION, DEVELOPMENT AND MINING EXPENSES OF THE COMPANY

For the year ended 31 December 2017, the summary of the expenditures of exploration, development and mining activities of the Company are as follows:

1. Domestic mining expenses

(1) The mining expenses of Sandaozhuang Mine amounted to RMB474.95 million;

(Note: ore processing is not included, the same below).

2. Overseas mining expenses (in US$ Million)

Project	**Exploration**	**Development**	**Mining**
Niobium Mine	0.49	2.4	24.75
Phosphates Mine	0.65	0.36	16.92
TFM Copper and Cobalt Mine	20.1	8.8	222.7
NPM	4.6	7.0	42.7
Total	25.84	18.56	307.07

A. MATERIAL EVENTS

1. Exclusive agreement with BHR to indirectly hold 24% interest in TFM

On 15 November 2016, BHR, Tenke Holdings LTD. (hereinafter referred to as "**THL**") and Lundin Mining Corporation (hereinafter referred to as "**Lundin**") entered into a stock purchase agreement for the acquisition of 100% equities held by THL in Lundin DRC Holdings Ltd (hereinafter referred to as "**Lundin Shell Company**") from THL by BHR or its wholly-owned subsidiary. Upon the completion of the purchase, BHR will hold 24% interests in TFM indirectly.

On 20 January 2017, the Company and BHR entered into the "Cooperation Framework Agreement between China Molybdenum Co., Ltd. and BHR Newwood Investment Management Limited on the Investment Cooperation Regarding Tenke Fungurume Mining Area", pursuant to which the Company intends to cooperate with BHR regarding the introduction of an ultimate investor in BHR, the indirect investment of BHR in a total of 24% of equities of TFM and the subsequent exit of such investment. BHR exclusively and irrevocably granted the Company the exclusive option to buy the 24% interest in TFM.

On 20 April 2017, the acquisition of 100% of equities originally held by THL in Lundin Shell Company from THL by BHR through its wholly-owned subsidiary was completed. BHR directly helds 100% of equities in Lundin Shell Company through its wholly-owned subsidiary, and indirectly helds a 24% interest in TFM.

For details of the above transactions, please refer to the announcements of the Company dated 22 January 2017 and 6 March 2017.

2. Completion of the non-public issuance of A Shares

On 18 January 2017, the Company passed the China Securities Regulatory Commission ("**CSRC**") review for the non-public issuance of A shares, and on 23 June 2017 received the "Approval in Relation to the Non-Public Issuance of Shares by China Molybdenum Co., Ltd." (Zheng Jian Xu Ke [2017] No. 918) from CSRC that the Company was approved to issue no more than 5,769,230,769 new A shares.

On 18 July 2017, the 8 target subscribers for the non-public issuance remitted all subscription payments in full to the account designated by the sponsor. Relevant payments were verified in the Capital Verification Report issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership). In fact, the Company issued 4,712,041,884 A shares at RMB3.82 per share, and the total subscription payments made by the target subscribers for the non-public issuance amounted to RMB17,999,999,996.88.

On 20 July 2017, as verified by the "Capital Verification Report on the Increase in Registered Capital and Share Capital of China Molybdenum Co., Ltd. upon its Non-public Issuance of RMB Ordinary Shares (A Shares)" (De Shi Bao (Yan) Zi (17) No. 00317) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), net proceeds from the issuance were RMB17,858,632,663.30 after deducting issuance fees of RMB141,367,333.58 from the total proceeds.

On 24 July 2017, the Company completed the registration and custody procedures with the Shanghai Branch of China Securities Depository and Clearing Company Limited for the newly-increased A shares, and its share capital increased from 16,887,198,699 shares to 21,599,240,583 shares.

For details of the above non-public issuance of A shares, please refer to the announcements of the Company dated 18 January 2017, 23 June 2017 and 26 July 2017.

Utilization of Proceeds Raised

As noted from the "Approval in Relation to the Non-Public Issuance of Shares by China Molybdenum Co., Ltd." (Zheng Jian Xu Ke [2017] No. 918) issued by the CSRC, the Company was approved to issue non-publicly 4,712,041,884 ordinary A shares with issue price of RMB3.82 per share. The total proceeds raised from issuance of shares amounted to RMB18 billion. The actual net proceeds raised after deducting issuance fees of RMB141.37 million was RMB17,858.63 million. The Company has received the entire fund above by 19 July 2017.

The proceeds raised and the yields of the Company were used for replacement of the internal financed funds initially contributed at the asset acquisition projects of niobium and phosphates in Brazil and copper and cobalt in the DRC. As at 31 December 2017, the Company has utilized a total of RMB17,865.23 million (including yields generated from the proceeds raised of RMB6.60 million) of proceeds raised from the non-public issuance of RMB ordinary shares. The proceeds raised have been utilized in full.

3. Participation and establishment of investment fund by subsidiaries

On 17 November 2017, the 27th extraordinary meeting of the fourth session of the Board of the Company considered and approved the "The proposal for the Company's wholly owned subsidiary to establish a natural resources investment fund in cooperation with New China Capital Legend Limited" (《關於公司全資子公司擬與 New China Capital Legend Limited 合作設立自然資源投資基金的議案》), CMOC Limited or its designated wholly-owned subsidiary would participate and establish the "NCCL Natural Resources Investment Fund" (the "**Fund**") as a limited partner, in which New China Capital Legend Limited ("**NCCL**") or its designated wholly-owned subsidiary would act as a general partner. The size of the fund is US$1 billion. CMOC Limited or its designated wholly-owned subsidiary, being a limited partner, contributes fund which did not exceed 45% of the total fund size (i.e. US$450 million), and assumes responsibility for such contribution limit.

On 15 December 2017, Natural Resource Elite Investment Limited ("**NREIL**", a 100% owned company by CMOC Limited) entered into the Second Amended and Restated Exempted Limited Partnership Agreement (the "**Partnership Agreement**") with NCCL and Next Goal Limited ("**NGL**"). According to the Partnership Agreement, NREIL and NGL, as limited partners, subscribed for the limited partnership shares of NCCL Natural Resources Investment Fund, in which NCCL was a general partner. The fund raised in the first phrase amounted to US$500.10 million, of which NREIL subscribed for US$225.00 million, NGL subscribed for US$275 million and NCCL subscribed for US$100,000.

On 22 December 2017, the Fund and Louis Dreyfus Company B.V. ("**LDC**") entered into the Sales and Purchase Agreement, pursuant to which, the Fund acquired 100% equity interests in Louis Dreyfus Company Metals B.V., a company engaging in basic metals and precious metals trading platform. The transaction is expected to be completed in the first half of 2018.

For details of the establishment of the investment fund, please refer to the announcements of the Company dated 17 November 2017, 15 December 2017 and 26 December 2017.

B. HONOURS

(1) In August 2017, the "Key Technology and Realm Optimization of Integrated Mining of Minerals in Sandaozhuang Open-pit Mine" of the Company won the Luoyang Science and Technology Progress Award (First Prize).

(2) In November 2017, the "Scientific and Technological Research, Industrialization and High Cleanliness Metallurgical Demonstration Project of Comprehensive Recovery of Low-Grade Automatic Mines from Floating Molybdenum Tailings" of the Company won the First Prize for China's Industrial Research & Innovation Achievements.

(3) In January 2018, "The Research and Development of Intelligent Production Equipment and Key Technologies about Sandaozhuang Open-pit Mine" of the Company won the First Prize for Science and Technology Advancement in China's Non-Ferrous Metal Industry.

C. DOMESTIC AND OVERSEAS INDUSTRY POLICIES

(1) Within the PRC

Indicators for control over the aggregate mining volume of tungsten mines

In order to protect and reasonably develop the advantageous mining resources, pursuant to the relevant requirements regarding mining activities of certain protective mines, the aggregate mining volume of rare earth mines and tungsten mines continued to be under control in 2017. For practical demands, indicators for control over the aggregate mining volume of rare earth mines and tungsten mines were issued in two batches in 2017. On 17 March 2017, the Ministry of Land and Resources issued the first batch of notice, "Notice on Indicators for Controlling the Aggregate Mining Volume of Rare Earth Mines and Tungsten Mines for the Year 2017 (First Batch) Issued by the Ministry of Land and Resources" (《國土資源部關於下達二零一七年度稀土礦鎢礦開採總量控制指標(第一批)的通知》), stating that the indicator for controlling the aggregate mining volume of the first batch of tungsten concentrates (containing 65% tungsten trioxide) was 45,650 tonnes, among which the main mining indicator was 36,650 tonnes and comprehensive utilization indicator was 9,000 tonnes. The notice for the whole year, "Notice on Indicators for Controlling the Aggregate Mining Volume of Rare Earth Mines and Tungsten Mines for the Year 2017 Issued by the Ministry of Land and Resources", was issued on 3 July 2017, stating that the indicator for controlling the aggregate mining volume for the whole year of 2017 (including the volume in the first batch of notice) of tungsten concentrates (containing 65% tungsten trioxide) was 91,300 tonnes.

Environmental tax

On 25 December 2016, the NPC Standing Committee voted on and adopted the Environmental Protection Tax Law (《環境保護稅法》), which required that the existing pollutant discharge fees shall be changed to environmental protection tax in equal amounts. The environmental tax will be levied from 1 January 2018.

Tax items of environmental protection tax: four major categories of air pollutants, water pollutants, solid wastes and excessive noise.

Tax calculation and charging methods: The current Schedule of Pollutant Equivalent Values and current calculation methods are followed for air pollutants and water pollutants, meaning that the tax bases would be pollution equivalent amount converted from discharge volume. Local governments are encouraged to increase the taxes with regards to the actual local situations, and upper limits are set on the basis of the lower limit prevailing for pollutant discharge fees, which shall not be more than ten times of the lower limit.

Tax reduction and exemption levels for emission reductions of the enterprises are further divided through environmental protection tax. The prevailing measures for levying pollutant discharge fees stipulate that where the concentration value of the taxable atmospheric or water pollutants emitted by taxpayers is lower than the nationally and locally stipulated pollutant emission standard by 50%, only 50% of the environmental protection tax will be levied. Another level of tax reduction and exemption was added for environmental protection tax, namely where the concentration value of the taxable atmospheric or water pollutants emitted by taxpayers is lower than the nationally and locally stipulated pollutant emission standard by 30%, only 75% of the environmental protection tax will be levied.

Income tax

Upon the expiration of the original certificate, the Company applied for re-accreditation of the High and New Technology Enterprise Certificate according to relevant regulations of the government. On 6 December 2017, the Company obtained the High and New Technology Enterprise Certificate jointly issued by the Henan Provincial Department of Science and Technology (河南省科學技術廳), Henan Provincial Finance Department (河南省財政廳), Henan Provincial Office of State Administration of Taxation (河南省國家稅務局) and Henan Local Taxation Bureau (河南省地方稅務局) (certificate number: GR201741000176). With the issue date on 29 August 2017, such qualification is valid for three years. The Company will be able to continuously enjoy the relevant tax preferential policies for three consecutive years (from 2017 to 2019) and be entitled to the enterprise income tax at the rate of 15% after being re-accredited as a high and new technology enterprise.

(2) Overseas

Niobium and phosphates in Brazil

In Brazil, the operations (mines and plants) are regulated by the National Mineral Production Department ("**DNPM**") together with labor, environmental and heritage agencies. All regulations are under the responsibility of the municipal, state and federal governments and the public prosecutor's office, together with the environmental agencies, mandate pollution control improvements across the industry to reduce and eliminate SO_2, NH_3, Fluoride, dust and other emissions that may affect the environment and surrounding communities. The existence of radioactivity elements in the ore mined at Phosphate and niobium mines involves a series of requirements to control the exposure of such materials to the public.

All relevant controls are in place, and the operations are fully compliant with the relevant limits and regulations.

In December 2017, the Brazilian government published two new mining laws: Federal Law n.13540 that changed the way of calculating CFEM and Federal Law n.13575 that created the new Regulatory Agency. Subsequently, the government issued Decree n.9252, which regulated the reference value, relevant to the determination of the royalty in the cases of consumption and export.

Copper & gold related products in Australia

Mining in the State of New South Wales ("**NSW**") is mainly regulated by the Mining Act of 1992, and administered by the Department of Trade and Investment. The NSW Government owns mineral resources in NSW and all exploration and mining activity for minerals in NSW require a valid authorization and a mining lease. Under the Mining Act of 1992, royalties are payable to the State of NSW on all publicly and privately owned minerals recovered by the holder of a mining lease.

The NSW Work Health and Safety (Mines and Petroleum Sites) Act of 2013 and NSW Work Health and Safety (Mines and Petroleum Sites) Regulation of 2014 align specific mine safety laws with general work health and safety laws. They also provide a single legislative framework for the regulation of safety in mines.

Copper and cobalt related products in the Democratic Republic of the Congo (DRC)

In accordance with Environmental Social Impact Assessment, the Company continues to develop the project in a manner that promotes sustainable development for the project and surrounding communities. In the second half of 2017, the Tenke mining operation continued implementation of continuous improvement plans that aligned with the International Council on Mining and Minerals Sustainable Development principles, including investments in community potable water and other infrastructure, livelihood generation programs in agriculture, development of educational opportunities through vocational training.

1. EXPOSURE TO RISKS RELATED TO PRICE FLUCTUATIONS OF PRINCIPAL PRODUCTS

The revenue of the Company primarily generates from the sale of metals and phosphate products, including ferromolybdenum, tungsten concentrates, copper concentrates, electrolytic copper, cobalt hydroxide, ferroniobium, phosphate fertilizer and other related products. Its operating results are largely subject to fluctuations in the market prices thereof. The NPM copper/gold mine of the Company also has sales of gold as a by-product. Accordingly, the price fluctuations in gold will also have an impact on the Company. Since the fluctuations in the costs of mining and smelting process are relatively insignificant, the Company's profit and profit margin in the reporting period are closely related to the price trend of the commodities. Therefore, significant fluctuation in the prices of resource products and gold may cause instability of the operating results of the Company. Particularly, if the prices of resource products record sharp decreases, the operating results of the Company will fluctuate significantly.

Given the relatively significant fluctuations in the copper products and the existence of products in transit, rolling settlement and other factors, at the 2016 Annual General Meeting, the Board of Directors was authorised to determine and carry out the hedging of copper and gold products in line with market conditions, production plans and pursuant to the "Hedging Management System" of the Company, within the expected total annual output on the basis of equity interests. The Company will deepen market research and adopt appropriate hedging plans to guard against risks related to price fluctuations.

2. EXPOSURE TO RISKS RELATED TO RELIANCE ON MINERAL RESOURCES

As the primary operation of the Company is mineral resource exploitation, the Company is highly dependent on mineral 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 in case of cost of production rising due to fluctuations in the market price, drop in the recovery rate, inflation or other factors, or due to restrictions caused by technical problems and natural conditions such as weather and natural disasters in the mining process. Therefore, full utilization of the retained reserves of the Company cannot be guaranteed and the production capacity of the Company might be affected.

Technical staff of the Company will regularly review and update the reserves and grade according to the development of resources, and optimize mining schemes and plans, thereby verifying resources of the Company and implementing the best mining plans.

3. EXPOSURE TO RISKS RELATED TO PRODUCTION SAFETY OR NATURAL DISASTERS

The Company engages in the mining business and mineral resources processing. The Company invested substantial resources to form a relatively complete system of production safety management, risk prevention and supervision, established a well trained workforce and a management body for safe production and continuously push forward the safety standardization management. However, safety incidents cannot be totally avoided. As a mineral resource exploiter, large amounts of reduced rocks and tailings are produced in the production process. Inefficient management of slag discharge fields and tailing storage facilities may result in small scale disaster. The Company uses explosives in the mining process. If there are defects in the storage and use of such materials, there may be possible risk of casualties. In addition, tailing storage facilities and slag discharge fields may be damaged if serious natural disaster occurs such as rainstorms or debris flows.

The Company will continue to prevent and control safety risks related to production by formulating and improving safety systems, intensifying accountability and assessment in relation to safety and environmental protection, investing more in production safety and environmental protection and promoting standardized safety management. It will improve the prevention and control of natural disaster risk through "flood season" emergency plans and drills.

4. EXPOSURE TO RISKS RELATED TO INTEREST RATES

The interest rate risk related to fair value comes from changes in bank loan rates. The risk of changes in cash flows of financial instruments arising from fluctuations in interest rates is mainly related to bank borrowings with floating rates.

The Company has adopted interest rate swaps to hedge against interest rate fluctuations on certain US$-denominated loans, therefore minimizing the impact of interest rate hikes resulting from higher United States interest rates. In the future, the Company will pay close attention to the changes of interest rate so as to deal with interest rate risks by measures including interest rate swaps.

5. EXPOSURE TO RISKS RELATED TO EXCHANGE RATE

The exchange rate risk exposure of the Company is primarily arising from assets and liabilities held in foreign currencies other than the function currency, and is mainly associated with US$, HK$, EUR, CAD, RMB, BRL, GBP, CDF and AUD. All principal business operations of domestic subsidiaries are denominated and settled in RMB; the principal business operations of subsidiaries of the Group in Australia are mainly denominated and settled in AUD or US$; the niobium and phosphates businesses of the Group in Brazil are mainly denominated and settled in US$ and BRL; and the copper and cobalt business of the Group in the DRC is mainly denominated and settled in US$ and CDF. Therefore, the exposure of the Group to changes in exchange rates is not significant, as its foreign currency transactions mainly comprise the financing activities of subsidiaries in mainland and Hong Kong which are denominated and settled in US$, the operational activities of subsidiaries (whose functional currency is US$) in Australia are settled in AUD, the operational activities of subsidiaries (whose functional currency is US$) in Brazil are settled in BRL (Brazil) and the operating activities of subsidiaries (whose functional currency is US$) in the DRC are settled in CDF.

The exchange rate risks arising from assets and liabilities with balances denominated in foreign currencies may affect the operating results of the Group. The Company has paid close attention to the effect of the changes in exchange rates, and made use of forward foreign exchange contracts to hedge foreign exchange rate risk in due course.

As at 31 December 2017, the Company has not entered into any hedging arrangement for the exchange rate risks.

6. EXPOSURE TO RISKS RELATED TO POLICIES

Tenke Fungurume Mining operated by the Company is located in the DRC, which is one of the underdeveloped countries in the world with social problems that cause public concern. If the political and security situation of the DRC deteriorates in the future, it will cause adverse effects on the production and operation of the Company. The foreign assets operational philosophy of the Company underlies positive relations with local government, communities and social organizations. As the political ties between China and the DRC stabilize and draw ever closer, the government of China has been encouraging outbound investments into the DRC. In order to further reduce potential economic losses of the Company incurred by relevant risks in operations, the Company is picking up pace in covering DRC projects by overseas investment insurance.

7. EXPOSURE TO RISKS RELATED TO OPERATIONS OF OVERSEAS ASSETS

Through operating the NPM Copper and Gold Mine in Australia, the Company has accumulated certain experience in operation and management of overseas mineral resources, which serves as the reference for successful mining operations in Brazil and the DRC; however, significant differences of operational environments and business attributes in different countries are likely to pose material challenges to asset operation and management in Brazil and the DRC. In addition, as the Company quickens its pace of internationalization, the expansion of its scale also increases the difficulty in corporate management and operations, including higher requirements of organizational structure, competence of the management team and professionalism of the staff. As such, the Company may be affected to a certain degree by the shortage of talents.

For management and control of overseas operations, the Company has established an overseas asset operation and management center in Phoenix, United States, and built a professional management team comprising talents with extensive management experience and international vision. The Company will continue to implement the strategy of introducing international management talents, in order to optimize its internationalization and enhance the control on overseas assets.

The Board hereby presents this Corporate Governance Report in the Group's report for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group has strived to uphold high standards of corporate governance to safeguard the interests of shareholders, to enhance corporate value and to implement accountability for the Group.

The Company has applied the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Hong Kong Listing Rules**").

In the opinion of the Board, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code throughout the period from 1 January 2017 to 31 December 2017, save as the deviation from the code provision E.1.2 of the Corporate Governance Code.

Pursuant to the code provision E.1.2, the chairman of the Board should invite the chairmen of its Board committees to attend the annual general meeting. In their absence, the chairman of the Board should invite another committee member (or failing this his duly appointed delegate) to attend. All members of the Audit Committee were unable to attend the annual general meeting of the Company held on 28 June 2017 due to other business commitments. The attendance of the chairmen of the Remuneration Committee, the Nomination Committee, the Strategic Committee and the Supervisory Committee and the chief financial officer at such annual general meeting was sufficient for (i) answering the questions raised by the shareholders who attended the annual general meeting and (ii) effectively communicating with shareholders who attended the annual general meeting. The Company will strive to optimize the planning and procedures of annual general meetings, give adequate time to all Directors to accommodate their work arrangement and provide all necessary support for their presence at and participation in the general meetings so that all Directors will be able to attend future annual general meetings of the Company.

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

THE BOARD

For the year ended 31 December 2017, the Board held 14 Board meetings in total for reviewing and approving the financial affairs and usual course of business, considering and approving the annual budgets and the overall strategies and policies of the Company, and considering and approving relevant matters in relation to the acquisition of overseas businesses and non-public issuance of Shares by the Company.

RESPONSIBILITIES

The Board is responsible for the leadership and control of the Group, overseeing the Group's businesses, strategic decisions and performances. The Group's senior management is delegated the authority and responsibilities by the Board to manage 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 (including corporate governance functions) 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.

The Company has arranged appropriate insurance which covers legal litigation arising from corporate activities against its Directors and senior management.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board currently comprises eight members, including two executive Directors, three non-executive Directors and three independent non-executive Directors.

The list of all Directors is set out under “Corporate Information” on page 81 and the independent non-executive Directors are expressly identified in all corporate communications pursuant to the Hong Kong Listing Rules.

As at 31 December 2017, the board of directors of the Company comprises the following Directors:

Executive Directors

Li Chaochun, *Chairman*
Li Faben, *General Manager* (also the chief executive within the meaning of the Corporate Governance Code)

Non-Executive Directors

Ma Hui, *Vice Chairman*
Yuan Honglin
Cheng Yunlei

Independent Non-Executive Directors

Bai Yanchun
Xu Shan
Cheng Gordon

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Hong Kong Listing Rules. There is no relationship among members of the Board (including financial, business, family or other material or relevant relationship).

For the year ended 31 December 2017, the Board, at all times, met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one-third of the Board 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 Hong Kong 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 Hong Kong Listing Rules.

Non-executive Directors (including 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 non-executive Directors (including independent non-executive Directors) make various contributions towards 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 their respective responsibilities have been clearly specified in writing.

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

The General Manager, Mr. 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

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/herself for election by shareholders at the first general meeting after appointment.

Each Director of the Company is appointed for a term commencing from the date on which the resolution regarding his appointment/re-election is passed until the conclusion of the annual general meeting of the Company to be held in 2018, and will retire and be re-elected at such annual general meeting. According to the Detailed Working Rules for Independent Directors adopted on 9 October 2012, the term of office for independent non-executive Directors shall be the same as that of other Directors of the Company, and they may stand for re-election upon expiry of their term, but the re-appointment shall not exceed six years. Mr. Bai Yanchun, Mr. Xu Shan and Mr. Cheng Gordon, who were appointed as the independent non-executive Directors on 17 August 2012, will not offer themselves for re-election at the annual general meeting to be held in 2018. The Board proposed a special resolution at the 2015 annual general meeting regarding the amendment to the Articles of Association, fixing the number of the Board members at 7 to 11 so that the number and composition of the Board of Directors of the Company are in compliance with the requirements under the Company Law and the Hong Kong Listing Rules.

The Nomination Committee 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 operates, 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 of the Company is responsible for reviewing the Board composition, monitoring the appointment, nomination and succession plan of Directors and assessing the independence of independent non-executive Directors.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Each newly appointed Director receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment so as to ensure that he/she has an appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Hong Kong 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.

The Company encourages all Directors 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 fully informed and relevant. For the year ended 31 December 2017, all Directors attended the training courses organized by the Company on corporate governance and regulatory development, and obtained and read relevant materials presented to them by the Office of the Board of the Company, including updates of laws and regulations.

BOARD MEETINGS

Practices and Conduct of Board Meetings

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 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 contains 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 and Strategic Committee and general meetings for the year ended 31 December 2017 are set out below:

	Number of Attendance in person/Number of Meetings						
Name of Directors	Board Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Nomination Committee Meeting	Strategic Committee Meeting	Annual General Meeting(1)	Extraordinary General Meeting and Class Meeting(2)
Mr. Li Chaochun	14/14	N/A	N/A	1/1	1/1	1/1	3/3
Mr. Li Faben	14/14	N/A	N/A	N/A	1/1	1/1	3/3
Mr. Ma Hui	14/14	N/A	N/A	N/A	N/A	1/1	3/3
Mr. Yuan Honglin	14/14	1/1	5/5	N/A	1/1	0/1	0/3
Mr. Cheng Yunlei	14/14	N/A	N/A	N/A	N/A	1/1	3/3
Mr. Bai Yanchun	14/14	1/1	N/A	1/1	1/1	1/1	2/3
Mr. Xu Shan	14/14	N/A	5/5	1/1	N/A	0/1	0/3
Mr. Cheng Gordon	14/14	1/1	5/5	1/1	N/A	0/1	0/3

Notes:

(1) The annual general meeting was held on 28 June 2017.

(2) For the year ended 31 December 2017, the Company convened the 2017 First Extraordinary General Meeting on 14 April 2017 and held the 2017 First Class Meeting of Holders of A Shares and H Shares on 28 June 2017.

COMPANY SECRETARY

To maintain sound corporate governance and to comply with the Hong Kong Listing Rules and requirements of applicable Hong Kong laws, the Company appointed Ms. Ho Siu Pik from Tricor Services Limited (an external service provider) as the company secretary in 2017. Her primary contact person in the Company was Mr. Yue Yuanbin, the secretary to the Board.

Ms. Ho has confirmed that she has undertaken no less than 15 hours of relevant professional training in 2017.

On 3 March 2017, the Company convened the nineteenth extraordinary meeting of the fourth session of the Board and approved to appoint Mr. Yue Yuanbin as the secretary to the Board with effect from the day on which such appointment was considered and approved by the Board until the end of the term of office of the current Board. Mr. Yue Yuanbin, the secretary of the Board, reports to Mr. Li Chaochun, the Chairman of the Company.

SECURITIES TRANSACTIONS MADE BY DIRECTORS, SUPERVISORS 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 Hong Kong Listing Rules in respect of dealings in the Company's securities by the Directors. Specific enquiry has been made on all Directors and supervisors and they have confirmed that the required standards set out in the Model Code have been complied with throughout the year ended 31 December 2017. 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 against the Employees Written Guidelines by the employees has been noted by the Company after making reasonable enquiry.

DELEGATION BY THE BOARD

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

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretaries, 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 reviewed periodically. Prior to any significant transactions to be 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 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. Board committees are provided with sufficient resources to perform their duties. Upon reasonable requests, Board committees may seek independent professional advice in appropriate circumstances at the expense of the Company.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies regarding remuneration of Directors, supervisors and senior management of the Group. Details of the remuneration of the Directors and supervisors of the Company for the year ended 31 December 2017 are set out in note (X) 7 to the consolidated financial statements.

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

In 2017, after having made all reasonable enquiries, the Company is not aware of any information which is required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee and set out its specific Terms of Reference. As at 31 December 2017, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Bai Yanchun and Mr. Cheng Gordon, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Bai Yanchun as the chairman. The majority of 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 and Operation Rules. Its primary functions include: to make recommendations to the Board on the remuneration policy and structure for all Directors and the senior management and to establish transparent procedures for developing such remuneration policy; to make recommendations to the Board on the remuneration packages of individual executive and non-executive Directors and the senior management; and to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The primary goal of the Company's remuneration policy on executive Directors' packages is to enable the Company to retain and motivate executive Directors by linking their remuneration with performance and 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 businesses.

In order to motivate the senior management of the Company in an effective and reasonable way so that they can maximize the value for the shareholders and the Company, the Remuneration Committee has taken into account the market-oriented principles including the determination of remuneration based on the performance, responsibilities, faults and attitude, the enhancement of rewards and punishment, the comparison with similar overseas and domestic listed companies in the industry, and consideration of granting special awards regarding the special projects and contributions, as well as referring to the advice from the professional intermediaries.

The Remuneration Committee held one meeting for the year ended 31 December 2017, and the matters considered therein included proposed to adjust remuneration of the several Directors and proposed to determine remuneration of senior management. The attendance records are set out under "Directors' Attendance Records" on page 44.

AUDIT COMMITTEE

The Terms of Reference and Operation Rules of the Audit Committee are based primarily on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. It is mainly responsible for assisting the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

The Audit Committee has reviewed the effectiveness of the external audit and internal controls, evaluated risks, and provided comments and advice to the Board. As at 31 December 2017, the Audit Committee comprises two independent non-executive Directors, namely Mr. Xu Shan and Mr. Cheng Gordon, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Xu Shan as the chairman of the Committee. The Audit Committee has reviewed with the management and external auditors, the audited consolidated results of the Group for the year ended 31 December 2017, according to 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 are set out in its Terms of Reference, including 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 be acquainted with the work performed by the external 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 of the staff and the budget;
- To review the audit activities with external auditors and internal auditors, the internal auditors shall specify the important issues and results which the Committee shall know or pay attention to. To prepare 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 auditors and internal auditors without any restrictions. External auditors and internal auditors 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 to 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 Corporate Governance Code.

The Audit Committee supervises the risk management and internal control systems of the Company, reports to the Board on any material issues and makes recommendations to the Board.

For the year ended 31 December 2017, the Audit Committee reviewed the annual results for the year ended 31 December 2016, the results for the first quarter ended 31 March 2017, the results for the interim period ended 30 June 2017 and the results for the third quarter ended 30 September 2017. The Audit Committee also considered the financial reporting and compliance procedures, the report from the management on the review and processes of Company's internal control and risk management systems and the re-appointment of the external auditors. In addition, the Audit Committee actively performed corporate governance functions, and reviewed the content under the code provision D.3.1 of the Corporate Governance Code.

The Audit Committee held five meetings for the year ended 31 December 2017, and the attendance records are set out under "Directors' Attendance Records" on page 44. For the year ended 31 December 2017, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

NOMINATION COMMITTEE

The Company has established the Nomination Committee and set out its specific Terms of Reference. As at 31 December 2017, the Nomination Committee comprises four Directors, including three independent non-executive Directors, namely Mr. Bai Yanchun, Mr. Xu Shan and Mr. Cheng Gordon, and one executive Director, Mr. Li Chaochun. Mr. Bai Yanchun and Mr. Li Chaochun act as the chairman and the vice chairman of the Nomination Committee respectively, and the independent non-executive Directors account for more than a half of members of the Nomination Committee.

The roles and functions of the Nomination Committee are set out in its Terms of Reference and Operation Rules, and it is mainly 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, shareholding structure and the policy on Board diversity 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.

For the year ended 31 December 2017, the Nomination Committee held one meeting to evaluate and review the composition and validity of the Board of the Company. The Nomination Committee found no material issues during the review period. The attendance records are set out under "Directors' Attendance Records" on page 44.

The Company adopted a policy on board diversity. All appointments to the Board will be made on a merit basis.

The Nomination Committee reviews and evaluates the composition of the Board, makes recommendations to the Board in relation to the appointment of new directors of the Company, as well as monitors the conduct of annual review on the effectiveness of the Board. When reviewing and evaluating the composition of the Board, the Nomination Committee will follow the board diversity policy to consider from a number of aspects the benefit of diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, in order for the Board to maintain appropriate and balanced talent, skill, experience and background. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefit of diversity in the Board. In monitoring the effectiveness of the annual review of the Board, the Nomination Committee will consider the balance of talents, skills, experience, independence and knowledge on the Board and its diversity representation.

The Nomination Committee will discuss and agree on annually all measurable objectives for implementing diversity on the Board and recommend them to the Board.

STRATEGIC COMMITTEE

The Strategic Committee is responsible for formulating the overall development plans and investment decision-making procedures of the Group. The current members of Strategic Committee comprise two executive Directors, namely Mr. Li Chaochun and Mr. Li Faben, and one independent non-executive Director, Mr. Bai Yanchun, and one non-executive Director, Mr. Yuan Honglin, with Mr. Li Chaochun as the chairman of the Committee. For the year ended 31 December 2017, the Strategic Committee held one meeting. The attendance records are set out under "Directors' Attendance Records" on page 44.

CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for performing the functions of corporate governance.

As at 31 December 2017, 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 Employees Written Guidelines, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

SUPERVISORY COMMITTEE

As at 31 December 2017, the Supervisory Committee of the Company comprises three members, namely Ms. Kou Youmin (chairperson), Mr. Zhang Zhenhao and Ms. Wang Zhengyan. 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. For the year ended 31 December 2017, the Supervisory Committee held six meetings to review the financial positions and the internal control of the Company and adhered to the principle of good faith and proactively carried out various work.

The terms of office of supervisors of the Company (including staff representative supervisor) commence from the date on which the resolutions in relation to appointment/re-election are passed until the conclusion of the annual general meeting of the Company to be convened in 2018 and are subject to re-election by rotation.

Pursuant to the Articles of Association, all supervisors of the Company shall retire from office by rotation at least once every three years. The shareholder representative shall be elected at general meetings, and the staff representative shall be elected democratically by the employees of the Company. On 19 January 2015, Mr. Deng Jiaoyun resigned as staff representative supervisor. On the same day, Ms. Wang Zhengyan was elected as the staff representative supervisor of the Company at the staff representatives' meeting. The fourth session of the Supervisory Committee of the Company was jointly formed by Ms. Wang Zhengyan together with two shareholder representative supervisors, namely Ms. Kou Youmin and Mr. Zhang Zhenhao, elected at the annual general meeting of the Company in 2015.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2017.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Hong Kong 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 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 Auditor's Report on page 83 to page 86.

INTERNAL CONTROL AND RISK MANAGEMENT

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 relevant records.

The Board acknowledges that it is responsible for the risk management and internal control systems and liable to review the effectiveness of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board maintains on-going supervision over the risk management and internal control systems of the Company through the Audit Committee, and has reviewed the effectiveness of such systems during 2017. The said review covered all material controls, including financial, operational and compliance controls.

The Board is of the opinion that the Company has adequate resources, staff qualifications, experience and training programmes as well as the relevant budget in terms of accounting, internal audit and financial reporting.

In 2017, the Audit Committee has reviewed the following matters:

- the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;

- the scope and quality of management's ongoing monitoring of risks and the internal control systems, and the work of its internal audit function and other assurance providers;

- significant control failings or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and

- the effectiveness of the Company's processes for financial reporting and compliance of the Hong Kong Listing Rules.

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) has been appointed to review the effectiveness of internal control in relation to the financial report of the Company for the year ended 31 December 2017 in accordance with relevant requirements under the Corporate Internal Control Audit Guidelines and the China Code of Ethics for Certified Public Accountants. Its responsibilities are to express an audit opinion on the effectiveness of internal control over the financial report after conducting an audit, and to disclose the material defects that have come to its attention in the internal control over non-financial reports. Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) is of the view that the Company has maintained effective internal control over the financial report in all material aspects in the year ended 31 December 2017 in accordance with the Basic Rules for Corporate Internal Control and relevant requirements.

The Board evaluates the effectiveness of internal control system once a year. In 2017, the Company completed internal control self-assessment report for 2017. The Board has evaluated and validated the risk management and internal control system of the Group and has not found any violation of laws, regulations and rules or any significant deficiency in compliance monitoring and risk management or any major mistake. The Board considers the risk management and internal control system of the Group is effective.

Details of the Audit Report on Internal Control issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and the Internal Control Self-Assessment Report for 2017 of the Company had been published on the websites of the SSE, the Stock Exchange and the Company on 29 March 2018.

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 control system established by the Group for the purposes of risk management and control, together with internal audit and findings in the operation and management, and with reference to audit findings by external auditors, can be used to comprehensively recognize, evaluate and supervise material risks that the Group faces, including operation and decision-making risk, financial management and control risk and the risks resulted from the changes of operating environment. 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 control and risk management. The audit committee supervised the implementation of various rectification measures, and the rectification work was in line with expectations after subsequent tracking and checking.

DEAL WITH AND PUBLISH INSIDE INFORMATION

The Company has formulated a policy regarding dealing with and publishing inside information, which specifies the procedures of and internal control over dealing with and publishing inside information to deal with and publish inside information in due course, without leading to place any person in a privileged position in security transactions. The inside information policy also provides guidance to the employees of the Group to ensure appropriate measures were put in place and prevent from contravening the disclosure requirements as stipulated in laws and Hong Kong Listing Rules by the Company. The Company establishes appropriate internal control and reporting system to identify and evaluate potential inside information. Pursuant to the requirements of Hong Kong Listing Rules, the Company publishes the relevant information relating to inside information on the websites of SSE, the Stock Exchange and the Company.

AUDITORS' REMUNERATION

For the year ended 31 December 2017, the remuneration paid to the auditors of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) are set out below:

Types of services	**Remuneration paid/to be paid** *RMB Thousand*
Annual audit service	5,000
Internal control and audit	0

Note:

1. The signing accountants for the annual audit of the Company: Yang Haijiao and Zhao Bin. Yang Haijiao has provided auditing services to the Company since July 2017 and Zhao Bin has provided auditing services to the Company since July 2014.

2. The costs for financial audit and internal control audit of Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) amounted to RMB5 million.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman as well as chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Strategic Committee shall attend the forthcoming annual general meeting to answer questions of the shareholders.

The Company will convene the annual general meeting ("**AGM**") on 25 May 2018 and the notice of the forthcoming AGM was despatched to the shareholders of the Company on 9 April 2018 in accordance with the requirements of the Hong Kong Listing Rules and Articles of Association. A circular which sets out details of the business to be conducted at the AGM will be despatched to the shareholders of the Company soon.

The Company is committed to disseminating important information regarding the Group to the public. To facilitate effective communication, the Company set up the website www.chinamoly.com which sets out the information and updates relating to the Company's business development and operation as well as financial information and other information available for public inspection.

SHAREHOLDERS' 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 Hong Kong Listing Rules and the poll results will be posted on the websites of the Company, the Stock Exchange and the SSE 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 shareholders shall submit relevant evidence to the dispatched office of the 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 two 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.

The Company announced the Notice of Convening the 2017 First Extraordinary General Meeting of China Molybdenum Co., Ltd., Announcement of Postponement of the 2017 First Extraordinary General Meeting of China Molybdenum Co., Ltd. and Announcement of Additional Resolutions for the 2017 First Extraordinary General Meeting of China Molybdenum Co., Ltd. on 26 January, 25 February and 31 March 2017, respectively. On 30 March 2017, Cathay Fortune Corporation, a shareholder held a total of 31.58% share of the Company, proposed to submit the Resolution in relation to introducing new shareholders to BHR Newwood Investment Management Limited for the investment cooperation in the Tenke Fungurume mining area considered and approved at the 19th extraordinary meeting of the fourth session of the Board of the Company and the Resolution in relation to "Profit distribution plan for the year 2016" of the Company considered and approved at the 9th meeting of the fourth session of the Board of the Company as additional resolutions for consideration at the 2017 first extraordinary general meeting of the Company. The above resolutions have been considered and approved at the 2017 first extraordinary general meeting.

The Company announced the Notice of Convening the 2016 Annual General Meeting, the 2017 First A Share Class Meeting and the 2017 First H Share Class Meeting of CMOC and Announcement of Additional Resolutions for the 2016 Annual General Meeting of China Molybdenum Co., Ltd. on 12 May and 8 June 2017, respectively. On 6 June 2017, Cathay Fortune Corporation, a shareholder held a total of 31.58% share of the Company, proposed to submit the Proposal in Respect of the Company's Compliance with the Conditions of the Public Issuance of Corporate Bonds, the Proposal in respect of the Plan for the Public Issuance of Corporate Bonds and the Proposal in respect of Seeking Full Authorization From The Shareholders' Meeting Of The Company To The Board Of Directors To Deal With the Matters Relating to the Public Issuance of the Corporate Bonds considered and approved at the 24th extraordinary meeting of the fourth session of the Board of the Company as additional resolutions for consideration at the 2016 annual general meeting of the Company. The above resolutions have been considered and approved at the 2016 annual general meeting.

Save for the circumstances referred to in the preceding paragraph, after the convener has issued the notice on the general meeting, no change 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.

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 holders of A shares) or at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders 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. Yue Yuanbin). Shareholders may call the Company at (+86) 379 6865 8017 for any assistance.

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

CONSTITUTIONAL DOCUMENTS

The latest Articles of Association of the Company are available on the websites of the SSE, the Stock Exchange and the Company.

In view of the completion of the non-public issuance of A shares of the Company on 24 July 2017, in accordance with the requirements under the Company Law of the PRC, the Rules Governing the Listing of Shares on the Shanghai Stock Exchange and the Guidelines for Articles of Association of Listed Companies promulgated by the China Securities Regulatory Commission, and to reflect the current situations of the Company, The Board proposed to submit a special resolution regarding the amendments to the Articles of Association at the next general meeting of the Company. The special resolution is subject to Shareholders' approval. For details of the proposed amendments to the Articles of Association, please refer to the announcement of the Company dated 26 August 2017. The Company will despatch a circular containing details of the proposed amendments to the Articles of Association to the shareholders of the Company in due course.

Dear Shareholders,

The Directors of the Company are pleased to present their 2017 annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

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 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 offering 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 SSE.

PRINCIPAL ACTIVITIES

(I) Principal Businesses

The Company which is in the non-ferrous metal mining industry primarily engages in the mining and processing, smelting, deep processing and scientific research of copper, molybdenum, tungsten, cobalt, niobium, Phosphate and other base and precious metals, with a relatively complete and integrated industry chain. It represents one of the top five molybdenum producers and one of the largest tungsten producers in the world. It is also the second largest cobalt and niobium producer and the leading copper producer in the world as well as the second largest phosphate fertilizer producer in Brazil. While solidifying and improving the existing advantages in the industry, the Company is dedicated in investing in and integrating high-quality resources projects on a global scale as well as developing it into an internationalized resources company equipped with global vision and in-depth industrial consolidation capability by leveraging on its advanced management philosophy and team advantages.

(II) Business Model

The Company adopts a business model of centralized operation and division of management for the businesses that the Company is currently operating. Besides, the Company has been striving to seek for investment on the projects of periodically emerging resources in a global scale. The specific business models for its operations are as follow:

1. Procurement model

The Company adopts a tendering system for businesses in large quantities and size, and for those below the requirements for tendering, the Company adopts a system of centralized price competition and separate hearings, resulting in a system that allows centralized procurement, division of responsibilities and a multi-layered supply chain. In particular, the sodium cyanide used as mining blasting equipment and ore dressing agents is a special commodity under governmental regulation, the trading of which is subject to a licensing system. Within the scope permitted by the laws and regulations, the Company could carry out designated procurement of this class of materials.

2. *Production model*

A large-scale, batch-based and continual production model is adopted. Moreover, the production plan is formulated and the best level of output is decided in line with the service life of the reserves of mines and on the basis of the market research.

3. *Sales model*

Principal products of the Company include molybdenum, tungsten, copper, niobium, phosphate and other related products, wherein:

(1) The direct sales model of "manufacturer – consumer" has been mainly adopted in molybdenum, tungsten and related products, with the indirect sales model of "manufacturer – third party dealer – consumer" as the auxiliary;

(2) The principal copper and cobalt products are electrolytic copper, copper concentrate and cobalt hydroxide. Electrolytic copper is generally sold to commodity traders including Trafigura Group and copper smelting plants, while cobalt hydroxide is mainly sold to the Freeport Cobalt in Finland and cobalt smelting plants in China;

(3) The niobium product is mainly sold to enterprise users who operate with a certain size. The Company has established an end user-oriented marketing strategy of direct selling aiming at different client bases from Europe, Asia and the North America; and

(4) The major clients of its phosphate products are fertilizer mixers who mix the Company's phosphate fertilizer with other auxiliary materials according to different formulas to produce mixed fertilizers and sell them to the end customers.

(III) Industry Overview

1. *Molybdenum industry*

The Company is one of the top five molybdenum producers in the world and mainly targets the domestic market. The price trend of molybdenum products is generally subject to the following factors: economic developments, supply and demand relations, speculations and emergencies. Since molybdenum is mostly consumed by the iron and steel industry, the fluctuations in the price of molybdenum are closely tied to the steel market. Hit by the global financial crisis in 2008, the steel output that underpins molybdenum demand plunges, causing the already sluggish stainless steel market to further shrink. Moreover, due to the commencement of production of new domestic and overseas molybdenum mines, the supply in molybdenum industry kept ramping up and the overcapacity in the industry worsened. As a result, transactions in the molybdenum market were lukewarm, and the molybdenum price in the international market suffered continuous tumbles. Since 2009, the molybdenum price has been weak and in the down-going channel, waving and oscillating within a narrow band. In 2016, amid the supply-side reform introduced by China, domestic mining enterprises with high cost and low efficiency capacities were shut down or urged to cut production. Coupled with tightening and normalized environmental protection inspection, the overcapacity on the supply side was gradually phase out from the market. In 2017, affected by the supply-side reform in iron and steel industry and the normalization of environmental protection inspection, industrial restructuring and product upgrading was accelerated, improving the expectation for the supply and demand for downstream high-end steel. As a result, the Company's operating environment has been improved and molybdenum demand has been increased gradually.

2. *Tungsten industry*

The Company is the largest scheelite producer in the world. The Sandaozhuang Mine which is currently under mining is the largest uni-tungsten mine under operation in the PRC. China, as the largest producer of tungsten in the world, contributes to over 80% of the global supply. In recent years, the tungsten industry, in which the Company operates, has long been in the overcapacity with greater supply than demand and destocking, and the tungsten market remains a downturn under the pressure of weak demand and difficulties in stock clearance. As the market price dived below the cost line, some mining enterprises stopped or downsized output, leading to a decline in the total capacity supplying the market. Since 2017, tungsten mines have been out of production due to tightening environmental protection and security inspection, and downstream plants have been digesting stocks. So tungsten concentrate market will see another tight supply situation. Meanwhile, with the recovery of overseas economies and the steady growth of the domestic economy, the exports of tungsten products increased significantly year-on-year. Many industries including mining, mechanical processing, construction and chemicals have seen increased demand for cemented carbide and tungsten chemical products. Therefore, tungsten price is expected to have another upward trend.

3. *Copper industry*

The Company is a leading copper producer in the world. As one of the important raw materials of basic industries, copper with both industrial and financial traits is indispensable for industrial production and people's daily lives. Among the non-ferrous materials, copper only lags behind aluminum in terms of consumption. From the view of major consumption areas, the United States, Japan and Western Europe are the three traditional consuming regions and maintain steady consumption levels. From 2011 to 2015, copper price kept declining and the industry had a severe loss, leading to a slowdown in the construction of copper mines in recent years. Currently, amid the protruding of aging trend in global mines, around half of copper mines' ages have been over 50 years. Among the largest seven mines in the world, even four mines' mining ages have been over 70 years. Due to the long mining period, mining grade has decreased gradually year by year. Copper consumption from downstream plants shows a stable pattern but sees a significant increase from new energy automobile industry, which will become a new growth point in the downstream consumption. With the global economy recovering, Trump's Infrastructure Plan is expected to bring a substantial increase in copper demand in the United States. Meanwhile, new emerging economies led by India will enter into a consumption peak stage for copper. Copper price has kept increasing since the mid-2016. With economies stabilizing in China, the United States and Europe, the infrastructure investment in India and countries along the Belt and Road becoming new growth field for copper demand and the global economy recovering, copper saw a new round of price rise in July 2017. In the next several years, new capacity will put into production, but it will not have a big effect on the entire pattern of supply and demand due to its small scale. Besides, with a new round of consumption arising, the overcapacity will continue to be shrunk. The year of 2018 is still the labor bargaining year, so the mainstream copper price will climb up further.

4. *Cobalt industry*

The Company is the second largest producer of cobalt. According to the 2017 statistics of the USGS, the global proven reserve of terrestrial cobalt resources was approximately 7.1 million tonnes in 2016, and was highly distributed in the DRC, Australia and Cuba. Among them, the DRC had a cobalt reserve of 3.4 million tonnes in 2016, accounting for 47.9% of the total cobalt reserve in the world, ranking the first in the world. For a long time, cobalt minerals or cobalt compounds were always used as glaze of ceramics, glass and enamel. Since the 20th century, cobalt and its alloys have been widely used in industrial sectors such as motors, machinery, chemicals and aerospace. In addition, it has become a strategic metal with the consumption increasing year by year. Cobalt is one of the most common metal materials for lithium battery anodes. Lithium cobaltate, which is made of lithium carbonate and cobalt oxide, is the most commonly used high energy battery cathode material. Currently, about 60% of total cobalt consumption is from battery materials. In the future, cobalt capacity expansion projects will mainly come from Glencore and Eurasian Natural Resources Corporation, including: the phase I project of Glencore's Katanga Mine is expected to start production in 2018, while Eurasian Natural Resources Corporation is expected to release its new capacity from 2019. With the continuous promotion of ternary materials, cobalt consumption will continue to increase. Currently, most investment is put into the construction of smelters, so the shortage of cobalt products will cause a tight supply for cobalt ores. Benefiting from the rapid development of new energy vehicles and the demand for ternary batteries as well as the influence of cobalt storage policy in China, cobalt stocks in the market is gradually decreasing, with the price rising from RMB270,000/tonne at the end of 2016 to RMB534,000/tonne at the end of 2017, representing an increase of 97.8%. Stimulated by expected demand, cobalt price has increased significantly.

5. *Niobium industry*

The Company is the second largest niobium producer in the world. The price of niobium is mainly affected by the supply of raw material of niobium ore. The market of niobium is highly concentrated in the world. Brazil's CBMM, an industry leader, occupying 80% to 85% of the global output, has the absolute dominant position in the industry and has a strong influence on the price trend of niobium. Meanwhile, CBMM sets the pace of global output expansion for niobium products, so niobium price has kept relatively stable in history. Niobium is one of the indispensable raw materials for high-quality steel with few alternatives and its low proportion in the costs of iron and steel production given the small amount of niobium used therein contribute to the low price elasticity of ferroniobium supply and its relatively stable price. In 2017, with the continuous recovery of the steel industry, the demand for antimony continued to increase, and the price of antimony was strongly supported.

6. *Phosphate industry in Brazil*

The Company is the second largest fertilizer producer in Brazil, which is one of the major producers and exporters of agricultural products (including soy, corn, sugar cane, coffee, oranges, beef and chicken, etc.) in the world. Due to strong demand for fertilizers, the Brazil is the fourth largest fertilizer consumer in the world, and its annual consumption is far beyond its domestic output. MAP and SSP are major high- and low-concentrated phosphate fertilizer products respectively in the Brazilian market, though its phosphate ore reserves are not rich and such ores have relatively low contents of P_2O_5. Therefore, it needs to import a large amount of fertilizer products from Russia, the United States, China and other countries. To encourage the development of agriculture and related industries, the federal government and state governments of Brazil introduce favorable tax policies to fertilizer producers. Considering the rapid development of Brazil's agriculture, there will be a steady growth in the demand for phosphate fertilizer in the next few years. The Company owns two phosphate plants located in the agricultural center of Brazil, with obvious geographical advantages, making the company one of the producers with lowest production costs in these important areas.

BUSINESS REVIEW

According to the Schedule 5 of the Companies Ordinance of Hong Kong (Chapter 622 of The Laws of Hong Kong), discussion and analysis were made including the business review for the year ended 31 December 2017 and discussion on business development in the future which are described on the section headed "Business Review and Prospects" on page 18 to page 20 of this annual report. While description of principal risks and uncertainties facing by the Group can be found in different parts of this annual report, including the descriptions under the section headed "Risk Warning" on page 38 to page 40. Analysis using financial key performance indicators is described in the section headed "Management Discussion and Analysis" on page 21 to page 30 of this annual report. The above discussion form part of in the Report of the Board of Directors.

ENVIRONMENTAL PROTECTION POLICIES AND PERFORMANCE

Regarding the collective environmental protection policy and performance, the Company maintains its advanced production in the industry while adhering to the philosophy of "environmental protection goes first with green development", in building itself into a resource-saving and eco-friendly company. It takes the harmonious development of energy business and environment as a critical responsibility of the Company and a priority in production and operation, and follows through the green mining concepts of resource saving, eco-friendliness and harmonious mining field in establishing its cultural system. It conscientiously implements the guidelines and policies of environmental protection, comprehensively builds up safe and eco-friendly environmental protection engineering and supporting facilities that are beneficial to water and soil conservation as well as recovery and management of mine ecosystem, tracks and supervises the construction of "simultaneous design, simultaneous construction and simultaneous commencement of usage" in environmental protection engineering, maintain strict control over construction, and ensures "not to commence operation without satisfactory acceptance". Production and operation projects are comprehensively implemented with energy saving and emission reduction and pollution prevention measures to ensure long-term and stable operation in compliance with relevant standards. The Company insists on the development principle of "ecological development, scientific usage and cyclic economy", actively adopts advanced technology, advanced process, advanced equipment, and endeavors to improve efficient use of resources and the level of discharge recycling and reuse. It promotes clean production, improves the system of energy saving and emission reduction, and practically steps up the reduction of pollutant emissions. It endeavors to promote its ability of environment management, and strives for the sustainable development of environmental protection.

The Company prepared the 2017 Environmental, Social and Governance Report of China Molybdenum Co., Ltd, i.e. the 2017 Social Responsibility Report (hereinafter referred to as the "**Report**"), pursuant to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange in December 2015, and the Environmental Information Disclosure Guide for Listed Companies issued by the SSE in May 2008, and disclosed it separately. The Report gives true information of the CMOC in terms of environmental, social and governance activities. All information in the Report are derived from the official documents and statistics reports of CMOC and the summary and statistics of its affiliated companies. The Report gives full disclosure of concerns of the major interested parties (including shareholders, customers, employees, suppliers and partners) of the Company:

- Environment
- Employees
- Community
- Products

Please refer to the 2017 Environmental, Social and Governance Report of China Molybdenum Co., Ltd., and the 2017 Social Responsibility Report disclosed by the Company on the websites of the SSE (www.sse.com.cn), Stock Exchange (www.hkexnews.hk) and the Company (www.chinamoly.com) on 29 March 2018 for details.

COMPLIANCE WITH RELEVANT LAWS AND RULES

The Company devotes its efforts to strictly comply with regulated laws and rules in the jurisdictions where the Company is operating, and is also in compliance with applicable guidelines and rules issued by regulators. As far as the Directors know, the Company has complied with all laws and rules which have material effect on the Company in 2017. In addition, compliance with the relevant laws and regulations which have significant impacts on the Group has been disclosed in various parts of this annual report (especially in the Corporate Governance Report). Description of key relationships between employees of the Company, major customers and suppliers are set out on page 67 to page 69 of the Report of the Board of Directors in the annual report.

CORE COMPETITIVENESS

1. The Company possesses abundant reserves of quality resources. The Luanchuan Sandaozhuang molybdenum/tungsten mine currently operated by the Company is a native molybdenum/tungsten mine large in scale, belonging to part of Luanchuan molybdenum mining field, the largest native molybdenum mining field in the world, and the second largest scheelite bed in China. Luanchuan Shangfanggou molybdenum mine, which is owned by Luoyang Fuchuan Mining Co., Ltd., a joint venture of the Company, is in close proximity to the Shandaozhuang molybdenum mine and is another native molybdenum mine belonging to Luanchuan molybdenum mining field. A subsidiary of the Company possesses the mining rights of the molybdenum mine located in East Gobi, Hami, Xinjiang, which is a quality molybdenum mine large in scale discovered in recent years. The Company operates the NPM copper-gold mine in Australia, which is the fourth largest operating copper/gold mine in Australia. The Tenke copper/cobalt mine operated by the Company in the Congo (DRC) represents one of the largest reserve and highest grade copper-cobalt mines in the world. The Company's niobium/phosphate mining area in Brazil has rich reserves and bright prospect for exploration, with the second largest niobium resources of the world and the highest grade P_2O_5 resources in today's Brazil. All of the above projects owned by the Company have relatively favourable prospect of resource exploration.

2. The Company is able to boost its resistance to risks comprehensively with a portfolio of resources. Currently, the Company boasts a portfolio of copper, molybdenum, tungsten, cobalt, niobium, phosphate and gold by-products and silver, covering the basic, rare and precious metals, and enters into the market of agricultural applications with phosphate resources. Copper represents an important metal for consumption purpose, enjoying a broad prospect of application. Cobalt represents a highly scarce metal resource and a strategically significant resource, with small reserves on land. Lithium batteries and power lithium-ion batteries for consumption purpose take up a large proportion in the total demands for cobalt. In addition, with the boom of electric vehicles, cobalt used in lithium battery will further soar up. The price of niobium has smaller periodical fluctuations than other non-ferrous metals and is therefore relatively stable, so niobium is capable of effectively reducing the risks arising from volatilities in the industry for the Company. Phosphate is mainly applied in agriculture field. Brazil, where our business is operated, is bestowed with the vastest potential cultivable land in the world and represents the third largest consumer of phosphates worldwide. Even if it is short in resources of phosphates ores, Brazil has its own geographical advantages and its phosphates business develops steadily, which is conductive to the diversification and decentralization of the Company's business. In terms of molybdenum and tungsten sectors, the Company enjoys prominent competitive edge in cost.

3. The Company has advanced production technology and strong cost competitiveness. All of the mines (except for NPM) operated by the Company have adopted modern and safe open-pit mining. The Company strengthens the efficiency of ore mining and transport through automation procedures to achieve lower mining costs. The Company's mine processing operation adopted advanced technology and equipment, and implemented automated control over the entire procedures, resulting in lower cost of mine processing. In addition, the Company made use of by-products with value from comprehensively recycling associated and beneficial resources, strengthening the profitability of the mines operated and expanding the competitive edge in costs. The NPM copper/gold mine operated by the Company in Australia adopted advanced mining technology of segmenting block caving, and the automation level of its downhole mining has reached 100%. Besides, the cash costs of all business sectors engaged by the Company stand at an internationally leading position in the industry, and enjoy relatively strong competitive edge in the international market.

4. The Company possesses a relatively complete and integrated industry chain. The Company has world-class integrated exploration and processing facilities and the supporting capacity of smelting and chemical engineering, which enables it to ensure the output and quality of such products as molybdenum concentrate, tungsten concentrate, ferromolybdenum, ammonium paratungstate, electrolytic copper, copper concentrate, cobalt hydroxide, ferroniobium, phosphate fertilizer for direct sales or as the raw materials for downstream deep processing. The Company possesses the largest production capacity of ferromolybdenum and molybdenum oxides in China. The phosphate business operated by the Company in Brazil covers the entire industry chain of production, and after years of operation and continuous perfection, a distinctive and efficient operation model thereof has taken shape, fully unleashing the synergies to reduce production costs to the largest extent while ensuring product quality. The integrated industry chain enables the Company to adapt its product mix to the demands of the market and customers swiftly and provide customers with products in stable quality.

5. The Company processes competitive edge and prospect of leading technology of comprehensive utilization of resources to implements the highly efficient resources recycling. Most mines exploited and operated by the Company are the mines with a portfolio of recyclable resources, so the Company proactively pushes forward the comprehensive utilization of resources. At home, the Sandaozhuang molybdenum/tungsten mine, a major mine exploited and operated by the Company, recycles the ancillary scheelite out of the processed molybdenum tailings from the first scratch, making the Company the largest tungsten producer in the country. The successful industrialized recycling of ancillary copper and rhenium has created a new profit growth point for the Company. The comprehensive recycling of ancillary fluorite is being steadily promoted, and upon industrialized production, the scale may reach the capacity of domestic medium to large fluorite mines. Abroad, the Tenke copper/cobalt mine operated by the Company in the Congo (DRC) recycles cobalt from copper tailings, with the second-largest output of cobalt in the world. Besides, part of the niobium output of the niobium business (with second-largest niobium output in the world) operated by the Company in Brazil are from the comprehensive recycling of the tailings of processed phosphate ore. In the future, the comprehensive recycling operations at home and abroad can learn from each other in production techniques and technical research and development, so as to broaden the prospects of development.

6. The Company possesses strong technical research and development capacity. The Company employs 1,565 technological research and development personnel, and established provincial technology centers, which were evaluated by China National Accreditation Service for Conformity Assessment (CNAS) as nationally recognized laboratories in 2008. The Company owns post-doctoral scientific research stations, and its research and development environment holds a leading position among its counterparts in China. The Company successfully implemented industrialization of its various scientific research results, becoming the engine of industrial technology improvement. The Company was recognized as high-tech enterprise in 2012, and is undergoing the re-examination of high-tech enterprises. The Company was also the first company in the national molybdenum industry to recycle all the sulfur dioxide, generated from the process of roasting, into producing sulfuric acid. The Company worked with Central South University, and collaboratively research and developed a technology of producing ammonium paratungstate from low-quality scheelite, significantly reducing the emission of wastewater and solving the difficult problem of "three wastes" in the smelting process of tungsten. In 2006, the Company was awarded the title of "Advanced Mining Enterprise Rationally Exploring and Utilizing the National Mining Resources" by the Ministry of Land and Resources. In September 2011, the Company was collectively assigned by the Ministry of Land and Resources and the Ministry of Finance as one of the demonstration sites of the first batch of mines comprehensively utilizing the mining resources. In 2016, the Company won the "1st Prize for Science and Technology Achievement in China's Non-ferrous Metal Industry" granted by the Non-ferrous Metals Society of China and China Non-Ferrous Metals Industry Association, the "Nomination for China Grand Award for Industry" granted by the China Federation of Industrial Economics. In 2017, the Company was awarded the title of the "2017 Industrial Enterprise Quality Benchmark in Henan" by the Henan Provincial Industrial and Information Technology Committee. The Company's "Key Technology and Realm Optimization of Integrated Mining of Multi-Minerals in Sandaozhuang Open-pit Mine" technology won the "1st Prize for Scientific and Technological Progress Award in 2017".

7. The Company possesses an experienced management team with international experience in business operation and management. The senior management team of the Company has considerable working experience in various fields including exploration, floating, smelting and downstream business. The core management of the Company has managed H share and A share listed companies for many year and possess relatively deep knowledge and understanding of the domestic and foreign development trends and, thus, is capable to timely adjust the Company's development strategies to take the advanced advantage in the intensified-competitive international market. The Company has accumulated rich experience in project acquisition and management. The non-public issuance of A shares of RMB18 billion was successfully completed in July 2017 and was 2.15 times over-subscribed.

8. The Company possesses a sound structure of assets and liabilities, excellent and efficient management team and a unique and precise strategic vision. The Company develops a clear development strategy and has efficient execution and management team. Currently, the Company's operating businesses all have strong profitability. The successful completion of the non-public issuance of A shares of RMB18 billion in July 2017 has improved the capital structure of the Company and kept its asset-liability ratio at a healthy level, which will effectively support the Company in building itself into an internationalized resources company with global vision and in-depth industrial consolidation capability.

DIVIDEND

1. Dividend policy

In accordance with relevant regulations such as the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (Zheng Jian Fa [2012] No.37) and Listed Companies Regulatory Guidance No.3 – Cash Dividends Distribution of Listed Companies (CSRC Notice [2013] No. 43) issued by the CSRC and the Articles of Association, the Company formulated the Shareholders' Return Plan in the Next Three Years (2016–2018) (hereinafter referred to as the "**Plan**") after fully considering the Company's actual operation conditions and the demands of future development.

(1) Dividends distribution method: In the next three years, the Company adopts a proactive dividend distribution policy in the form of cash or shares, and implements such policy in accordance with the laws, regulations and regulatory requirements. Priority in profits distribution should be in cash rather than in shares. The Company shall distribute profits in the form of cash should such conditions are met. The Company may distribute interim cash dividends as and when appropriate.

(2) In accordance with the laws, regulations and other regulatory requirements in the period, the Company distributes dividend in cash if it records earnings with positive distributable profits and the cash flow of the Company can accommodate the needs of both its daily operation and sustainable development. If the Company distributes cash dividends, the proportion for cash dividends should also comply with the following requirements simultaneously:

a. The profits distributed by the Company in the form of cash each year shall not be less than 30% of distributable profits recorded in the year, in accordance with laws, regulations and regulatory requirements in the period.

b. Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits; where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits; where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits.

The "substantial capital expenditure arrangement" mentioned above refers to matters that the total assets of transactions, including asset acquisitions and external investments, by the Company within a year account for more than 30% (inclusive) or more of the latest audited total assets of the Company. The Board of Directors of the Company shall propose a specific cash dividend distribution plan and submit it to the general meeting by differentiating the aforesaid circumstances after taking various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement.

(3) The specific conditions for the distribution of dividend in the form of shares: Where the Company records earnings with positive distributable profits for the year and the valuation on the shares of the Company is in a reasonable range, the Company may distribute dividend in the form of shares without prejudice to the scale of the share capital and the reasonable structure of shareholdings of the Company on the basis of considering rewarding and sharing corporate value with investors.

2. Implementation of cash dividend distribution policy

On 14 April 2017, the proposal of profit distribution for 2016 was considered and approved at the 2017 first extraordinary general meeting of the Company. According to the proposal, the Company distributed a final cash dividend of RMB0.035 per share (tax inclusive), totaling RMB591,051,954.47 (tax inclusive) for the year 2016, accounting for 59.22% of the net profits attributable to shareholders of the parent company for the year. The dividend distribution was completed.

3. Implementation of dividend policy in 2017

Dividend distribution year	Bonus issue per 10 shares *(share)*	Dividend per 10 shares *(RMB) (tax inclusive)*	Increased amount per 10 shares *(share)*	The amount of cash dividend *(RMB0'000) (tax inclusive)*	Net profit attributable to ordinary shareholders of listed companies in consolidated statement during dividend year *(RMB0'000)*	Percentage of net profit attributable to ordinary shareholders of listed companies in consolidated statement *(%)*
2017	0	0.76	0	164,154.23	272,779.62	60.18
2016	0	0.35	0	59,105.20	99,804.06	59.22
2015	0	0.25	20	42,218.00	76,116.01	55.47
2014	0	1.8	0	101,323.19	182,425.53	55.54

4. Proposal of dividend distribution

The Board of Directors recommended to distribute a final cash dividend of RMB0.076 (tax inclusive) per share for the year ended 31 December 2017 to all shareholders on the basis of a total number of shares of 21,599,240,583 shares as at 31 December 2017, totaling RMB1,641.54 million (tax inclusive), accounting for 60.18% of the net profit attributable to the listed shareholder for the year. The proposal has been considered and approved at the 13th meeting of the fourth session of the Board of Directors, and can take effect only after the approval by the directors of the Company at the forthcoming AGM.

The Company will send a circular covering (including) relevant suggestions on the distribution of final dividend and further information of the annual general meeting to shareholders as soon as practicable.

FINANCIAL INFORMATION SUMMARY

The published results and assets, liabilities and minority interests of the Group for the latest five financial years:

Unit: RMB million

Items	2017	2016	2015	2014	2013
Operating revenue	**24,147.56**	6,949.57	4,196.84	6,662.38	5,536.47
Total profit	**5,381.82**	1,190.14	682.82	2,148.06	1,236.18
Income tax expenses	**1,786.20**	170.90	-20.29	347.86	151.27
Net profit	**3,595.62**	1,019.24	703.11	1,800.20	1,084.91
Net profit attributable to owners of the parent Company	**2,727.80**	998.04	761.16	1,824.26	1,174.20
Profit or loss attributable to minority shareholders	**867.82**	21.20	-58.05	-24.05	-89.29

Items	31 December 2017	31 December 2016 (Restated)	31 December 2015	31 December 2014	31 December 2013
Total assets	**97,837.25**	87,924.36	30,880.53	28,054.88	21,899.14
Total liabilities	**51,928.11**	53,587.43	13,063.84	12,910.34	9,006.49
Total equity attributable to shareholders of the parent company	**38,157.18**	18,738.06	17,353.48	14,633.57	12,178.28
Minority interests	**7,751.95**	15,598.87	463.21	510.96	714.38

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 (V) 12 and note (XIV) 9 to the consolidated financial statements.

SHARE CAPITAL AND SHAREHOLDERS

1. Changes in shares

On 24 July 2017, the Company completed the non-public issuance of 4,712,041,884 A shares. After the completion of the non-public offering of A shares, the total number of shares of the Company increased from 16,887,198,699 to 21,599,240,583.

Changes in the share capital of the Company during the year are set out in note (V) 37 to the consolidated financial statements.

2. Shareholding structure of substantial shareholders

As at 31 December 2017, the shareholders of the Company amounted to 269,005, of which holders of H shares amounted to 9,574, and holders of A shares amounted to 259,431. By approximate percentage of shareholding in the registered capital, the shareholdings of the Company's top ten shareholders were as follows:

Name of shareholders (Full name)	Class of Share	Changes during the reporting period *(million shares)*	Closing number of shares held *(million shares)*	Proportion *(%)*
Cathay Fortune Corporation ("**CFC**")	A share and H share	0	5,333.22	24.69
Luoyang Mining Group Co., Ltd. ("**LMG**")	A share	0	5,329.78	24.68
HKSCC NOMINEES LIMITED *(Note 2)*	H share	14.64	3,579.17	16.57
CCB Principal Asset Management – ICBC – Shaanxi International Trust – Shaanxi International Trust • Jinyu No.6 targeted investment trust plan of assembled funds	A share	777.49	777.49	3.60
China State-owned Enterprise Structure Adjustment Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	A share	739.71	739.71	3.42
Beixin Ruifeng Fund－Bank of Nanjing－Changan International Trust－Changan International Trust • Ruihua SAIC targeted investment trust plan of assembled funds	A share	480.63	480.63	2.23
Minsheng Royal Fund－Bank of Ningbo－Jiaxing Minliu Investment Partnership (limited partnership)	A share	471.73	471.73	2.18
Beixin Ruifeng Fund – CMBC – CR Trust – CR Trust • Jingrui No.7 single fund trust	A share	471.20	471.20	2.18

Name of shareholders (Full name)	Class of Share	Changes during the reporting period *(million shares)*	Closing number of shares held *(million shares)*	Proportion *(%)*
Manulife Teda Fund – CMBC – Changan International Trust – Changan International Trust – Minsheng targeted investment No.1 single fund trust	A share	471.20	471.20	2.18
National Social Security Fund Package No. 102 (全國社保基金一零二組合)	A share	143.99	143.99	0.67

Notes:

1. Percentage calculation is based on the Company's total share capital of 21,599,240,583 shares.

2. HKSCC NOMINEES LIMITED held 3,579.17 million H shares in the Company as a nominee, representing 16.57% of the Company's shares in issue. HKSCC NOMINEES LIMITED is a member of the Central Clearing and Settlement System, which carries out securities registration and custodian business for customers.

3. As at 31 December 2017, the number of shares pledged by Cathay Group was 331.00 million shares.

3. Substantial Shareholders' interests in shares

To the best knowledge of all Directors and supervisors, as at 31 December 2017, the persons or companies (other than Directors, the chief executives or supervisors 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 Securities and Futures Ordinance ("**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 *(million shares)*	Capacity	Class of Share	Approximate percentage of shareholding in relevant class of shares
LMG	5,329.78	Beneficial owner	A share	30.17%
Luoyang Guohong Investment Group Co., Ltd.	5,329.78	Interest in controlled corporation	A share	30.17%
CFC	5,030.22	Beneficial owner	A share	28.47%
	303(L)	Interest in controlled corporation	H share	7.7%
Cathay Fortune Investment Limited ("**Cathay Hong Kong**")[2]	303(L)	Beneficial owner	H share	7.7%
Yu Yong[3],[4]	5,030.22	Interest in controlled corporation	A share	28.47%
	303(L)	Interest in controlled corporation	H share	7.7%
UBS Group AG[5]	101.67(L)	Having a security interest in shares	H share	2.58%
	116.72(L)	Interest in controlled corporation	H share	2.97%
	142.25(S)	Interest in controlled corporation	H share	3.62%
BlackRock, Inc.[6]	211.47(L)	Interest in controlled corporation	H share	5.38%
	42.04(S)	Interest in controlled corporation	H share	1.07%

Notes:

(1) (L)–Long position; (S) –Short position.

(2) Cathay Hong Kong is a wholly-owned subsidiary of CFC in Hong Kong.

(3) Mr. Yu Yong holds 99% interest in CFC.

(4) Mr. Yu Yong holds such shares. Cathay Fortune Corporation, Cathay Fortune International Company Limited and Cathay Fortune Investment Limited, being the controlled corporations, directly or indirectly hold the shares of the Company.

(5) UBS Group AG holds such shares. UBS AG, UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG, UBS Third Party Management Company S.A., UBS Securities LLC and UBS Switzerland AG, being the controlled corporations, directly or indirectly hold the shares of the Company.

(6) BlackRock, Inc. holds such shares. Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Cayco Limited, BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Luxembourg Holdco S.àr.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited and BlackRock Life Limited, being the controlled corporations, directly or indirectly hold the shares of the Company.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other persons (other than a Director, chief executive 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

BORROWINGS

Details of the borrowings of the Company and the Group are set out in notes (V) 19 and (V) 31 and note (XIV) 14 to the consolidated financial statements.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company in 2017.

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution as at 31 December 2017, calculated in accordance with PRC rules and regulation, was RMB5,517.44 million.

CHARITABLE DONATIONS

Please refer to the relevant sections of the 2017 Environmental, Society and Governance Report of the Company published by the Company on 29 March 2018 for details of the charitable donations of the Group for the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the proportions of purchase and sales from the major suppliers and major customers of the Company to our total purchase and sales were as follows:

Purchases

The total purchases from our largest supplier was approximately 7.06% of our total purchase value.

The total purchases from our five largest suppliers was approximately 19.8% of our total purchase value.

Sales

The total sales to our largest customer was approximately 15.37% of our total sales value.

The total sales to our five largest customers was approximately 47.05% of our total sales value.

As at 31 December 2017, to the Directors' knowledge, none of the Directors or supervisors or their respective close associates or any shareholders who hold more than 5% of our shares, had 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 2017 and up to the date of this annual report are:

Executive Directors

Mr. Li Chaochun
Mr. Li Faben

Non-Executive Directors

Mr. Ma Hui
Mr. Yuan Honglin
Mr. Cheng Yunlei

Independent Non-Executive Directors

Mr. Bai Yanchun
Mr. Xu Shan
Mr. Cheng Gordon

Supervisors

Ms. Kou Youmin
Mr. Zhang Zhenhao
Ms. Wang Zhengyan

Senior Management

Ms. Gu Meifeng
Mr. Jing Shigun
Mr. Wang Yonghong
Mr. Jiang Zhongqiang
Mr. Yue Yuanbin (appointed as secretary of the Board on 3 March 2017)
Ms. Wu Yiming (appointed as vice general manager on 31 January 2018)

Pursuant to the Articles of Association, the term of office of all Directors and supervisors is three years, and may stand for re-election upon expiry of the term. Among the above Directors and supervisors, Mr. Bai Yanchun, Mr. Xu Shan and Mr. Cheng Gordon shall not be reappointed at the annual general meeting to be held in 2018.

The Company has received an annual confirmation from each of Mr. Bai Yanchun, Mr. Xu Shan and Mr. Cheng Gordon, all being the independent non-executive Directors, in respect of their independence and is of the opinion that they remained independent as at 31 December 2017.

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 76 to 80 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 directors of the Company with reference to Directors' and supervisors' duties, responsibilities and performance and the results of the Group. In compliance with the Corporate Governance Code, the Company has a remuneration committee to formulate remuneration policies. Details of the Directors' and supervisors' remuneration are disclosed in note (X) 7 to the consolidated financial statements. There is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration for the year ended 31 December 2017.

The remuneration of the senior management for the year ended 31 December 2017 fell within the following bands *(Note)*:

Remuneration bands	**Number of Individual(s) Year 2017**
Within RMB1,500,000	4
Above RMB1,500,000	0

Note: Directors and supervisors of the Company and Mr. Yue Yuanbin (appointed as a member of senior management in March 2017) were excluded; Ms. Ho Siu Pik, the company secretary, is an external service provider, as such, she is not part of the Company's senior management.

EMPLOYEES AND PENSION PLAN

As at 31 December 2017, the Group had approximately 11,226 full-time employees, classified as follows by function and department:

Department	**Employees**	**Proportion**
Management & administration	1,616	14.40%
Quality control, research and development	1,565	13.94%
Production	7,006	62.41%
Finance, sales and other support	1,039	9.26%
Total	11,226	100%

The remuneration policy for the employees of the Company principally consists of a salary point and performance remuneration system, based on employees' positions and responsibilities and their quantified assessment results. The employees' remuneration is evaluated in line with the Company's operating results and personal performance in order to provide a consistent, fair and equitable remuneration system for all employees. The companies of Group domiciled in China have participated in the social insurance contribution plans introduced by China's local governments. In accordance with the laws and regulations regarding the national and local labor and social welfares in China, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, health insurance, unemployment insurance and housing provident fund. Pursuant to the current applicable local regulations in China, the percentages of certain insurances are as follows: the pension insurance, health insurance, unemployment insurance, maternity insurance, work injury insurance and the contribution to housing provident fund of our Chinese employees represent 19%, 7%, 0.7%, 0.5%, 0.4% to 1.9% and 5% to 12% of his or her total basic monthly salary respectively. In accordance with applicable PRC regulations, the Company currently participates in pension contribution plans organized by the governments. The overseas employees are enrolled in the requisite pension and/or healthcare plans under the requirement of the laws in the countries where they reside.

ANALYSIS ON MAJOR SUBSIDIARIES

Company name	**Principal products**	**Registered capital**	**Total assets** *(RMB million)*	**Operating revenue** *(RMB million)*	**Net assets** *(RMB million)*	**Net profit** *(RMB million)*
CMOC Mining Pty Limited	Copper and gold related products	US$346 million	5,926.78	1,686.56	2,649.05	219.40
CMOC DRC Limited	Copper and cobalt related products	HK$1	45,118.85	13,844.64	16,674.73	3,189.53
Luxembourg SPV	Niobium and phosphates related products	US$20,000	14,138.79	4,568.56	4,068.25	134.87

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Ms. Wang Zhengyan was appointed as the staff representative supervisor on 19 January 2015 and entered into a service contract with the Company for a term of three years commencing from the date of appointment. Upon expiry, the Company has already signed a new service contract with Ms. Wang Zhengyan. Other Directors and supervisors of the Company have each 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 2018.

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.

MATERIAL INVESTMENTS

The material investments held by the Group and the performance and prospects of such investments during the accounting year are set out in notes (V) 10 and 11, note (I) 2 and note (VII) 2 to the consolidated financial statements and the section headed "Material Events".

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 in 2017.

PERMITTED INDEMNITY

Except the liability insurance described below, the Company did not enter into any agreement with indemnity provisions with Directors or supervisors of the Company to provide indemnity to Directors or supervisors for legal liabilities caused to third parties or other types of legal liabilities.

The Company considered and passed the purchase of liability insurance for the risks of domestic and overseas litigations or regulatory investigations that the Directors, supervisors and senior management of the Group may be exposed to when carrying out their duties in executing the business decisions and information disclosure, at the first EGM in 2017. The insurance covers management liabilities of the Directors, supervisors and senior management, the Company's equity securities claims and the Company's inappropriate employment practices claims. The amount of insurance coverage is US$30,000,000 per annum; at the total costs of not more than US$50,000 per annum.

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

As at 31 December 2017, the shareholding of A Shares by current Directors, supervisors and senior management of the Company was as follows:

Name	**Number of shares held** *(Shares)*	**Percentage in total share capital** *(%)*
Li Chaochun	1,587,692	0.007
Li Faben	1,064,400	0.005
Yuan Honglin	1,050,600	0.005
Zhang Zhenhao	1,063,500	0.005
Gu Meifeng	531,600	0.002
Jiang Zhongqiang	532,500	0.002
Total	5,830,292	0.026

On 29 October 2017, the Company issued an announcement and disclosed the shareholding reduction scheme of some of the Directors, supervisors and senior management. Li Chaochun, the chairman and executive Director of the Company, Li Faben, the executive Director and general manager, Yuan Honglin, a non-executive Director, Zhang Zhenhao, a supervisor, Gu Meifeng, the chief financial officer, and Jiang Zhongqiang, the deputy general manager, planned to reduce shareholding of not more than 2,550,751 A Shares (accounting for 0.0118% of the total share capital of the Company) by way of centralized bidding or bulk transaction permitted by laws and regulations, on the premise of complying with the regulations relating to reduction of shareholding of directors, supervisors and senior management of listed companies, within six months after 15 trading days from the date of publishing the announcement (no reduction of shareholding shall be allowed during window period).

As of the disclosure date of this report, none of the person who proposed shareholding reduction has reduced his/her holdings in the Company's shares.

Save as disclosed above, so far as was known to the Directors, in 2017, none of the Directors, chief executives, senior management and supervisors and their respective associates had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, which required the Company and Stock Exchange to be notified pursuant to Part XV of the SFO or which were required to be entered into the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code.

CONNECTED TRANSACTIONS

For the year ended 31 December 2017, certain related party transactions set out in notes (X) and (XIV) 29 to the consolidated financial statements did not constitute connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules. During the year, the Group completed a non-exempt connected transaction.

On 15 November 2016, BHR, THL and Lundin entered into a stock purchase agreement (hereinafter referred to as "**Ludin Shell Company SPA**") on the acquisition of 100% equity held by THL in Lundin Shell Company from THL by BHR or its wholly-owned subsidiary. Upon completion of the equity purchase, BHR will hold 24% equities in TFM indirectly.

On 20 January 2017, the Company and BHR entered into a cooperation framework agreement. The Company intends to cooperate with BHR regarding the introduction of ultimate investor in BHR, the indirect investment of BHR in 34% equities of TFM and the subsequent exit of such investment. It is expected that investors will directly or indirectly make a payment with maximum RMB470 million to subscribe for the share capital of BHR. BHR exclusively and irrevocably grants the Company the exclusive option to buy the 24% interests in TFM.

On 20 April 2017, the acquisition of 100% equities held by THL in Lundin Shell Company from THL by BHR through its wholly-owned subsidiary was completed. BHR directly owns 100% equities in Lundin Shell Company through its wholly-owned subsidiary, and indirectly owns 24% interests in TFM. Such acquisition further consolidated the Group's voice and control over the project, and further boost its profitability and risk-resisting capabilities.

Under the Ludin Shell Company SPA, BHR will acquire the entire issued share capital of Lundin Shell Company which holds 30% interests in TF Holdings Limited (hereinafter referred to as "**TFHL**", a non-wholly indirectly owned subsidiary of the Company). As of 20 April 2017, BHR has completed the Ludin Shell Company SPA, in which BHR has indirectly held 30% shares in TFHL. Accordingly, BHR is a connected person of the Company. As such, the Company's assistance to BHR in obtaining syndicated loans (including guarantees), granting put options to (i) BHR and (ii) investors, and accepting subscription rights from (i) BHR and (ii) investors all constitute the connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The cooperation agreement and the transactions thereunder have been approved by the Board. Details of the connected transaction are set out in the announcements of the Company dated 22 January 2017 and 6 March 2017.

NON-COMPETITION AGREEMENTS

On 6 September 2006, non-compete agreements were entered into between the Company and each of CFC and LMG, respectively. CFC and LMG 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 had been disclosed in the prospectus of the Company dated 13 April 2007, under the section headed "Relationship with Controlling Shareholders – Non-Compete Agreements". Each CFC and LMG had executed a Non-competition Undertaking Letter with the Company on 30 January 2011 and 18 May 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 of A Shares dated 8 October 2012. CFC (together with its parties acting in concert, Cathay Hong Kong) and Luoyang Guohong Investment Group Co., Ltd. had executed the Acquisition Report of China Molybdenum Co., Ltd.* on 23 January 2014 and 29 November 2013 respectively, pursuant to which each of them undertook not to compete with the Company in the businesses we operated. Details of the Acquisition Reports were disclosed in the announcements of the Company dated 23 January 2014 and 27 January 2014.

On 18 April 2017, the Company received from LMG the Notice on Gratuitous Transfer of State-Owned Shares by Luoyang Non-ferrous Mining Group Co., Ltd. (洛陽礦業集團有限公司), to transfer the 100% equity in Luoyang Guo'an Trade Co., Ltd. ("**Guo'an Trade**") held by Luoyang Non-ferrous Mining Group Co., Ltd. (洛陽礦業集團有限公司) to LMG free of charge, as from which, LMG will perform the duty as the shareholder. Upon LMG's acceptance of the transfer, in accordance with the Non-Competition Undertakings and to avoid actual competition between LMG and the Company upon actual commencement of production operation activities by Luoyang Fuchuan Mining Co., Ltd., LMG made an undertaking to the Company on 18 April 2017, pursuant to which, LMG undertakes to the Company that, after LMG obtains the Luoyang Guo'an Interests (and indirectly holds the interests of Luoyang Fuchuan Mining Co., Ltd.) and before Luoyang Fuchuan

Mining Co., Ltd. commences production operations, LMG will procure the sale of the Luoyang Guo'an Interests, and the Company shall have the pre-emptive right ("**Pre-emptive right**") to purchase Luoyang Guo'an Interests (the "Pre-Emptive Right"), or according to《關於推動國有股東與所控股上市公司解決同業競爭規範關聯交易的指導意見》(the Guiding Opinions on Promoting the Resolution of Horizontal Competition and the Regulation of Affiliated Transactions by the State-owned Shareholders and the Listed Companies under Their Control*) jointly issued by 國務院國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of the State Council*) and the China Securities Regulatory Commission, which indicated the comprehensive use of asset restructuring, equity replacement, business adjustment and other similar methods to resolve the issue of competing business.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance had been entered into between the Company or any of its subsidiaries and any controlling Shareholders or any of its subsidiaries in 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

In 2017, none of the Directors had any interest in any business which competes or is likely to compete either directly or indirectly, with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information and to the knowledge of the Directors, at least 50.6% of the Company's total issued share capital was held by the public for the year ended 31 December 2017. The Company has been maintaining the public float required by the Hong Kong Listing Rules. In particular, the public float of H shares accounted for 16.8%.

EQUITY-LINKED AGREEMENT

In 2017, the Company has not implemented any equity-linked agreement.

SHARE OPTION SCHEME

In 2017, the Company has not implemented any share option scheme.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2017 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership). The financial report for the year 2017 prepared in accordance with the PRC Accounting Standards by the Company has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and an auditor's report with unqualified opinions has been issued.

The Company re-appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), as the auditor of the Company, with term of office until the conclusion of the next annual general meeting of the Company.

By order of the Board
Li Chaochun
Chairman

Luoyang City, Henan Province, the PRC
29 March 2018

Dear Shareholders,

In 2017, being in compliance with the relevant laws and regulations of the PRC and the Hong Kong Special Administrative Region, and the relevant provisions of the Articles of Association, the supervisory committee of the Company performed supervision function legally and independently, carried out various work prudently and actively, facilitated standardized operation of the Company and protected the legal rights and interests of the Company, shareholders and staff. The supervisory committee conducted supervision and inspection over the Company's finance, implementation of resolutions passed at general meetings, the lawfulness and compliance of material decision-making procedures 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 IN 2017

In 2017, the supervisory committee held six meetings. Apart from holding supervisory committee meetings, the supervisory committee also sat in and attended the official meetings of the Company's Board for four times and extraordinary meetings for ten times, general meetings for four times and listened to and adopted important proposals and resolutions from the Company. We understood the process of how the Company's material decisions were formed, had a grasp on the operational results of the Company, and simultaneously performed the supervisory committee's functions of knowing facts, monitoring and investigation.

II. MAJOR DUTIES OF THE SUPERVISORY COMMITTEE IN 2017

In 2017, 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 effectively supervised as to whether the major and specific decisions made by the management of the Company were in compliance with the laws and regulations of the State and the Articles of Association, and whether they were made to safeguard the benefits of the shareholders.

In 2017, the current session of the supervisory committee mainly carried out the efforts as follows:

1. Inspection of lawfulness of the Company's operations

Pursuant to the relevant provisions of relevant laws and regulations of the State, Listing Rules in Mainland China and Hong Kong and Articles of Association, the supervisory committee conducted inspection and supervision over the procedures for convening general meetings and Board meetings of the Company, items to be resolved, implementation 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 by attending the general meeting and the meeting of the Board of the Company. Upon inspection, the supervisory committee is of the view that the decision-making procedures on the general meetings and Board meetings of the Company are lawful, the general meeting and proposals of the Board can be effectively implemented and the internal control system of the Company is well established. The Directors and senior management are diligent and responsible. No violation of any laws, regulations, Listing Rules in Mainland China and Hong Kong and Articles of Association and no other circumstances which are harmful to interests of shareholders and the Company have been found in the performance of duties.

2. Inspection of the Company's financial status

In 2017, the supervisory committee conducted effective supervision and inspection over the performance of the Company's financial system. 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 material (including the financial information) provided by the Company, the Company has built a sound financial internal control system, which could effectively 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 control system of the Company during the course of operation. The utilization of funds was in the interests of the shareholders and fit in the principle of maximizing the Company's benefits. The financial position of the Company is solid with true financial information, and there is no false record, misrepresentations, or major omissions. There exists neither guarantee for violation of rules nor any guaranteed items which should be disclosed but have not been disclosed yet. Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) audited the annual financial report and issued a standard and unqualified audit report.

3. Inspection of the Company's fund-raising management and utilization

In 2017, the supervisory committee conducted supervision over the Company's fund-raising utilization. The supervisory committee is of the view that the Company was in strict compliance with requirements of the Fund-raising Management System of China Molybdenum Co., Ltd. (《洛陽欒川鉬業集團股份有限公司募集資金管理制度》) to carry out fund-raising management and utilization. The actual fund-raising utilization was subject to the national laws and regulations and requirements of Articles of Association with no behavior harming interests of the Company and its shareholders.

4. Inspection of the implementation of the information disclosure systems

In 2017, the supervisory committee urged the Company's relevant departments to cooperate with the regulatory authorities for conducting on-site investigation. Results of investigation proved that the Company was in strict compliance with the requirements of regulatory policies to perform its obligations of information disclosure, to seriously implement each information disclosure management system, to timely and fairly disclose information which is true, accurate and complete on the whole.

5. Review of the internal control evaluation report

After the careful review of the 2017 Internal Control Evaluation Report of the Company (《公司2017年度內部控制評價報告》), the supervisory committee is of the opinion that the compilation is in compliance with such requirements as the Basic Rules for Internal Control of Enterprise (《企業內部控制基本規範》) and the Internal Control Evaluation Guidelines of Enterprise (《企業內部控制評價指引》). By establishing efficient internal control system and management, the Company has improved its internal control system, which plays a better role in risk prevention and control during the Company's production, operation and management to ensure an orderly development of various business activities of the Company and shareholders. The report objectively and accurately reflected the actual situation of the Company's internal control, and no false records, misleading statements or major omissions have been found. The supervisory committee approved the 2017 Internal Control Evaluation Report of the Company.

6. Trainings

In order to consistently increase professional knowledge and enhance the business level, to execute the supervisory function of the supervisory committee in a perfect way and to strictly comply with laws, regulations and the Articles of Association, relevant supervisors participated in the training courses according to requirements in respect of corporate governance and regulatory development organized by the Listed Companies Association of Henan or held by the Company, and received and read the relevant materials including updates of laws and rules sent by the Board Office of the Company.

III. BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND MANAGEMENT IN 2017

The supervisory committee is of the view that the board of directors of the Company duly performed its operation in strict compliance with the requirements under the laws and regulations including the Companies Law, the Articles of Association and Hong Kong and Shanghai Stock Exchange Listing Rules. The Company kept the duly process of the production and operation, and ensured the stability of the production of the Company and the interests of the shareholders to the greatest extent.

In 2017, the major business decision-making procedures of the Company were legitimate and effective. The Directors and senior management of the Company duly performed its duties seriously, proactively and normatively conducted its work in accordance with the national laws, regulations, the Articles of Association and resolutions of the general meeting and the Board. The supervisory committee had not found any acts in breach of laws and regulations and the Articles of Association or against the interests of the shareholders and the Company by the Board and senior management of the Company during the course of performing their duties. The supervisory committee expressed its deep appreciation to the performance of the Board and management.

IV. WORKING PLAN

In 2018, the supervisory committee will continue to strictly comply with the laws and regulations of the State and such power and authority as granted by the Articles of Association, will make serious efforts to fulfill its supervision functions and will firmly adhere to the strategies of the Company, focus on the Company's operating goals, take financial supervision as the core and diligently perform our responsibilities. Firstly, we shall organize and convene work meeting of the supervisory committee on a regular basis and conduct supervision and investigation over the Company's financial situation according to laws; we shall track and analyze the Company's operation, urge the Company to standardize its operation and enhance the level of corporate governance. Secondly, we shall continue to strengthen the supervision functions, sit in the Board meetings and general meetings according to laws, timely grasp the lawfulness of the items under major decision-making process and of the decision-making procedures of the Company, strengthen the supervision and inspection of material matters such as connected transactions and high-risk businesses, and promptly put forward reasonable suggestions or risk warning to the Board or the management in case of any problems or concerns. This will prevent the damage to the interests of shareholders and the assets loss of the Company. Thirdly, we shall continue to strengthen self-learning, enhance the level of business, and actively participate in the relevant training organized by the regulatory authorities and the Company. Meanwhile, we could enhance the level of professional knowledge and business level through self-study and to better bring out the monitoring functions of the supervisory committee.

By order of the Supervisory Committee
Kou Youmin
Chairperson

Luoyang City, Henan province, the PRC
29 March 2018

DIRECTORS

Executive Directors

Mr. Li Chaochun, aged 41, is an executive Director since January 2007 and chairman of the Board since January 2014. He is also the vice chairman of the nomination committee of the Company since 17 August 2012 and the chairman of our strategic committee since 14 January 2014. 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 Cathay Fortune Corporation, one of the founders of the Company. Mr. Li has been a director of China Molybdenum (Hong Kong) Company Limited, Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd., CMOC Mining Pty Limited, CMOC Limited, CMOC Mining Services Pty Limited, Schmocker (Shanghai) International Trading Co., Ltd. and CMOC Mining USA Ltd. since 16 August 2007, 27 May 2010, 25 July 2013, 27 August 2013, 9 September 2013, 20 April 2014, and 29 May 2014, respectively. From January 2007 to 14 January 2014, Mr. Li was the vice chairman of the Board.

Mr. Li Faben, aged 54, professor-level senior engineer, has been the executive Director of the Company 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 (specialized in mining engineering) and a doctor's degree in Management Science and Engineering in January 2014. From August 1988 to January 1999, Mr. Li held various positions at Luoyang Luanchuan Molybdenum Company, 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 Luoyang Luanchuan Molybdenum Company. Mr. Li served as deputy general manager of Luoyang Luanchuan Molybdenum Group Co., Ltd. between January 1999 and November 2002. From November 2002 to August 2006, Mr. Li was the deputy general manager and vice chairman of Luoyang Luanchuan Molybdenum Group Co., Ltd. as well as a director of Luoyang Mining Group Co., Ltd. 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 was a director of China Molybdenum (Hong Kong) Company Limited from 16 August 2007 to May 2015.

Non-Executive Directors

Mr. Ma Hui, aged 46, is a senior accountant, certified accountant and certified asset valuer. Mr. Ma has been our non-executive Director since 26 June 2015 and vice chairman of the Board since 27 June 2015. Mr. Ma graduated from Central Institute of Finance and Economics and obtained a Bachelor's degree in economics in 1994. From September 1994 to March 2008, he worked in Luoyang Zhong Hua Certified Public Accountants Company Limited (洛陽中華會計師事務所有限責任公司) (formerly known as Luoyang Certified Public Accounting Firm (洛陽會計師事務所)) engaging in work such as audit, evaluation and financial consultancy, and had served as the department manager of evaluation department, a director and an assistant to the president. He served as the chief financial officer of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) since April 2008; and the deputy general manager of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) since July 2013. He currently serves as the director of Luoyang Mining Co., Ltd., the director of Henan Guoxin Investment Guarantee Co., Ltd. (河南國鑫投資擔保有限公司), the director of Luoyang Hongke Innovation Venture Capital Co., Ltd. (洛陽宏科創新創業投資有限公司) and the supervisor of Luoyang Petrochemical Products Management Co., Ltd. (洛陽中石化油品經營有限責任公司).

Mr. Yuan Honglin, aged 50, has been our non-executive Director and a member of the audit committee, remuneration committee and strategic committee of the Company since November 2013. He has over 20 years of experience in the banking industry. Mr. Yuan graduated from Nanjing University in July 1990 with a bachelor's degree in economics. In July 2004, Mr. Yuan obtained a MBA degree from Shanghai Jiaotong University. From August 1990 to May 2000, Mr. Yuan worked at Bank of China Limited, Nantong Branch where he held various positions including vice president of the Rudong sub-branch and manager of the credit management department of Nantong Branch. Between June 2000 and August 2007, Mr. Yuan worked at China Merchants Bank Limited, Shanghai Branch where he held various positions including president of Jiang Wan sub-branch and general manager of corporate banking department. From September 2007 to September 2012, Mr. Yuan worked at Ping An Bank Co., Ltd. where he held various positions including assistant to the president of the Shanghai Branch, vice president (responsible for the overall business operations) of the Shanghai Branch and general manager of the corporate banking department responsible for the northern region of China. From October 2012 to the present, Mr. Yuan has been the deputy general manager of Cathay Fortune Capital Limited, a wholly-owned subsidiary of Cathay Fortune Corporation, a controlling shareholder of the Company.

Mr. Cheng Yunlei, aged 35, is an accountant and certified accountant. Mr. Cheng has been our non-executive Director since 26 June 2015. Mr. Cheng graduated from Henan University of Science and Technology and obtained a Bachelor's degree in management in 2006. From July 2006 to October 2007, he worked in the No. 2 Audit Department of Luoyang Zhong Hua Certified Public Accountants Company Limited engaging in audit and financial consultancy work. He has served as the chief accountant and the person in charge of the finance and audit department of Luoyang Mining Group Co., Ltd. since November 2007. He served as the person in charge of the finance department of Luoyang Non-ferrous Mining Group Co., Ltd. (洛陽有色礦業集團有限公司) from September 2011 to June 2014, during which, he concurrently served as a supervisor of Luoyang Non-ferrous Mining Group Co., Ltd., Luoyang Jinqiao Mining Co., Ltd. (洛陽錦橋礦業有限公司) and Luoning Jinlong Mining Co., Ltd. (洛寧金龍礦業有限公司). Since January 2015, Mr. Cheng has served as the general manager of the planning and finance department of Luoyang Guohong Investment Group Co., Ltd. and the general manager of finance department of Luoyang Mining Group Co., Ltd. He currently serves as the director of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) and Luoyang Huaze Microcredit Co., Ltd. (洛陽華澤小額貸款有限公司), and the supervisor of Henan Guoxin Investment Guarantee Co., Ltd. (河南國鑫投資擔保有限公司) and Luoyang Yumengtong Industrial Co., Ltd. (洛陽豫孟通實業有限公司).

Independent Non-Executive Directors

Mr. Bai Yanchun, aged 51, has been an independent non-executive Director of the Company, chairman of both the nomination committee and remuneration committee and a member of the strategic committee 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. Bai currently engages in legal services for Commerce & Finance Law Offices in Beijing.

Mr. Cheng Gordon, aged 42, has been an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Company 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 founder and Partner of GD China Clean Energy Capital Partners. Before that, he served 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 on NASDAQ in the United States in 2005 under his leadership. Before joining Vimicro, he has worked at the investment banking department of internally renowned 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.

Mr. Xu Shan, aged 49, has been an independent non-executive Director of the Company since August 2012. He is also the chairman of our audit committee and a member of the nomination committee. 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) and Xin Hee Co., Ltd. (欣賀股份有限公司), 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. He was an independent Director of Beijing Kalends Science & Technology Company Limited (北京昆侖萬維科技股份有限公司) from July 2011 to July 2016.

SUPERVISORS

Ms. Kou Youmin, aged 52, is a senior accountant. Ms. Kou has been the chairperson of our supervisory committee since 27 June 2015. Ms. Kou graduated from Henan Institute of Finance and Economics majoring in accounting in 1999. She served as a technician at Luoyang Liming Plastic Plant (洛陽黎明塑料總廠) from August 1986 to January 1988; an accountant of Luoyang Changfeng Construction Material Store (洛陽長豐建材商店) from January 1988 to October 1992; an accountant of Luoyang Bearings Group Plastic Packing Manufacturing Plant (洛陽軸承集團塑料包裝製品廠) from October 1992 to September 1997; and the head of financial department of Luoyang Bearings Group Railway Bearings Co., Ltd. (洛陽軸承集團鐵路軸承有限公司) from September 1997 to March 2009. Ms. Kou has served as the head of financial department and the chief financial officer of Luoyang State-owned Assets Operation Company Limited (洛陽市國資國有資產經營有限公司) from March 2009 to March 2016. She also served as an executive supervisor of Luoyang Guochen Commerce and Trade Co., Ltd. (洛陽國辰商貿有限公司) from September 2012 to October 2016; a director of Luoyang Coal Power Group Company Limited (洛陽煤電集團有限公司) from August 2013 to October 2016; an executive supervisor of Luoyang Guorun Enterprise Services Co., Ltd. (洛陽市國潤企業服務有限公司) from March 2014 to September 2016; a deputy general manager of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) since December 2015. She was an assistant to general manager and the general manager of supervisory and audit department of Luoyang Guohong Investment Group Co., Ltd.. She currently serves as a supervisor Luoyang Mining Group Co., Ltd (洛陽礦業集團有限公司) and the director of Henan Guoxin Investment Guarantee Co., Ltd. and Luoyang Huaze Microcredit Co., Ltd. (洛陽華澤小額貸款有限公司).

Mr. Zhang Zhenhao, aged 44, has been a supervisor of the Company since August 2009. Mr. Zhang concurrently acts as a director of Cathay Fortune Corporation, a director of Cathay Fortune Investment Limited 鴻商投資有限公司), a director of Cathay Fortune International Company Limited (鴻商產業國際有限公司), a director of Cathay Fortune Singapore Pte. Ltd. (鴻商產業新加坡(私人)有限公司), a director of Shanghai CFC Puyuan Investment Management Co., Ltd (上海鴻商普源投資管理有限公司), a director of Shanghai CFC Datong Industrial Co., Ltd. (上海鴻商大通實業有限公司), a director of Shanghai Shanglue Trading Co., Ltd (上海商略貿易有限公司), a director of Beijing Huiqiao Investment Co., Ltd (北京匯橋投資有限公司) and a director of Cathay Fortune Capital Equity Investment Co., Ltd.* (鴻商資本股權投資有限公司). Mr. Zhang graduated from Tianjin Polytechnic University with a bachelor's degree in textile engineering. Mr. Zhang also obtained a master degree in finance from the Graduate School of The Chinese Academy of Social Sciences and the CFA qualification from the CFA Institute. 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 Cathay Fortune Corporation.

Ms. Wang Zhengyan, aged 46, has been a supervisor of the Company since 19 January 2015. Ms. Wang graduated from the Department of Finance of Henan Agricultural University, the People's Republic of China. From 1990 to January 2008, she worked at China Luoyang Float Glass Group Co., Ltd.'s property management department, planning and development department and international engineering company. She joined the Company in January 2008, served as the deputy manager of China Molybdenum Metallic Material Company Ltd. from 2009 to 2011, and served as the deputy manager of Xinjiang Luomu Mining Co., Ltd. from 2011 to January 2013. Since January 2013, she served as the section chief of investment engineering section of the Company. From January 2015 to January 2016, she served as the chairperson of the Company's labour union.

SECRETARY TO THE BOARD

Mr. Yue Yuanbin, aged 44, has been the secretary to the Board of the Company since 3 March 2017. He graduated with a bachelor's degree in engineering from the department of materials engineering of the Shenyang Industrial College in July 1995. Mr. Yue then obtained a master's degree in technology economics from the School of Economics and Management of Tongji University in March 1998. Mr. Yue served as a managing director of the corporate finance department of Guotai Junan Securities Co. Ltd., a vice president in the investment banking division of China Fortune Securities Co. Ltd. and a vice president of NewMargin Ventures.

COMPANY SECRETARY

Ms. Ho Siu Pik, is currently a director of Corporate Services of Tricor Services Limited ("**Tricor**"), a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Ho has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Other than the Company, Ms. Ho currently serves as company secretary/joint company secretary at five companies which are listed on the Hong Kong Stock Exchange, including Asia Cement (China) Holdings Corporation (亞洲水泥(中國)控股公司) (stock code: 743), China Greenland Broad Greenstate Group Company Limited (中國綠地博大綠澤集團有限公司) (stock code: 1253), Goodbaby International Holdings Limited (好孩子國際控股有限公司) (stock code: 1086), Natural Beauty Bio-Technology Limited (自然美生物科技有限公司) (stock code: 157) and Summit Ascent Holdings Limited (凱升控股有限公司) (stock code: 102). Ms. Ho is a Chartered Secretary and a Fellow member of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ho is a holder of the Practitioner's Endorsement from HKICS.

SENIOR MANAGEMENT

Our senior management also comprises the following persons:

Ms. Gu Meifeng, aged 53, has been the 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 Reparation & Manufacturing Plant. From 1994 to June 2006, Ms. Gu was a deputy general manager of Luoyang Zhonghua Certified Public Accountants Co., Ltd. Between 2000 and 2006, Ms. Gu served as an independent supervisor of Luoyang Glass Company Limited, a company listed on both the Shanghai Stock Exchange (stock code: 600876) and the Hong Kong Stock Exchange (stock code: 01108). Ms. Gu was our executive Director from June 2013 to June 2015. In addition, Ms. Gu has been serving as a director of Xinjiang Luomu Mining Co., Ltd since July 2011 and as a supervisor of Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. since May 2010. Ms. Gu is a certified public accountant, registered asset appraiser and senior accountant.

Mr. Jiang Zhongqiang, aged 51, has been our deputy general manager since January 2014. Mr. Jiang graduated from Harbin University of Science and Technology (哈爾濱科學技術大學) in July 1989 with a bachelor's degree in engineering. Mr. Jiang previously served as the chief of the Shanghai office of the sales department of Beijing State-owned Factory No. 798 (北京國營第798廠); the business manager of Beijing Murata Electronics Co., Ltd. (北京村田電子有限公司); the deputy director of sales and deputy director of production at Beijing Leader & Harvest Electric Technologies Co., Ltd. (北京利德華福電子技術有限公司). Mr. Jiang joined the Company in December 2012 and assumed the positions of assistant general manager, manager of sales and head of marketing administration department.

Mr. Jing Shigun, aged 51, is a senior engineer at professor level and has been the deputy general manager of the Company since 26 January 2016. Mr. Jing graduated from Northwest Institute of Light Industry (西北輕工業學院) in July 1989 with a bachelor's degree in engineering, and specialized in Electric Technology. Mr. Jing received his doctor's degree in Management Science and Engineering from Xi'an University of Architecture and Technology in 2012. Mr. Jing has over 20 years of experience in the mining industry. During the period from July 1989 to 2013, he successively served as a technician of Lengshui ore processing of LLMC, deputy manager and manager of Mine Company of CMOC (洛陽鉬業礦山公司). During the period from 2014 to July 2015, he studied and worked in the Northparkes copper and gold mines in Australia. Upon his return, he served as the chairman and general manager of Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd. (欒川縣三強鉬鎢有限公司).

Mr. Wang Yonghong, aged 50, is a senior engineer and has been the deputy general manager of the Company since 26 January 2016. Mr. Wang graduated from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in July 1989 with a bachelor's degree, and specialized in mining engineering. Mr. Wang has over 20 years of experience in the mining industry and had successively served as a technician and head of No. 2 Ore Processing Company of LLMC (洛陽欒川鉬業公司選礦二公司), chairman and general manager of Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. (欒川縣大東坡鎢鉬礦業有限公司) and manager of No. 2 Ore Processing Company of CMOC (洛陽鉬業選礦二公司).

Ms. Wu Yiming, aged 43, has served as vice general manager of the Company since 31 January 2018. Ms. Wu graduated from Fudan University (復旦大學) in 1997 and obtained a master's degree of management in Stanford University (美國斯坦福大學) in July 2008. She has rich experience in such fields as legal affairs management, financial management, assets management and corporate governance. Before joining the Company, Ms. Wu entered Baosteel Group (寶鋼集團) in July 1997 and served as senior legal executive, deputy director and director of the asset management department of Shanghai Baosteel International Trade Co., Ltd. (上海寶鋼國際貿易有限公司). She worked as the secretary of the board and director of the asset financial department of Baosteel Resources Co., Ltd. (寶鋼資源有限公司) from July 2008 to July 2010, and served as general manager assistant, the secretary of the board and director of the asset financial department of Baosteel Resources Co., Ltd. from July 2010 to July 2012. From September 2010 to July 2012, she held a concurrent position of general manager assistant of Baosteel Resources (International) Co., Ltd. (寶鋼資源(國際)有限公司). From July 2012 to March 2017, she worked as vice general manager of Baosteel Resources Co., Ltd. and Baosteel Resources (International) Co., Ltd. From February 2017 to January 2018, Ms. Wu served as the secretary of the board of Baoshan Iron & Steel Co., Ltd.

DIRECTORS

Executive Directors

Li Chaochun *(Chairman)*
Li Faben *(General Manager)*

Non-Executive Directors

Ma Hui *(Vice Chairman)*
Yuan Honglin
Cheng Yunlei

Independent Non-Executive Directors

Bai Yanchun
Cheng Gordon
Xu Shan

SUPERVISORS

Kou Youmin *(Chairperson of the Supervisory Committee)*
Zhang Zhenhao
Wang Zhengyan

BOARD COMMITTEES

Remuneration Committee

Bai Yanchun *(Chairman)*
Cheng Gordon
Yuan Honglin

Audit Committee

Xu Shan *(Chairman)*
Cheng Gordon
Yuan Honglin

Strategic Committee

Li Chaochun *(Chairman)*
Li Faben
Bai Yanchun
Yuan Honglin

Nomination Committee

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

BOARD SECRETARY

Yue Yuanbin *(appointed on 3 March 2017)*

COMPANY SECRETARY

Ho Siu Pik *(FCS and FCIS)*

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

LEGAL REPRESENTATIVE

Li Chaochun

AUTHORIZED REPRESENTATIVES

Li Chaochun
Ho Siu Pik

CORPORATE INFORMATION

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
– The 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
2. Agricultural Bank of China Limited
3. China Construction Bank Corporation
4. Bank of China Limited
5. China Minsheng Banking Corp., Ltd.
6. China CITIC Bank Corporation Limited
7. China Development Bank Corporation
8. Ping An Bank Co., Ltd.

AUDITOR

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

LEGAL ADVISORS

As to Hong Kong law:

Freshfields Bruckhaus Deringer
55/F, One Island East, Taikoo Place
Quarry Bay, Hong Kong

As to PRC law:

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

WEBSITE

www.chinamoly.com

De Shi Bao (Shen) Zi (18) No. P01698

To all shareholders of China Molybdenum Co., Ltd.,

I. OPINION

We have audited the accompanying financial statements of China Molybdenum Co., Ltd. (hereinafter referred to as "CMOC", or "the Company"), which comprise the consolidated and the Company's statements of financial position as at 31 December 2017, and the consolidated and the Company's statements of profit or loss and other comprehensive income, the consolidated and the Company's cash flow statements, and the consolidated and the Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of CMOC present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2017, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of CMOC in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidences we have obtained are sufficient and appropriate to form our opinion.

III. KEY AUDIT MATTERS

The key audit matters are the most important matters that we consider to the audit of financial statements based on our professional judgment. The responses to these matters are based on the audit of the financial statements as a whole and the formation of an audit opinion. We do not express an opinion on these matters separately. We determine that the following are key audit matters that need to be communicated in the auditor's report.

(I) Impairment of Mining Rights and Goodwill

Description

We identified the impairment of mining rights and goodwill as a key audit matter, mainly due to the significant management estimates and judgments used to determine the recoverable amount of relevant cash-generating units. As at end of the reporting period, CMOC has several mineral related rights of molybdenum and tungsten, copper and gold, niobium and phosphorus, copper and cobalt, including intangible assets – mining rights, and goodwill related to the acquisition of phosphate business in Brazil in 2016.

In view of the significant carrying amounts of CMOC's mining rights and the significant fluctuation for commodity prices in both domestic and foreign market, the management evaluates if there exists any impairment indicators of these mining rights and related long-term assets at each balance sheet date. The management shall perform impairment test for the mining rights with impairment indicators at each balance sheet date.

The above mentioned impairment review is related to the management's significant estimates and judgments, including mineral reserves, discount rates, and cash flow forecasts based on future market supply and demand. Changes in the management's estimates and judgments may have significant financial impacts.

III. KEY AUDIT MATTERS (CONTINUED)

(I) Impairment of Mining Rights and Goodwill (Continued)

Audit Response

The audit procedures we performed for the impairment risk of mining rights and goodwill include:

1. Reviewing the the management's judgements and analyses for the impairment tests of mining rights based on the operations of the related cash generating units in the current period;

2. Evaluating the valuation models for goodwill and mining rights which have impairment indicators adopted by the management;

3. Based on our understanding of the business, analyzing and reviewing the rationality of significant assumptions and judgements the management used in the impairment test of the present value of future cash flow;

4. Analyzing and reviewing the discount rate the management used in the impairment test;

5. Checking the underlying data used in the calculation of the present value of the expected future cash flows with the historical data and other supporting evidence, and considering the rationality.

(II) Revenue Recognition

Description

We identify the revenue recognition as a key audit matter, mainly because, as an A+H listed company, CMOC's revenue is generally considered to be a key business indicator. The CMOC's business segments include molybdenum-tungsten-related products, copper-gold-related products, antimony-related products, phosphorus-related products, copper-cobalt-related products and others. Based on the complexity of the income process and related internal controls, we identify the revenue recognition as a key audit matter.

Audit Response

The key audit procedures we performed for revenue recognition include:

1. Understanding and evaluating the internal controls related to revenue recognition in the sales and collection cycle of CMOC, including the new business and corresponding controls in this year, and testing the effectiveness of its operation;

2. Reviewing the sales contract on a sample basis, identifying the contract terms and conditions related to the transfer of risks and rewards on the ownership of the commodity, and evaluating whether revenue recognition of CMOC complies with the Accounting Standards for Business Enterprises;

3. Performing analytical procedures according to the industry and the operation of CMOC and combining with the commodity prices in market to verify the rationality of revenue recognition in the current period;

4. Performing detail test on sales transactions to verify whether the sales revenue was recorded in the correct period and have any situation of being underestimated or underestimated.

IV. OTHER INFORMATION

The management of CMOC is responsible for preparation of the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. In this respect, we have no matter to report.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of CMOC is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements, and for the design, implementation and maintenance of internal control which is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing CMOC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate CMOC or to cease operations, or have no other realistic alternative but to do so.

Those charged with governance are responsible for overseeing CMOC's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CMOC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CMOC to cease to continue as a going concern.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within CMOC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide a statement to those charged with governance on compliance with the ethical requirements related to independence and communicate with those charged with governance of all relationships and other matters that may reasonably be considered to affect our independence, as well as related precautions (if applicable)

Among the matters that are communicated with those charged with governance, we determine the matters that are most important to the current financial statement audit and thus constitute key audit matters. We describe these matters in the audit report unless the laws and regulations prohibit public disclosure of these matters or, in rare cases, if the negative consequences, upon reasonable expectation, of communicating the matters in the audit report exceed the public interest arising from them, we decide not to communicate these matters in the audit report.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
Shanghai,China

Chinese Certified Public Accountant: **Yang Haijiao**
(Engagement Partner)

Chinese Certified Public Accountant: **Zhao Bin**

29 March 2018

The auditor' s report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Unit: RMB

Items	*Notes*	2017	2016 (Restated)
Current assets:			
Cash and bank balances	(V)1	**26,508,760,356.69**	9,970,224,098.00
Financial assets measured at fair value through profit or loss	(V)2	**–**	55,599,027.64
Note receivables	(V)3	**1,750,691,877.20**	950,861,625.20
Accounts receivable	(V)4	**2,144,630,758.99**	1,461,807,199.82
Prepayments	(V)5	**110,584,046.50**	295,572,093.16
Interests receivable	(V)6	**656,703,058.71**	40,492,844.02
Other receivables	(V)7	**789,924,287.57**	1,147,039,318.23
Inventories	(V)8	**5,705,499,726.29**	5,082,767,464.99
Other current assets	(V)9	**1,382,004,121.85**	798,592,555.76
Total current assets		**39,048,798,233.80**	19,802,956,226.82
Non-current assets:			
Available-for-sale financial assets	(V)10	**3,246,899,715.97**	3,000,602,505.46
Long-term equity investments	(V)11	**1,136,372,852.24**	1,191,499,274.81
Fixed assets	(V)12	**24,234,932,199.51**	27,272,921,262.94
Construction in progress	(V)13	**950,111,239.78**	695,359,036.41
Long-term inventories	(V) 8	**4,352,009,676.51**	4,269,617,873.56
Intangible assets	(V)14	**21,536,181,739.98**	24,501,313,984.47
Goodwill	(V)15	**833,594,422.85**	892,326,161.92
Long-term deferred expenses	(V)16	**116,189,386.27**	115,247,374.61
Deferred tax assets	(V)17	**304,702,912.44**	432,121,448.24
Other non-current assets	(V)18	**2,077,453,773.03**	5,750,395,963.14
Total non-current assets		**58,788,447,918.58**	68,121,404,885.56
Total assets		**97,837,246,152.38**	87,924,361,112.38
Current liabilities:			
Short-term borrowings	(V)19	**1,478,132,364.60**	4,372,433,477.73
Financial liabilities measured at fair value through profit or loss	(V)20	**3,592,187,464.60**	2,821,441,764.40
Note payable	(V)21	**23,955,000.00**	660,000,000.00
Accounts payable	(V)22	**976,480,556.74**	741,508,273.30
Receipts in advance	(V)23	**127,796,251.75**	51,867,495.95
Employee benefits payable	(V)24	**445,405,839.21**	354,822,152.84
Taxes payable	(V)25	**1,137,796,210.24**	57,861,242.29
Interests payable	(V)26	**219,805,549.94**	183,684,249.15
Dividends payable	(V)27	**27,885,796.67**	27,885,796.67
Other payables	(V)28	**604,773,720.50**	1,416,775,815.12
Non-current liabilities due within one year	(V)29	**4,797,816,307.62**	2,584,497,370.05
Other current liabilities	(V)30	**71,073,182.26**	2,708,897,188.46
Total current liabilities		**13,503,108,244.13**	15,981,674,825.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2017

Unit: RMB

Items	Notes	2017	2016 (Restated)
Non-current liabilities:			
Long-term borrowings	(V)31	**22,033,888,519.27**	23,376,879,939.49
Bonds payable	(V)32	**2,000,000,000.00**	2,000,000,000.00
Long-term employee benefits payable	(V)33	**64,382,271.54**	43,278,727.15
Provisions	(V)34	**2,049,904,344.03**	1,757,793,672.39
Deferred income	(V)35	**72,890,478.36**	80,305,706.76
Deferred tax liabilities	(V)17	**8,603,594,339.00**	9,832,650,420.12
Other non-current liabilities	(V)36	**3,600,343,678.47**	514,850,853.14
Total non-current liabilities		**38,425,003,630.67**	37,605,759,319.05
Total liabilities		**51,928,111,874.80**	53,587,434,145.01
Shareholders' equity:			
Share capital	(V)37	**4,319,848,116.60**	3,377,439,739.80
Capital reserve	(V)38	**27,582,794,983.23**	10,720,306,602.38
Other comprehensive income	(V)39	**(238,817,602.94)**	282,854,287.93
Special reserve	(V)40	**7,725,910.79**	8,570,089.43
Surplus reserve	(V)41	**968,190,696.10**	840,098,875.14
Retained profits	(V)42	**5,517,441,023.24**	3,508,788,628.94
Total equity attributable to the shareholders of the parent company		**38,157,183,127.02**	18,738,058,223.62
Minority interests		**7,751,951,150.56**	15,598,868,743.75
Total shareholders' equity		**45,909,134,277.58**	34,336,926,967.37
Total liabilities and shareholders' equity		**97,837,246,152.38**	87,924,361,112.38

The notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Items	*Notes*	2017	2016
Current assets:			
Cash and bank balances	(XIV)1	**17,487,231,031.72**	5,835,877,855.42
Financial assets measured at fair value through profit or loss		**–**	55,599,027.64
Note receivables	(XIV)2	**1,752,050,995.29**	921,074,950.75
Accounts receivable	(XIV)3	**300,925,339.67**	743,022,199.15
Prepayments	(XIV)4	**38,725,727.48**	25,793,318.61
Interests receivable		**866,213,586.08**	190,414,299.86
Dividends receivable		**44,006,084.08**	44,006,084.08
Other receivables	(XIV)5	**2,002,815,737.36**	5,601,449,610.57
Inventories	(XIV)6	**140,107,407.56**	179,385,681.07
Other current assets		**853,374,414.83**	384,060,263.45
Total current assets		**23,485,450,324.07**	13,980,683,290.60
Non-current assets:			
Available-for-sale financial assets	(XIV)7	**200,004,928.00**	200,004,928.00
Long-term equity investments	(XIV)8	**20,954,027,458.33**	16,919,843,199.18
Fixed assets	(XIV)9	**1,394,454,993.08**	1,467,817,505.01
Construction in progress		**68,857,653.32**	50,156,115.95
Intangible assets	(XIV)10	**398,962,358.67**	432,042,585.32
Long-term deferred expenses		**137,619,000.59**	141,865,628.81
Deferred tax assets	(XIV)11	**–**	–
Other non-current assets	(XIV)13	**29,709,022.42**	2,544,608,311.15
Total non-current assets		**23,183,635,414.41**	21,756,338,273.42
Total assets		**46,669,085,738.48**	35,737,021,564.02
Current liabilities:			
Short-term borrowings	(XIV)14	**560,000,000.00**	3,956,213,477.73
Financial liabilities measured at fair value through profit or loss	(XIV)15	**3,000,757,420.00**	2,775,837,926.40
Note payable		**–**	260,000,000.00
Accounts payable		**149,731,043.78**	107,501,663.22
Receipts in advance		**11,565,545.47**	208,917.85
Employee benefits payable		**59,821,416.14**	47,988,426.90
Taxes payable	(XIV)16	**41,389,393.06**	(34,774,661.25)
Interests payable		**105,983,609.81**	139,246,310.44
Other payables		**1,012,766,375.74**	708,168,512.60
Non-current liabilities due within one year		**946,794,501.74**	2,129,587,638.71
Other current liabilities	(XIV)17	**235,112,576.27**	2,793,802,328.86
Total current liabilities		**6,123,921,882.01**	12,883,780,541.46

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Items	*Notes*	2017	2016
Non-current liabilities:			
Long-term borrowings		**2,136,500,000.00**	3,078,312,000.00
Bonds payable	(V)32	**2,000,000,000.00**	2,000,000,000.00
Deferred income		**17,973,581.90**	18,359,167.70
Deferred tax liabilities	(XIV)11	**45,584,434.70**	15,138,783.05
Provisions	(XIV)18	**47,570,371.67**	47,570,371.67
Other non-current liabilities		**381,956,274.62**	325,939,249.09
Total non-current liabilities		**4,629,584,662.89**	5,485,319,571.51
Total liabilities		**10,753,506,544.90**	18,369,100,112.97
Share capital	(V)37	**4,319,848,116.60**	3,377,439,739.80
Capital reserve	(V)38	**27,636,530,888.88**	10,720,306,602.38
Special reserve		**7,008,359.58**	7,849,535.47
Retained profits	(V)41	**968,190,696.10**	840,098,875.14
Total equity attributable to the shareholders of the parent company		**2,984,001,132.42**	2,422,226,698.26
Total shareholders' equity		**35,915,579,193.58**	17,367,921,451.05
Total liabilities and shareholders' equity		**46,669,085,738.48**	35,737,021,564.02

RMB

Items	Notes	2017	2016
I. Total operating income	(V)43	**24,147,557,764.10**	6,949,571,006.97
Including: Operating Revenue		**24,147,557,764.10**	6,949,571,006.97
Less: Operating costs	(V)43	**15,211,941,056.16**	4,623,818,131.37
Taxes and levies	(V)44	**344,327,822.83**	230,309,410.01
Selling expenses	(V)45	**214,841,000.82**	90,619,385.55
Administrative expenses	(V)46	**1,159,094,020.73**	714,734,732.89
Financial expenses	(V)47	**1,416,973,989.63**	407,668,376.31
Asset impairment losses	(V)48	**56,601,549.76**	351,855,260.03
Add: Gains (losses) from changes in fair values (loss is filled in column with"-")	(V)49	**(471,765,881.20)**	46,420,313.67
Investment income (loss is filled in column with"-")	(V)50	**108,699,021.53**	174,182,583.74
Including: Income from investments in associates and joint ventures		**30,173,577.43**	7,210,716.74
Income(loss) from disposal of assets		**(17,491,578.26)**	5,770,618.09
Other income	(V)51	**13,858,795.40**	–
II. Operating profit (loss is filled in column with"-")		**5,377,078,681.64**	756,939,226.31
Add: Non-operating income	(V)52	**39,046,036.11**	460,431,808.03
Less: Non-operating expenses	(V)53	**34,308,061.30**	27,229,744.84
III. Total profit (the total loss is filled in column with"-")		**5,381,816,656.45**	1,190,141,289.50
Less: Income tax expenses	(V)54	**1,786,201,228.63**	170,902,855.30
IV. Net profit (the total loss is filled in column with"-")		**3,595,615,427.82**	1,019,238,434.20
(I) Categorized by the nature of continuing operation			
1. Net profit from continuing operations		**3,595,615,427.82**	1,019,238,434.20
2. Net profit from discontinued operations		**–**	–
(II) Categorized by ownership:			
1. Profit or loss attributable to minority interests		**867,819,258.09**	21,197,853.45
2. Net profit attributable to owners of the parent company		**2,727,796,169.73**	998,040,580.75
V. Other comprehensive income, net of tax	(V)39	**(1,024,042,650.91)**	1,060,633,211.86
Other comprehensive income attributable to owners of the parent company, net of tax		**(521,671,890.87)**	915,347,005.69
(1) Other comprehensive income not to be reclassified subsequently to profit or loss		**–**	–
(2) Other comprehensive income to be reclassified subsequently to profit or loss		**(521,671,890.87)**	915,347,005.69
1. Gains or losses from changes in the fair value of available-for- sale financial assets		**372,378,548.71**	265,275,924.46
2. Exchange differences arising from translation of financial from translation of financial foreign currencies		**(894,050,439.58)**	650,071,081.23
Other comprehensive income attributable to minority interests, net of tax		**(502,370,760.04)**	145,286,206.17
VI. Total comprehensive income		**2,571,572,776.91**	2,079,871,646.06
Total comprehensive income attributable to owners of the parent company		**2,206,124,278.86**	1,913,387,586.44
Total comprehensive income attributable to minority interests		**365,448,498.05**	166,484,059.62
VII. Earnings per share:	(V)55		
(1) Basic earnings per share		**0.14**	0.06
(2) Diluted earnings per share		**N/A**	N/A

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	*Notes*	**2017**	2016
I. Operating income	(XIV)19	**3,198,004,246.93**	2,267,260,159.13
Less: Operating costs	(XIV)19	**1,251,939,522.99**	1,073,143,744.68
Taxes and levies	(XIV)20	**270,396,482.17**	177,732,464.28
Selling expenses		**818,486.90**	1,196,470.09
Administrative expenses	(XIV)21	**379,490,425.65**	475,032,132.89
Financial expenses	(XIV)22	**(75,709,548.84)**	56,619,581.08
Asset impairment losses	(XIV)23	**8,352,425.07**	11,947,598.08
Add: Gains (losses) from changes in fair values (loss is filled in column with“-”)		**(47,462,821.24)**	41,195,810.27
Investment income (loss is filled in column with“-”)	(XIV)24	**122,660,256.78**	89,407,474.35
Including: Income from investments in associates and joint ventures		**44,256,449.15**	16,287,797.94
Income(loss) from disposal of assets		**634,474.01**	6,311,639.78
Other income		**6,335,528.80**	–
II. Operating profit (loss is filled in column with“-”)		**1,444,883,891.34**	608,503,092.43
Add: Non-operating income	(XIV) 25	**9,760,097.80**	28,460,124.41
Less: Non-operating expenses	(XIV)26	**27,033,929.35**	22,996,342.18
III. Total profit (the total loss is filled in column with“-”)		**1,427,610,059.79**	613,966,874.66
Less: Income tax expenses	(XIV)27	**146,691,850.20**	73,478,942.66
IV. Net profit (the total loss is filled in column with“-”)		**1,280,918,209.59**	540,487,932.00
1. Net profit from continuing operations		**1,280,918,209.59**	540,487,932.00
2. Net profit from discontinued operations		**–**	–
V. Other comprehensive income, net of tax		**–**	–
VI. Total comprehensive income		**1,280,918,209.59**	540,487,932.00

RMB

Item	*Notes*	2017	2016
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		**24,594,249,547.53**	7,644,877,598.25
Other cash receipts relating to operating activities	56(1)	**654,815,073.95**	424,655,803.23
Sub-total of cash inflows from operating activities		**25,249,064,621.48**	8,069,533,401.48
Cash payments for goods purchased and services received		**11,736,234,356.47**	3,270,936,032.65
Cash payments to and on behalf of employees		**1,770,189,163.68**	807,877,516.60
Payments of various types of taxes		**2,040,126,797.30**	679,114,545.34
Other cash payments relating to operating activities	56(2)	**1,273,702,376.44**	396,778,870.84
Sub-total of cash outflows from operating activities		**16,820,252,693.89**	5,154,706,965.43
Net cash flow from operating activities		**8,428,811,927.59**	2,914,826,436.05
II. Cash flows from investing activities:			
Cash receipts from disposals and recovery of investments	56(3)	**2,002,812,919.34**	3,335,928,536.55
Cash receipts from investment income		**93,330,802.88**	270,861,902.66
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**26,990,397.07**	29,299,477.76
Sub-total of cash inflows from investing activities		**2,123,134,119.29**	3,636,089,916.97
Cash payments for acquisitions or disposals of subsidiaries and other business units		**–**	28,104,661,705.58
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		**1,066,476,069.70**	854,261,494.40
Cash payments to acquire investments	56(4)	**4,834,287,613.77**	1,416,192,938.05
Other cash payments relating to investing activities	56(5)	**331,596,665.00**	908,964,508.15
Sub-total of cash outflows from investing activities		**6,232,360,348.47**	31,284,080,646.18
Net cash flow from investing activities		**(4,109,226,229.18)**	(27,647,990,729.21)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	*Notes*	2017	2016
III. Cash flows from financing activities:			
Cash receipts from capital contributions *(Note V,37)*		**17,858,632,663.30**	–
Cash receipts from borrowings		**10,560,506,152.83**	29,429,208,701.12
Other cash receipts relating to financing activities	56(6)	**1,485,196,100.00**	3,027,283,088.84
Sub-total of cash inflows from financing activities		**29,904,334,916.13**	32,456,491,789.96
Cash repayments of indebtedness		**11,038,950,687.84**	5,186,639,691.64
Cash payments for distribution of dividends or profits and settlement of interests		**2,147,305,447.60**	1,108,374,156.14
Including: dividends payments from subsidiary to minority holders		**347,520,438.97**	161,570,118.00
Other cash payments relating to financing activities	56(7)	**9,346,042,795.06**	2,170,787,930.78
Sub-total of cash outflows from financing activities		**22,532,298,930.50**	8,465,801,778.56
Net cash flow from financing activities		**7,372,035,985.63**	23,990,690,011.40
IV. Effect of foreign exchange rate changes on		**(330,411,473.47)**	180,520,047.75
V. Net increase in cash and cash equivalents		**11,361,210,210.57**	(561,954,234.01)
Add: Opening balance of cash and cash equivalents	57(2)	**8,420,208,068.29**	8,982,162,302.30
VI. Closing balance of cash and cash equivalents	57(2)	**19,781,418,278.86**	8,420,208,068.29

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	2017	2016
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	**3,378,278,826.88**	2,137,862,147.43
Other cash receipts relating to operating activities	**524,332,323.58**	296,359,641.05
Sub-total of cash inflows from operating activities	**3,902,611,150.46**	2,434,221,788.48
Cash payments for goods purchased and services received	**1,019,216,856.56**	775,145,186.44
Cash payments to and on behalf of employees	**321,928,832.06**	337,421,362.33
Payments of various types of taxes	**698,688,805.97**	537,328,846.67
Other cash payments relating to operating activities	**408,033,726.17**	116,129,745.84
Sub-total of cash outflows from operating activities	**2,447,868,220.76**	1,766,025,141.28
Net cash flow from operating activities	**1,454,742,929.70**	668,196,647.20
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	**1,456,095,119.34**	2,679,000,000.00
Cash receipts from investment income	**93,611,741.75**	266,331,699.65
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	**838,480.85**	14,076,892.53
Other cash receipts relating to investing activities	**1,433,343,887.31**	11,853,872,334.77
Sub-total of cash inflows from investing activities	**2,983,889,229.25**	14,813,280,926.95
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	**124,991,843.81**	217,928,382.07
Cash payments to acquire investments	**4,954,206,079.96**	12,877,411,163.61
Other cash payments relating to investing activities	**1,694,996,165.31**	14,334,745,086.30
Sub-total of cash outflows from investing activities	**6,774,194,089.08**	27,430,084,631.98
Net cash flow from investing activities	**(3,790,304,859.83)**	(12,616,803,705.03)

CASH FLOW STATEMENT OF PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	2017	2016
III. Cash flows from financing activities:		
Cash receipts from capital contributions	**17,858,632,663.30**	–
Cash receipts from borrowings	**2,064,190,439.94**	12,669,253,477.73
Other Cash receipts relating to financing activities	**12,658,842,906.77**	7,377,651,660.17
Sub-total of cash inflows from financing activities	**32,581,666,010.01**	20,046,905,137.90
Cash repayments of indebtedness	**10,124,316,667.67**	4,099,151,075.88
Cash payments for distribution of dividends or profits and settlement of interests	**1,045,829,938.72**	681,919,458.19
Other cash payments relating to financing activities	**12,240,020,509.89**	6,957,746,056.94
Sub-total of cash outflows from financing activities	**23,410,167,116.28**	11,738,816,591.01
Net cash flow from financing activities	**9,171,498,893.73**	8,308,088,546.89
IV. Effect of foreign exchange rate changes on cash and cash equivalents	**(6,951,061.21)**	13,223,797.17
V. Net increase in cash and cash equivalents	**6,828,985,902.39**	(3,627,294,713.77)
Add: Opening balance of cash and cash equivalents	**4,535,861,825.71**	8,163,156,539.48
VI. Closing balance of cash and cash equivalents	**11,364,847,728.10**	4,535,861,825.71

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Items	For the current year							
	Attributable to owners of the parent company							
	Share capital	Capital reserve	Other Comprehensive income	Special reserve	Surplus reserve	Retained profit	Minority Interests	Total owners' equity
I. Balance at the beginning of 2017	3,377,439,739.80	10,720,306,602.38	282,854,287.93	8,570,089.43	840,098,875.14	3,508,788,628.94	15,598,868,743.75	34,336,926,967.37
II. Increase and decrease amount of current year								
(I) Total comprehensive income	–	–	(521,671,890.87)	–	–	2,727,796,169.73	365,448,498.05	2,571,572,776.91
(II) Capital invested and decreased by shareholders								
1. Capital injected by shareholders	942,408,376.80	16,916,224,286.50	–	–	–	–	–	17,858,632,663.30
2. Others *(Note(VII), 2)*	–	(53,735,905.65)	–	–	–	–	(7,864,842,767.27)	(7,918,578,672.92)
(III) Profit distribution								
1. Transfer to surplus reserve	–	–	–	–	128,091,820.96	(128,091,820.96)	–	–
2. Distributions to shareholders	–	–	–	–	–	(591,051,954.47)	(347,520,438.97)	(938,572,393.44)
(IV) Transfers within the owners' equity	–	–	–	–	–	–	–	–
(V) Special reserve								
1. Provision in current year	–	–	–	122,559,476.97	–	–	1,564,860.50	124,124,337.47
2. Amount utilised in the period	–	–	–	(123,403,655.61)	–	–	(1,567,745.50)	(124,971,401.11)
III. Balance at the end of 2017	4,319,848,116.60	27,582,794,983.23	(238,817,602.94)	7,725,910.79	968,190,696.10	5,517,441,023.24	7,751,951,150.56	45,909,134,277.58

Items	For the prior year							
	Attributable to owners of the parent company							
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Minority Interests	Total owners' equity
I. Balance at the beginning of 2016	3,377,439,739.80	10,720,306,602.38	(632,492,717.76)	115,200,675.56	786,050,081.94	2,986,976,808.88	463,209,880.46	17,816,691,071.26
II. Increase and decrease amount of current year								
(I) Total comprehensive income	–	–	915,347,005.69	–	–	998,040,580.75	166,484,059.62	2,079,871,646.06
(II) Capital invested and decreased by shareholders	–	–	–	–	–	–	–	–
1. Business combination not involving enterprises under common control	–	–	–	–	–	–	15,130,386,022.18	15,130,386,022.18
(III) Profit distribution	–	–						
1. Transfer to surplus reserve	–	–	–	–	54,048,793.20	(54,048,793.20)	–	–
2. Distributions to shareholders	–	–	–	–	–	(422,179,967.49)	(161,570,118.00)	(583,750,085.49)
(IV) Transfers within the owners' equity	–	–	–	–	–	–	–	–
(V) Special reserve	–	–	–	–	–	–	–	–
1. Provision in current year	–	–	–	112,139,491.32	–	–	1,495,228.95	113,634,720.27
2. Amount utilised in the period	–	–	–	(218,770,077.45)	–	–	(1,136,329.46)	(219,906,406.91)
III. Balance at the end of 2016	3,377,439,739.80	10,720,306,602.38	282,854,287.93	8,570,089.43	840,098,875.14	3,508,788,628.94	15,598,868,743.75	34,336,926,967.37

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY OF THE PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

	For the current year					
Items	**Share capital**	**Capital reserve**	**Special reserve**	**Surplus reserves**	**Retained profit**	**Total owners' equity**
I. Balance at the beginning of 2017	**3,377,439,739.80**	**10,720,306,602.38**	**7,849,535.47**	**840,098,875.14**	**2,422,226,698.26**	**17,367,921,451.05**
II. Increase and decrease amount of current year						
(I) Total comprehensive income	**–**	**–**	**–**	**–**	**1,280,918,209.59**	**1,280,918,209.59**
(II) Capital invested and decreased by shareholders						
1. Capital invested by shareholders	**942,408,376.80**	**16,916,224,286.50**	**–**	**–**	**–**	**17,858,632,663.30**
2. Others	**–**	**–**	**–**	**–**	**–**	**–**
(III) Distribution of profit						
1. Transfer of surplus reserve	**–**	**–**	**–**	**128,091,820.96**	**(128,091,820.96)**	**–**
2. Distributions to shareholders	**–**	**–**	**–**	**–**	**(591,051,954.47)**	**(591,051,954.47)**
(IV) Transfers within the owners' equity						
1. Transferred from capital surplus	**–**	**–**	**–**	**–**	**–**	**–**
(V) Special reserves						
1. Provision in current year	**–**	**–**	**109,030,943.18**	**–**	**–**	**109,030,943.18**
2. Amount utilized in current year	**–**	**–**	**(109,872,119.07)**	**–**	**–**	**(109,872,119.07)**
III. Balance at end of 2017	**4,319,848,116.60**	**27,636,530,888.88**	**7,008,359.58**	**968,190,696.10**	**2,984,001,132.42**	**35,915,579,193.58**

	For the prior year					
Items	Share capital	Capital reserve	Special reserve	Surplus reserves	Retained profit	Total owners' equity
I. Balance at the beginning of 2016	3,377,439,739.80	10,720,306,602.38	114,853,670.04	786,050,081.94	2,357,967,526.95	17,356,617,621.11
II. Increase and decrease amount of current year						
(I) Total comprehensive income	–	–	–	–	540,487,932.00	540,487,932.00
(II) Capital invested and decreased by shareholders	–	–	–	–	–	–
1. Capital invested by shareholders	–	–	–	–	–	–
2. Others	–	–	–	–	–	–
(III) Distribution of profit	–	–	–	–	–	–
1. Transfer of surplus reserve	–	–	–	54,048,793.20	(54,048,793.20)	–
2. Distributions to shareholders	–	–	–	–	(422,179,967.49)	(422,179,967.49)
(IV) Transfers within the owners' equity	–	–	–	–	–	–
1. Transferred from capital surplus	–	–	–	–	–	–
(V) Special reserves	–	–	–	–	–	–
1. Provision in current year	–	–	103,519,198.38	–	–	103,519,198.38
2. Amount utilized in current year	–	–	(210,523,332.95)	–	–	(210,523,332.95)
III. Balance at end of 2016	3,377,439,739.80	10,720,306,602.38	7,849,535.47	840,098,875.14	2,422,226,698.26	17,367,921,451.05

(I) GENERAL

1. Basic Information about the Company

China Molybdenum Co., Ltd. (the "Company") was incorporated in the PRC on 25 August 2006 as a joint-stock limited company on the basis of China Molybdenum Co., Ltd. by Luoyang Mining Group Co., Ltd. ("LMG") and Cathay Fortune Corporation ("CFC").

On 3 December 2006, the Extraordinary General Meeting resolutions and the China Securities Regulatory Commission Zheng Jian Guo He Zi [2007] No. 7, approved to issue up to 1,246.1 million shares of overseas listed shares (including the over- allotment of 162.5 million shares), with a par value of Renminbi ("RMB") 0.2 each ordinary share. On 25 April 2007 the company issued 1,083.6 million shares of overseas listed shares with a par value of RMB0.2 each ordinary share on 26 April 2007. After the listing on the Hong Kong Stock Exchange, the company's share capital totalled 4,767.81 million shares.

On 4 May 2007, the Company issued 108.36 million shares of the over-allotment shares with a par value RMB0.2, after the over-allotment, the Company's share capital totalled 4,876.17 million shares.

On 16 July 2012, according to Commission License [2012] No. 942 "The initial public offering (IPO) on the approval of China Molybdenum Co., Ltd." issued by China Securities Regulatory Commission (the "CSRC") 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 share) with a nominal value of RMB0.20 per share. Those shares are listed on the Shanghai Stock Exchange from 9 October 2012. The Company's share capital totalled 5,076.17 million shares after the issuance of A shares.

On 24 November 2014, China Securities Regulatory Commission approved a total public offering of RMB4,900,000,000.00 of convertible bonds by the Company with ZJXK[2014] No. 1246 Approval of Public Offering of Convertible Company Bonds by China Molybdenum Co., Ltd., and the Company completed issuance on 8 December 2014.

As the triggering conditions for the redemption option are satisfied, on 23 June 2016, the board of directors adopted the resolution that the Company exercises the redemption option after 9 July 2015 closing. As of 9 July 2015 closing, convertible bonds with nominal amount of RMB4,854,442,000 have been converted to equity, representing 99.07% of total convertible bond issued by the Company. After the conversion is completed, total equity of the company is increased to 5,629.07 million shares.

On 28 August 2015, the second session of the fourth board meeting decided to transfer capital reserve into ordinary shares, 20 shares for every existing 10 shares to all shareholders. The transfer was completed on 12 November 2015. After the transfer was completed, the total equity of the company was increased to 16,887,198,699 shares.

On 23 June 2017, the China Securities Regulatory Commission ("CSRC") approved the Company's non-public offering of not more than 5,769,230,769 shares of ordinary shares (A-share) through the "Approval of Non-public Offering of Shares by China Molybdenum Co., Ltd. Zhen Jian Xu Ke [2017] No. 918. On 24 July 2017, the Company privately placed 4,712,041,884 shares of RMB ordinary shares (A-share) to specific objects at a price of RMB3.82 per share with a par value of RMB0.20, and the total amount of funds raised was RMB17,999,999,996.88; after deducting the issuance expenses, the net of raised funds amounted to RMB17,858,632,663.30. After the issuance, the share capital of the Company increased from 16,887,198,699 shares to 21,599,240,583 shares. The shares subscribed by the investors of this offering are not allowed to be transferred within 12 months from the date of the completion of this issuance. See Note (V), 37 for the details of share capital.

The Company together with its subsidiaries (collectively as "the Group") is principally engaged in mining, smelting and deep processing of molybdenum and tungsten products, mining and smelting of tungsten products; export of molybdenum tungsten niobium series products and chemical products; mining of copper products, mining of niobium products; mining and melting of phosphorus products; melting and mining of cobalt products; mining, processing and sale of gold and silver.

(I) GENERAL (CONTINUED)

2. Acquisition of Niobium and Phosphate and Copper-Cobalt business

2.1 Acquisition of Niobium and Phosphate businesses in Brazil

On 27 April 2016, the wholly-owned subsidiary of the Company, CMOC Co., Limited ("CMOC Ltd") entered into an acquisition agreement with, Ambras Holdings S.A.R.L., ANGLO AMERICAN LUXEMBOURG SÁRL ("AA Luxembourg"), Anglo American Marketing Limited ("AAML"), ANGLO AMERICAN CAPITAL PLC ("Capital PLC"), ANGLO AMERICAN CAPITAL LUXEMBOURG SÁRL ("Capital Luxembourg") and Anglo American Service (UK) Limited ("AASL"), subsidiaries of Anglo American PLC ("Anglo American"), to acquire the following companies at a consideration of US $1.5 billion:

(1) 100% shareholders' equity of American Fosfato Brasil Ltda. ("Copebras ", now renamed as Copebras Indústrial Ltda.) and Anglo American Niobio Brasil Ltda. ("Niobras ", now renamed as Niobras Mineração Ltda.);

(2) AAML's Niobium sales division ("NMD");

(3) Creditor's rights over Copebras held by Capital PLC and Creditor's rights over Niobra held by Capital Luxembourg.

Under the acquisition agreement, the final acquisition consideration is subject to adjustment based on the book balance of cash and the net working capital at closing. The acquisition was approved by the Company's shareholders' meeting on 23 September 2016 and completed on 1 October 2016.

2.2 Acquisition of Copper-Cobalt business in DRC

On 9 May 2016, CMOC Ltd and the Company (as the guarantor of CMOC Ltd) entered into an acquisition agreement with Phelps Dodge Katanga Corporation ("PDK") and Freeport-McMoRan Inc. ("Freeport") (as the guarantor of PDK) to acquire 100% equity in Freeport-McMoRan DRC Holdings Ltd, ("FMDRC", now renamed as CMOC International DRC Holdings Limited) held by PDK at a consideration of US$2.65 billion. FMDRC holds 70% equity in TF Holdings Limited ("TFHL") established in Bermuda and TFHL holds 80% equity in Tenke Fungurume Mining S.A. ("TFM") established in the Democratic Republic of the Congo (DRC). Upon completion of the acquisition, the Company will indirectly hold 56% equity in TFM.

Under the acquisition agreement, in addition to the consideration price, the final consideration of acquisition also includes a contingent consideration and the cash balance adjustment at the closing. The acquisition was approved by the shareholders' meeting on 23 September 2016 and completed on 17 November 2016.

(I) GENERAL (CONTINUED)

2. Acquisition of Niobium and Phosphate and Copper-Cobalt business (Continued)

2.3 Acquisition of minority interests of Congo (DRC) copper and cobalt business

On 20 January 2017, the Group entered into a framework agreement with BHR Newwood Investment Management Limited ("BHR") and its investors, pursuant to which, the Group obtained the control over BHR and its associated.

On 20 April 2017, BHR completed the acquisition of 30% of TFHL's equity, held by Lundin Mining Corporation, thereby BHR indirectly obtaining 24% of TFM's equity. Based on afore-said protocol control over BHR, the Group's indirect shareholding proportion in TFM increased from 56% to 80%. See note (VII), 2 for details.

(II) PREPARATION BASIS OF THE FINANCIAL STATEMENTS

Preparation basis

The Group implements the China Accounting Standards issued by the Ministry of Finance (including the new and amended Accounting Standards for Business Enterprises issued in 2014) and the relevant regulations. The Group also discloses related financial information in accordance with Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports (2014 Amendment). In addition, the financial statements also include the relevant disclosures required by the Hong Kong Companies Ordinance and the Listing Rules of the 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.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

(II) PREPARATION BASIS OF THE FINANCIAL STATEMENTS (CONTINUED)

Basis of accounting and principle of measurement (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

- Level 2 inputs are inputs, other than inputs within Level 1, that are observable for the asset or liability.

- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The Group performs evaluation on its ability to continue as a going concern for next 12 months from 31 December 2017, and no matters or conditions that may cast significant doubts on its ability to continue as a going concern are found. Therefore, the financial statements have been prepared on a going concern basis.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Declaration following Accounting Standards for Business Enterprises ("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 2017, and the Company's and consolidated results of operations and cash flows for the year then end.

2. Accounting period

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

3. Operating cycle

The operating cycle refers to the period from purchase of assets used for processing to realization of cash or cash equivalents. The Company's operating cycle is usually 12 months.

4. Functional currency

Renminbi ("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 subsidiaries choose the currency of the main economic environment where the operating business is located as its functional currency. The Group adopts RMB to prepare the financial statements.

5. Accounting treatment of business combination under or not under the 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 are 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 is 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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting treatment of business combination under or not under the common control (Continued)

5.2 *Business combinations involving enterprises not under common control*

A business combination involving enterprises not 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. 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 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.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria are measured at fair value at the acquisition date.

When the business combination contract provides that, upon the occurrence of multiple future contingencies, the acquirer shall pay an additional consideration for the combination, such contingent consideration as set out in the contract shall be recognised as a liability by the Group as a part of the aggregate consideration transferred in the business combination, and be included in the cost of combination at the fair value at the acquisition date. Within twelve months after the acquisition, if the contingent consideration needs to be adjusted as new or further evidences are obtained in respect of circumstances existed as of the acquisition date, the amount preciously included in the non-operating income shall be adjusted. A change in or adjustment to the contingent consideration under other circumstances shall be accounted for in the following way. Contingent consideration in the nature of a liability shall be measured in accordance with *Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement and Accounting Standard for Business Enterprises No. 13 – Contingencies*. Any change or adjustment is included in profit or loss for the current period.

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting treatment of business combination under or not under the common control (Continued)

5.2 Business combinations involving enterprises not under common control (Continued)

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the period in which the business combination was effected, the acquirer recognises and measures the combination using those provisional values. Any adjustments to those provisional values within 12 months after the acquisition date are treated as if they had been recognised and measured on the acquisition date.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statement

6.1 Preparation of consolidated financial statement

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

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 involving enterprises not 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.

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statement (Continued)

6.1 Preparation of consolidated financial statement (Continued)

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.

The effects of all intra-group 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.

Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer determines if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, these transactions are accounted for as multiple transactions where control is obtained at the acquisition date; In this case, the acquirer remeasures its previously-held equity interests in the acquiree at their fair value on the acquisition date and recognises any differences between such fair value and carrying amounts in profit or loss for the period. Where equity interests in an acquiree held before the acquisition date involve changes in other comprehensive income or changes in other owners' equity under equity method, they are transferred to income for the period that the acquisition date belongs to.

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, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statement (Continued)

6.1 Preparation of consolidated financial statement (Continued)

Multiple transactions involving disposal of equity investments in a subsidiary until loss of control are usually considered to be a bundled transaction when the conditions and economic impacts of these transactions satisfy with one or multiple following conditions: (1) these transactions are concluded simultaneously or concluded upon consideration of mutual influence; (2) these transactions, as a whole, can achieve a complete business results; (3) occurrence of a transaction depends the occurrence of at least one other transaction; (4) one transaction alone is not economical, but it is economical after consideration together with other transactions. Where multiple transactions involving disposal of equity investments in a subsidiary until loss of control are considered to be a bundled transaction, these multiple transactions are accounted for as a single transaction of disposing of the subsidiary and resulting in loss of control. The difference between the consideration received on each disposal and the corresponding proportion of the subsidiary's net assets calculated on a continuous basis since the acquisition date prior to the loss of control is recognised as other comprehensive income and transferred to profit or loss for the period when the control is eventually lost. Where multiple transactions involving disposal of equity investments in a subsidiary until loss of control are not considered to be a bundled transaction, these transactions are accounted for as independent transactions.

7. Classification of joint arrangements and accounting treatment for joint ventures

There are two types of joint arrangements – joint operations and joint ventures. The type of joint arrangements is determined based on the rights and obligations of joint operator to the joint arrangements by considering the factors, such as the structure, the legal form of the arrangements, and the contractual terms, etc. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement.

The Group adopts the equity method to account the investment in joint ventures. Please specifically refer to Note (III) "14.3.2. Long-term equity investment accounted for using the equity method".

The Group as a joint operator recognises the following items in relation to its interest in a joint operation: (1) its solely- held assets, including its share of any assets held jointly; (2) its solely-assumed liabilities, including its share of any liabilities incurred jointly; (3) its revenue from the sale of its share of the output arising from the joint operation; (4) its share of the revenue from the sale of the output by the joint operation; and (5) its solely-incurred expenses, including its share of any expenses incurred jointly. The Group accounts for the recognised assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the requirements applicable to the particular assets, liabilities, revenues and expenses.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Standards for determining cash and cash equivalent

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.

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

9.1 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 changes in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income.

When the consolidated financial statements include foreign operation(s), 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 other comprehensive income, 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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

9.2 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 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 difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognised as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates 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.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the owners' equity of the parent company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that results in a reduction in the proportional interest held but does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument

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, relevant transaction costs are included in their initial recognised amounts.

10.1 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.

10.2 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 financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

10.2.1 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 one of the following conditions is satisfied: (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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.2 Classification, recognition and measurement of financial assets (Continued)

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

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; (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; or (3) it is a qualifying hybrid instrument containing embedded derivatives.

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.

10.2.2 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.

10.2.3 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, other receivables other current assets and other non-current assets.

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.2 Classification, recognition and measurement of financial assets (Continued)

10.2.4 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available- for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

10.3 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;

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.3 Impairment of financial assets (Continued)

(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 equity instrument 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; In the balance sheet date, the fair value of an equity instrument is less than the initial investment cost of more than 50% (including 50%), or less than the initial investment cost for more than 12 months (including 12 months);

(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 group of financial assets with similar credit risk characteristics for collective assessment of impairment.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.3 Impairment of financial assets (Continued)

– *Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, 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. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

– *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.

10.4 Transfer of financial assets

The Company 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 Company 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 Company 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 Company'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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.4 Transfer of financial assets (Continued)

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.

10.5 Classification, recognition and measurement of financial liabilities

Financial instruments issued by the Group are classified in accordance with the economic substance of the contractual arrangements instead of the legal form as well as the definitions of a financial liability and an equity instrument; on initial recognition, financial instruments or their component parts are classified as either financial liabilities or equity instruments.

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

10.5.1 Financial liabilities at FVTPL

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.

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; (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; or (3) it is a qualifying hybrid instrument containing embedded derivatives.

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.5 Classification, recognition and measurement of financial liabilities (Continued)

10.5.2 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 other than financial guarantee contract obligations 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.

10.5.3 Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and (ii) the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

10.6 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.

10.7 Derivatives and embedded derivatives

Derivative financial instruments include commodity futures contracts, commodity forward contracts currency swaps and interest rate swaps. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if 1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.7 Derivatives and embedded derivatives (Continued)

10.7.1 Revenue related embedded derivatives

The price of cathode Copper, main product of the Group's subsidiaries, is temporarily determined based on the market price at the time of delivery. Generally, the provisional price is finally determined on the basis of the monthly average spot price of Copper quoted by the London Metal Exchange after shipping one month. The underlying derivatives associated with the above revenue recognition model is measured at fair value (based on the spot price of Copper from the London Metal Exchange), and prior to the expected settlement date, the changes in the fair value of the derivatives are included in the operating income and the accounts receivable in the consolidated balance sheets. When the fair value is positive, the fair value of the embedded derivatives is accounted for accounts receivable as financial assets, and when the fair value is negative and the balance of accounts receivable is not sufficient to offset it, the fair value of the embedded derivatives is accounted for accounts payable as financial liabilities.

10.7.2 Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity instrument, is included in capital reserve (other capital reserve – share conversion option).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option classified as equity remains in equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of convertible loan notes are allocated to the liability component and equity component in proportion to their respective fair values. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible loan notes using the effective interest method.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.8 Offsetting financial assets and financial liabilities

When 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, financial assets and financial liabilities are offset with the net amounts presented on the balance sheet. Otherwise, financial assets and financial liabilities are separately presented on the balance sheet without offsetting.

10.9 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. Equity instruments issued (including refinanced), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in the fair value of equity instruments are not recognised. Transaction costs related to equity transactions are deducted from equity.

The Group's distribution to holders of equity instruments are treated as a distribution of profits, payment of stock dividends does not affect total shareholders' equity.

11. Receivables

11.1 Determination basis and policies for bad debt provision of accounts receivables of resources-related subsidiaries of the Group situated in PRC and Australia

Recognition criteria and policies for bad debt provision of accounts receivables of individually significant amount

The criterion of individually significant amount	A receivable that exceeds RMB5,000,000 is deemed as an individually significant receivable by resources-related subsidiaries of the Group situated in PRC and Australia.
Policies for bad debt provision of accounts receivables of individually significant amount	For receivables that are individually significant, the resources-related subsidiaries of the Group situated in PRC and Australia assess the receivables individually for impairment. For a financial asset that is not impaired individually, they include 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

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Receivables (Continued)

11.1 Determination basis and policies for bad debt provision of accounts receivables of resources-related subsidiaries of the Group situated in PRC and Australia (Continued)

Determination basis and policies for bad debt provision of accounts receivables that are not individually significant but with significant risks after being grouped according to credit risk characteristics

Basis for determining credit risk characteristic combination	The resources-related subsidiaries of the Group situated in PRC and Australia classify 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.
Policies determined by credit risk characteristic combination	When impairment test is conducted based on portfolio method, the bad debt provision will be determined based on receivable portfolio structure and similar credit risk characteristics and according to historical loss experience, current economic conditions and loss evaluation existing in estimated receivable portfolio bad debt provision based on aging analysis detailed in Table 12.3 as follows.

Percentage of bad debt provision using aging analysis

Aging	**Percentage of provision for accounts receivable** *(%)*	**Percentage of provision for other receivables** *(%)*
Within 2 years	–	–
More than 2 years	100%	100%

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Receivables (Continued)

11.2 Determination basis and policies for bad debt provision of accounts receivables of resources-related subsidiaries of the Group situated in Brazil and DRC

Accounts receivables for which the bad debt provision is individually assessed

Accounts receivables for which the bad debt provision is individually assessed	The resources-related subsidiaries in Brazil and DRC use individual analysis method to make bad debt provision for accounts receivable.
Policies for accounts receivables for which the bad debt provision is individually assessed	To be impaired individually, and the difference between the present value of the estimated future cash flows and its carrying amount is used for bad debt provision and is recognised in profit or loss for the period.

12. Inventory

12.1 Classification 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.

12.2 Valuation methods of the inventory delivered

When the inventories are delivered, the actual costs of the delivered inventories are determined using the method of weighted average.

12.3 The basis of the net realizable value of the inventories

On the balance sheet date, the inventories shall be calculated by the lower of cost and net realized value. When the net realizable value is less than the cost, inventory provision is required. The net realizable value represent the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. The company determined net realizable value of inventories, made the obtained conclusive evidence as basis, and considered the purposes of holding inventories, events after the balance sheet date and other factors.

The provision for inventory shall be provided by the difference between the cost of the individual inventory and its net realized value.

In case the factors impacting the inventory provision is eliminated, making the net realizable value be higher than the book value, the write-down amount should be recovered from the previous write-down amount of inventory provision and the corresponding amount shall be reversed to current profit and loss.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Inventory (Continued)

12.4 The inventory system for inventory

The Group uses a perpetual inventory system.

12.5 Amortization method of low-value consumables and packaging materials

Packing materials and low-price easily-worn materials are amortized by the one-time writing-off method.

13. Assets classified as held-for-sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

When there is loss of control over a subsidiary due to disposal of investments in the subsidiary, and the proposed disposal of investment in the subsidiary satisfies classification criteria of held-for-sale category, the investments in subsidiaries are classified as held-for-sale category as a whole in the company's separate financial statement, and all assets and liabilities of subsidiaries are classified as held-for-sale category in the consolidated financial statements regardless that part of the equity investments are remained after the sale.

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Assets classified as held-for-sale (Continued)

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held-for-sale, it is no longer accounted for using the equity method since the date of the classification.

14. Long-term equity investment

14.1 Basis for determining joint control and significant influence over the investee

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities 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 effects of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible have been considered.

14.2 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial 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 in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fees, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement (CAS 22) and the additional investment cost.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investment (Continued)

14.3 Subsequent measurement and recognition of profit or loss

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

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. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

14.3.2 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; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investment (Continued)

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

14.3.2 Long-term equity investment accounted for using the equity method (Continued)

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; The carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of the changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserve and the carrying amount of the long- term equity investment is adjusted accordingly. The Group recognises its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognise investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealised intra-group profits or losses are recognised as investment income or loss to the extent that those attributable to the Group's proportionate share of 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.

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.

14.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed Assets

15.1 The conditions of recognition

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 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 except for above expenditures that included in the cost of the fixed asset are recognised in profit or loss in the period in which they are incurred.

15.2 Depreciation Method

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

Resources-related subsidiaries of the Group situated in PRC

Category	**Depreciation method**	**Period of depreciation**	**Residual Value Rate** *(%)*	**Yearly depreciation** *(%)*
Land, building	Straight-line method	8–45	0–5	2.1–11.9
Mining engineering	Units of production method	Expected life of mines	0	Unit of production
Machine equipment	Straight-line method	8–10	5	9.5–11.9
Electronic equipment, appliances and furniture	Straight-line method	5	5	19.0
Transportation equipment	Straight-line method	8	5	11.9

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed Assets (Continued)

15.2 Depreciation Method (Continued)

Resources-related subsidiaries of the Group situated in Australia

Category	Depreciation method	Depreciation period	Residual value rate *(%)*	Annual depreciation rate *(%)*
Buildings	Straight-line method	8–45	0–5	2.1–11.9
Mining Projects	Units-of-production method	Estimated life of mines	0	Unit of production
Machineries and Other Equipment	Straight-line method	8–10	5	9.5–11.9

Resources-related subsidiaries of the Group situated in Brazil

Category	Depreciation method	Depreciation period	Residual value rate *(%)*	Annual depreciation rate *(%)*
Land ownership	N/A	Permanent	–	–
Buildings	Straight-line method	20–50	0–5	1.90–5
Mining Projects	Units-of-production method	Estimated life of mines	0	Unit of production
Machineries and Other Equipment	Straight-line method	5–20	0–5	5–20

Resources-related subsidiaries of the Group situated in DRC

Category	Depreciation method	Depreciation period	Residua l value rate *(%)*	Annual depreciation rate *(%)*
Land ownership	N/A	Permanent	–	–
Mining Projects	Units-of-production method	Estimated life of mines	0	Unit of production
Buildings	Straight-line method	5–33	0–5	2.88–20
Machineries and Other Equipment	Straight-line method	3–20	0–5	5–33

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed Assets (Continued)

15.3 Others

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.

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.

16. 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.

17. 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.

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Biological assets

Biological assets of the Group are consumable biological assets.

18.1 Consumable biological assets

Consumable biological assets are biological assets held for sale or to be harvested as agricultural produce in the future, including, for example, crops, vegetables and timber in plantation forests being grown and livestock being raised or held for sale. The consumable biological assets the Group owns are timbers.

Upon harvest or disposal of consumable biological assets, the Group uses the individual valuation method to carry out the cost by book value.

If there is an active market for consumable biological asset and the Company can obtain market prices and other relevant information regarding the same or similar type of consumable biological asset from the market so as to reasonably estimate the fair value of the related biological asset, the Company subsequently measures the consumable biological asset at fair value with changes of the fair value are recognized in profit or loss for the current period.

19. Intangible Assets

19.1 Intangible Assets

Intangible assets include land use rights and mining rights 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 using the straight-line method or the units of production method. An intangible asset with an indefinite useful life is not amortised.

Category	**Amortization method**	**Useful life** *(years)*	**Residual Value Rate** *(%)*
Land use rights	Straight-line method	50 years	0%
Mining rights	Units of production method	Expected life of mines	0%

At the end of the year, the Group reviews the useful life and amortisation method of intangible assets, and makes adjustments when necessary.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible Assets (Continued)

19.2 Research and development expenditure for Internal Study

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.

20. Impairment of long-term Assets

The Group reviews the Long-term equity investments, fixed assets, construction in progress, and intangible assets with finite useful life 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. 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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Impairment of long-term Assets (Continued)

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. The recoverable amount of an asset or asset group 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 or asset group.

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.

Goodwill 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 groups, 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.

Once an impairment loss is recognised for above mentioned assets, it will not be reversed in any subsequent period.

21. Long-term deferred expenses

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

22. Employee Benefits

22.1 Accounting treatment of short-term remuneration

Actually occurred short-term employee benefits are recognised as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognised in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Employee Benefits (Continued)

22.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

For defined benefit plans, the Group assigns the welfare obligation generated from the defined benefit plans to the period of rendering services using the formula determined by the projected unit credit method, and includes it in the current profit or loss or related asset costs. Employee benefit costs generated from the defined benefit plans are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements.);
- Net interest of net liabilities or net assets of defined benefit plans (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling); and
- Remeasurement of changes in net liabilities or net assets of defined benefit plans.

Service cost and net interest of net liabilities or net assets of defined benefit plans are included in the current profit or loss or related asset costs. Remeasurement of changes in net liabilities or net assets of defined benefit plans (including actuarial gains or losses, return on plan assets excluding the amount included in the net interest of net liabilities or net assets of defined benefit plans, and changes to the asset ceiling excluding the amount included in the net interest of net liabilities or net assets of defined benefit plans) is included in other comprehensive income.

Deficit or surplus generated from the present value of the obligation of defined benefit plan less the fair value of defined benefit plan asset is recognized as a net liability or a net asset of defined benefit plan. If there is a surplus in the defined benefit plan, the lower of the surplus of defined benefit plan and the asset ceiling is used to measure the net asset of the defined benefit plan.

22.3 Accounting treatment of termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognised for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognises costs or expenses related to restructuring that involves the payment of termination benefits.

22.4 Paid absence

Paid absence refers to the Group to pay wages or provide compensation for the absences of staffs, including annual leave, sick leave and so on. The Group recognizes the salaries related to paid absences when staffs provide services to increase their rights of future paid absence, and the salaries to be paid are measured at the accumulation of un-practiced rights.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Provision

Provisions are 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.

24. Revenue

24.1 Revenue from sale of goods

If the group provides external hotel room service, it cannot recognize the income until the hotel room service has been provided and the rights of service charge have been obtained.

24.2 Revenue from rendering of services

If the group provides external hotel room service, it cannot recognize the income until the hotel room service has been provided and the rights of service charge have been obtained.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. 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

25.1 Criterion and accounting treatment of government grant related to assets

The government grants of the Group mainly include refunds of land-transferring fees, etc.. Due to direct relationship with investment and construction of fixed assets, such government grants are defined as the government grants related to assets.

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.

25.2 Criterion and accounting treatment of government grant related to income

The government grants of the Group mainly include grant for demonstration of mineral resources saving and comprehensive utilization, etc.. Due to direct relationship with the research and development expenditure, such government grants are defined as the government grants related to income.

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

A government grant related to the Group's daily activities is recognized in other income/written off related cost and expense based on the nature of economic activities; a government grant is not related to the Group's daily activities is recognized in non-operating income and expenses.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

26.1 Current income taxes

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.

26.2 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.

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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Deferred Income Tax Assets/Deferred Income Tax Liabilities (Continued)

26.3 Offsetting of income taxes

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.

27. Stripping costs

During mining operations, the Group may find that mineral wastes and surface cover to be removed before mining, and the removal activities for such wastes is called stripping. The stripping costs are usually capitalized in the mining development phase (before production). The capital expenditure is divided into cash outflows of investment activities.

After mining development phase can be ended for getting into the production phase, the waste removal activity is referred to as production stripping.

If the stripping activity is related to the current mining, the associated stripping costs are included in the statement of profit or loss for the current period as operating costs. If production stripping is associated with inventory production and improves the mining environment for subsequent years, the expenditure on the removal of wastes should be reasonably allocated between the two activities, and the portion that is beneficial to the mining environment for subsequent years shall be capitalized into the stripping and development capital expenditures. In some cases, where a large amount of wastes is removed or only a small volume of inventory is produced, the costs incurred by the stripping of wastes will be fully capitalized.

On the basis of the proven reserves of ore, all capitalized waste stripping costs are depreciated in accordance with the output method.

The impact on the waste stripping costs or on the remaining ore reserves arising from changes in mine life expectancy or mining plans will be treated as changes in accounting estimates.

28. Exploration, assessment and development expenditures

The costs of exploration and assessment are directly recognized in costs when they are incurred. When a mine is determined to be of economic value, all subsequent assessment expenditures, including expenditures incurred in early development phase, shall be capitalized into the cost of the underlying asset. The above capitalization terminates after the mine has reached the commercial production phase. The exploration assets generated from acquisitions are presented on the balance sheet at the cost less the accumulated impairment loss.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Leasing

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

29.1 Accounting treatment of operating leases

29.1.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the terms 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.

29.1.2 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 terms 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.

30. Other Significant Accounting Policies and Accounting Estimations

30.1 Maintenance costs of simple reproduction

In accordance with current Chinese regulations, exploitation enterprises located within China shall extract maintenance costs of simple reproduction (hereinafter referred as to “simple maintenance cost”) based on the RMB15/ton in relation to original metal mine output.

The group shall extract the “simple maintenance cost” in accordance with the specified regulations; it shall debit “manufacturing expenses” and credit “special reserves”.

If the group uses such capital reserves to purchase and install properties such as equipment and facilities relevant to simple reproduction maintenance, they shall be included into relevant asset cost; debiting “construction in progress” and other projects and crediting “bank deposit” and other items shall not be recognized as the fixed asset until the maintenance project of simple reproduction is completed and complies with expected available situation; meanwhile, accumulated depreciation in same amount shall be recognized in accordance with special capital reserves for cost offset of the fixed assets. The depreciation of fixed assets such as debiting item of “special reserves” and crediting item of “accumulated depreciation” shall not be counted and withdrew in the future. But amount carried forward is within the limit of the balance of “special reserves” being offset to be zero.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Other Significant Accounting Policies and Accounting Estimations (Continued)

30.1 Maintenance costs of simple reproduction (Continued)

When the reserve is used to pay and maintain the expenses related to simple reproduction, it should directly write down special reserve, debit "special reserve" and credit "bank deposit". The amount carried forward should be within the scope that the balance of "special reserve" is written down to zero.

According to the Ministry of Finance P.R China Zi [2015] No. 8 Notice on No More provision on the Standard of the Cost to Maintain Simple Reproduction of Metallurgic Mine issued by the Ministry of Finance on 27 April 2015, the Company since April 2015 no longer provided the simple maintenance cost. The surplus of such maintenance cost in previous years will be used continuously according to the original criterion till zero.

30.2 Safety Production Expenses

In accordance with CQ [2012] No. 16 notice of printing and distributing Management Methods for Provision and Using Safety Production Expenses, the safety expenses for domestic mining enterprises are provided as per RMB5/ton for raw ore of surface mine, RMB10/ton for raw ore of downhole mine and RMB1/ton as for tailing pond.

In accordance with CQ [2012] No. 16 notice of printing and distributing Management Methods for Provision and Using Safety Production Expenses, safety expenses of the metallurgy enterprises of the group located in China will be provided as per actual operating revenue in last year. The safety expenses will the provided month by month based on the following standards with excessive and accumulative withdrawal method:

(I) Provided 3% if the operating revenue does not exceed RMB10 million;

(II) Provided 1.5% if the operating revenue is RMB10 million to RMB0.1 billion;

(III) Provided 0.5% if the operating revenue is RMB0.1 billion to RMB1 billion;

(IV) Provided 0.2% if the operating revenue is RMB1 billion to RMB5 billion;

(V) Provided 0.1% if the operating revenue is RMB5 billion to RMB10 billion;

(VI) Provided 0.05% if the operating revenue exceeds RMB10 billion.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Other Significant Accounting Policies and Accounting Estimations (Continued)

30.2 Safety Production Expenses (Continued)

When safety expenses of the enterprises is provided as per the standards, debit "manufacturing expenses" and credit "special reserve.

When the safety protection equipment and facilities are purchased with safety production reserve within specified limit, it should debit "construction in progress" and credit "bank loans" based on the amount included into assets cost. The safe projects will be deemed as fixed assets upon completion and reaching the reserved serviceable condition; the special reserves will be written down as per the cost of fixed assets and the cumulative depreciation in the same amount will be confirmed; debit "special reserve" and credit "cumulative depreciation". The fixed asset will not withdraw depreciation later. But amount carried forward is within the limit of the balance of "special reserves" being offset to be zero.

When the safety production reserve is used to pay the expenses in safety production inspection, evaluating expenditure, safety skills training and emergency rescue drill, it should directly write down special reserves, debit "special reserves" and credit "bank loans". The amount carried forward should be within the scope that the balance of "special reserve" is written down to zero.

30.3 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale:

– The component represents either a separate major line of business or a geographical area of operations.

– The component is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

– The component is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

31. Critical judgements in applying accounting policies and key assumptions and uncertainties in the accounting estimates

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Critical judgements in applying accounting policies and key assumptions and uncertainties in the accounting estimates (Continued)

Key assumptions and uncertainties in accounting estimates

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods:

Estimate of mineral reserve

The estimate of mineral reserve is determined based on the materials formulated by the industrial experts or other judicial authorities. Use the method to determine the mineral reserve and other minerals and calculate depreciation and amortization expenses, evaluate impairment indicators and useful life of mine, and forecast the payment time of rehabilitation cost for forecasting to be closed or rehabilitate mine.

When evaluating the useful life of mine for the purpose of accounting, calculate the mineral resources with mining value. The estimate of mineral reserve will involve multiple uncertainties. Estimate the currently effective assumptions and material changes in actual data. The changes in market prices, exchange rate, production cost or recovery may change the current economic situation of reserve and cause revaluation of the reserve in the end.

The useful life of fixed assets

The management should judge the estimated useful life of fixed assets and their depreciations. The estimate should base on the experience in actual useful life of fixed assets and assume the government will update upon expiration of mining rights. In the face of fierce industrial competition, the scientific innovation and competitors will produce significance on the estimate of useful life. Where the actual useful life is different from the estimated useful life, the management should adjust the depreciation amount.

Non-current assets impairment other than financial assets

The Group assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the balance sheet date. Non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. For 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. Impairment exists if the carrying amount of an asset or asset group is higher than recoverable amount, 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 or asset group. The calculation of the fair value less costs of disposal is based on available data from the observable market prices less incremental costs for disposing of the asset. The management must estimate the future cash flows of the asset or a set of asset group and determine a suitable discount rate to calculate the estimation of the present value of estimated future cash flows.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Critical judgements in applying accounting policies and key assumptions and uncertainties in the accounting estimates (Continued)

Non-current assets impairment other than financial assets (Continued)

– *Impairment of mining rights*

At the impairment test of the Group's mining rights, including the mining rights of the Northparkes Copper-gold mine in Australia, Tenke Copper-Cobalt mine in Congo, the Molybdenum mine in East Gobi of Hami of Xinjiang, and the Cubitão Phosphate mine and Catalão Niobium mine in Brazil, the management of the Group uses the long-term forecast data of Copper price and Molybdenum price from domestic and overseas authoritative research institutions as the sales price estimates of future Copper and Molybdenum products, and uses the latest estimates of the management's mining plan and future capital expenditures as a basis. The current risk-free rate of return, the average social rate of return, and enterprise-specific risks are taken into full consideration for the discount rate. The estimated future recoverable amount of the mining assets is largely determined by the above estimates of future commodity prices, mining plans, future capital expenditure plans and discount rates. Future commodity price forecasts do not represent actual sales prices that can be realized in the future, and mining plans, future capital expenditure plans and discount rates will also change. As at 31 December 2017, the management of the Group considered that there was no impairment of the mining assets held by the Group. If the above forecast and estimates change in the subsequent period, the estimated recoverable amount of the Group's mining assets may change or be lower than the carrying amount of the above assets.

– *Impairment of goodwill*

The Group tests at least annually whether the goodwill is impaired. This requires an estimate of the present value of future cash flows of an asset group or portfolio of asset groups for which the goodwill is allocated. For the forecast of the present value of future cash flows, the Group needs to forecast the cash flows generated by future asset groups or portfolio of asset groups and select the appropriate discount rate to determine the present value of future cash flows.

Provision for decline in value of inventories

As described in Note (III). 12, inventories are measured at the lower of cost and net realizable value. Net realizable 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 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 amount of the aged inventory items with the respective net realizable 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.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Critical judgements in applying accounting policies and key assumptions and uncertainties in the accounting estimates (Continued)

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 amount of trade and other receivables and impairment loss may change.

Provision for closure, restoration, rehabilitation and environmental costs

Provision for 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 supplier 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

Deferred tax assets arise from the actual profits and temporary differences based on the actual tax rates utilized in the upcoming years. In cases where the actual future profits are less than the expected profits or the actual tax rates are lower than the expected tax rates, deferred tax assets recognized will be reversed and recognized in the consolidated profit and loss account for the period during which such reversals take place.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Critical judgements in applying accounting policies and key assumptions and uncertainties in the accounting estimates (Continued)

Deferred tax liabilities arising from acquisition of Brazil business

In the Group's acquisition of Brazil business not involving enterprises under common control in 2016, the identifiable net assets of the acquiree were measured at fair value on the acquisition date, and deferred tax liabilities were recognised according to the difference between the fair value of related assets at the date of acquisition and the tax base. According to the regulations of local tax law of Brazil, the taxable temporary differences can be reversed in the future if specific conditions are met, however as the conditions are met with significant uncertainty, the management of the Group recognize the amount of deferred tax liabilities of RMB1,463,144,598.20 (2016: RMB1,642,841,579.32). Once specific conditions are met in the future, the Group's deferred income tax liability might be reversed in the future to form one-off benifit.

Enterprise income tax

Since the operating environment for subsidiaries of the Group situated in the Brazil and Congo (DRC) is special, and the final tax decisions on certain transactions made by local tax authorities have uncertainties, relevant subsidiaries use significant accounting estimates in the provision for the enterprise income tax during the reporting period, and make provision for liabilities on estimated enterprise income tax matters based on whether or not more income tax should be paid. As a result of the uncertainties in the calculation of the final income tax expense imposed by certain transactions, the enterprise income tax expense accrued by the relevant subsidiaries during the reporting period is an objective estimate based on existing tax laws and other relevant tax policies.

Contingent liabilities

The Group will face a wide range of legal disputes in the course of continuing operations, and the results of the relevant disputes are highly uncertain.

When the economic benefits related to a particular legal dispute are considered to be extremely likely to flow out and measurable, the management of the Group will make corresponding provisions according to the professional legal advice. Except those contingent liabilities which are considered to be of extremely low possibility to result in outflow of economic benefits, the contingent liabilities of the Group are disclosed in Note V, 34 and Note XI. The management uses judgment to determine whether a provision shall be made for the relevant legal dispute or whether the dispute shall be disclosed as a contingent liability.

Fair value measurement

Part of the Group's book assets and liabilities is measured at fair value. In determining the fair value of the underlying assets and liabilities, the management of the Group will adopt the appropriate valuation method and the input value of the fair value measurement according to the nature of the underlying assets and liabilities. For the selection of input values, the Group will use observable market data wherever possible.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates

The Group started adopting the Accounting Standard for Business Enterprise No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations issued by Ministry of Finance ("MoF") in 2017, and the Accounting Standard for Business Enterprise No.16 – Government Grants revised by MoF in 2017 respectively since 28 May 2017 and 12 June 2017 respectively. Besides, the financial statements have been prepared under the Notice of the Revised Format of Financial Statements for General Business Enterprise (Cai Kuai (2017) No. 30, hereinafter referred to as the "Cai Kuai No.30 Document") released by the MoF on 25 December 2017.

Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations

Accounting Standard for Business Enterprise No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations specifies regulations for classifications and measurement of held-for-sale non-current assets or disposal group, requiring separately present profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the held-for-sale non-current assets or disposal group and discontinued operations. This standard requires retrospective approach for accounting treatment, which has no impact on the financial statements for the comparable years.

Government grants

Prior to the implementation of the Accounting Standard for Business Enterprise No.16 – Government Grants (revised), a government grant related to an assets of the Company is recognized as deferred income and evenly amortized to non-operating income over the useful life of the related assets. 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 included in non-operating income 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 non-operating income for the period.

After the implementation of the Accounting Standard for Business Enterprise No.16 – Government Grants (revised), a government grant related to an asset is recognized as deferred income or charged against the carrying amount of related assets, and included in profit or loss over the useful life of the related asset evenly. For a government grant related to an income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and included in profit or loss or charged against the related cost over the periods in which the related costs or losses are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss or charged against the related cost. A government grant related to the Group's daily activities is recognized in other income/charged against related cost and expense based on the nature of economic activities; a government grant is not related to the Group's daily activities is recognized in non-operating income and expenses.

The Company has accounted for the above change in accounting policy retrospectively. Such changes in accounting policy has no impact on the financial statements for the comparable years.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (Continued)

Presenting profit or loss from disposal of assets

Prior to the release of the Cai Kuai No. 30 Document, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal group, and gains or losses arising from disposal of fixed assets. Construction in progress and intangible assets not classified as held-for-sale are presented under the item of "non-operating income" or "non-operating expenses". After the release of the Cai Kuai No.30 Document, gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress and intangible assets not classified as held-for-sale are presented under the item of "income from disposal of assets". The Group has accounted for the above change in presenting accounts retrospectively, and adjusted comparable data for prior year.

These accounting policies changes have been adopted on the 13th session of the fourth board of directors and the 20th session of the fourth board of supervisors on 29 March 2018.

(IV) TAXATION

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Chinese VAT *(Note 1)*	The Company is an ordinary Value-Added Tax payer. Value-added Tax ("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 are exempt from VAT.
Chinese 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%.
Chinese resource tax	Raw ore production or sales volume of concentrate	6.5%, 11% collection on ad valorem basis *(Note 2)*
Chinese educational surtax and surcharge	Actual turnover tax	3%
Chinese regional educational surtax and surcharge	Actual turnover tax	2%
Australia goods and services tax ("GST")	Amount of the income from rendering of goods and services in Australia less the deductible purchase cost. It is not required to pay goods and services tax for export goods and the refund policy of goods and services tax is also applicable.	10% of the sales price of goods or services

(IV) TAXATION (CONTINUED)

1. Major categories of taxes and tax rates (Continued)

Category of tax	Basis of tax computation	Tax rate
Australia mining royalty	Royalty of mineral resources can be levied by volume or by price. If levied by volume, the royalty will be levied per the unit of exploited minerals. If levied by price, it will be levied per 4% of the total value or the sales price of exploited minerals.	4% ex-mine value
Australia mining royalty	Royalty of mineral resources can be levied by volume or by price. If levied by volume, the royalty will be levied per the unit of exploited minerals. If levied by price, it will be levied per 4% of the total value or the sales price of exploited minerals.	4% ex-mine value
Congo (DRC) VAT	VAT of the Democratic Republic of the Congo (“DRC”) is applicable to TFM.	The output VAT is calculated at 16% of the sales amount calculated in accordance with the relevant tax provisions.
Enterprise income tax	Taxable income: the amount of taxable income is computed on basis of adjusted pre-tax accounting profit of the period in accordance with the relevant provisions of the tax law multiplying by the statutory tax rate.	Note 3

Note 1: In accordance with the Cai Kuai [2016] No.22 Notice on the Accounting Provisions on Value Added Tax of the Ministry of Finance (hereinafter referred to as "Notice No. 22") issued by the Ministry of Finance on 3 December 2016, the account name "Business Taxes and Surcharges" is adjusted to be "Taxes and Surcharges" upon the full implementation of replacing business tax with value-added tax; this account is applied for the accounting of the consumption tax, city maintenance and construction tax, resource tax, education surcharge and property tax, land use tax, travel tax, stamp duty and other related taxes and fees incurred in operating activities of enterprises; "Business Taxes and Surcharges" in the income statement is adjusted to be " Taxes and Surcharges".

Note 2: Pursuant to the Notice on Implementation of the Reform of Resource Tax of Rare Earth, Tungsten and Molybdenum Featured by Price-based Tax Calculation and Collection (Cai Shui [2015] No. 52) issued by the Ministry of Finance and State Administration of Taxation, the implementation of calculation and collection of Molybdenum resources tax shall be changed from volume- based tax to price-based tax on and after 1 May 2015. The applicable rate of Tungsten resources tax is 6.5%. The applicable rate of Molybdenum resources tax is 11%.

(IV) TAXATION (CONTINUED)

1. Major categories of taxes and tax rates (Continued)

Note 3: Applicable income tax rate:

The applicable enterprise income tax rate for the Company and its domestic subsidiaries was 25%.

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

CMOC Mining Pty Limited and CMOC Mining Services Pty. Limited was incorporated in Australia, was subject to Income Tax levied at a rate of 30%.

CMOC Sales & Marketing Limited was incorporated in the United Kingdom, thus was subject to the applicable income tax rate of 20%.

Copebras Indústria Ltda, Niobras Mineração Ltda and CMOC BRASIL SERVICOS ADMINISTRATIVOS E PARTICIPACOES LTDA. are incorporated in Brazil, thus was subject to the income tax rate of 34%.

There's no enterprise income tax for the subsidiaries of the Group established in Bermuda and the British Cayman Islands.

TFM was incorporated in Congo (DRC) and was subject to the enterprise income tax rate of 30%.

2. Tax incentive and approval

On 10 May 2015, the Decision of the State Council on Cancelling Non-Administrative Licensing Approval Items cancelled the recognition process of enterprise of comprehensive utilization of resources. However, the company sold powdered Tungsten (scheelite concentrates) is still within the scope of catalogue of income tax preferential program of enterprise of comprehensive utilization of resources. Therefore, the Company still recognized 90% of sales of powdered Tungsten (scheelite concentrates) to taxable income during 1 January 2017 to 31 December 2017.

On 6 December 2017, the Company received a "high-tech enterprise certificate", No. GR201741000176, which was jointly issued by the Henan Science and Technology Department, Henan Finance Department, the State Taxation Bureau of Henan Province and Local Taxation Bureau of Henan Province. The issuance of the high-tech enterprise certificate is a re-recognition after the expiration of the previous certificate, of which the validity is from 1 January 2017 to 31 December 2019, and the applicable enterprise income rate during above period is 15%.

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Amount in foreign currency	Closing Amount Exchange rate	Amount in RMB	Amount in foreign currency	Closing Amount Exchange rate	Amount in RMB
Cash:	–	–	1,045,556.05	–	–	1,120,248.17
Renminbi (refers to "RMB")	–	–	190,155.07	–	–	241,182.11
US dollars (refers to "USD")	103,312.75	6.5342	675,064.47	–	–	–
BRL	63,000.00	1.9753	124,443.84	–	–	–
Australian dollars (refers to "AUD")	3,627.02	5.0967	18,485.75	6,191.76	5.0196	31,080.24
Congolese francs (refers to "CDF")	9,130,446.57	0.0041	37,406.92	142,411,260.00	0.0060	847,985.82
Bank deposits:	–	–	19,780,372,722.81	–	–	8,419,087,820.12
RMB	–	–	11,811,627,388.03	–	–	4,909,898,203.03
USD	1,116,376,289.75	6.5333	7,293,666,906.79	361,032,378.88	6.9419	2,506,260,967.94
Euro (refers to "EUR")	4,295,407.48	7.8300	33,632,850.65	25,822,116.64	7.2993	188,483,572.18
Hong Kong dollars (refers to "HKD")	12,789,199.49	0.8359	10,690,668.85	4,043,430.78	0.8947	3,617,803.93
Canadian dollars (refers to "CAD")	1,164,364.20	5.1903	6,043,439.72	1,159,557.67	5.1749	6,000,561.46
AUD	8,684,387.49	5.0967	44,261,509.29	6,119,592.71	5.0196	30,717,988.35
Brazilian Reals (refers to "BRL")	291,538,000.00	1.9753	575,866,867.44	213,819,400.00	2.1285	455,115,759.00
Pounds (refers to "GBP")	508,000.00	8.8153	4,478,168.21	20,000.00	8.6713	173,425.00
SGD	6,000.00	4.8876	29,325.49	–	–	–
CDF	18,452,376.40	0.0041	75,598.34	53,542,929,929.00	0.0060	318,819,539.23
Other cash and bank balances:			6,727,342,077.83			1,550,016,029.71
USD	77,049,795.57	6.5342	503,458,774.21	–	–	–
RMB	–	–	6,223,883,303.62	–	–	1,550,016,029.71
Total			26,508,760,356.69			9,970,224,098.00
Including: Total amount deposited abroad			7,541,449,764.27			3,364,292,961.68

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

1. Cash and bank balances (Continued)

At the end of the year, the Group's other cash and bank balances above include structural bank deposit and guarantee deposit, in which the structural bank deposit is of RMB4,700,000,000.00 (Opening balance: RMB400,000,000.00) and the guarantee deposit of bank acceptances is of RMB300,000,000.00 (Opening balance: RMB450,000,000.00), the loan guarantee deposit is of RMB1,701,421,274.21 (Opening balance: RMB630,000,000.00), the special deposit for mine environmental restoration and management is of RMB24,420,803.62 (Opening balance: RMB20,016,029.71), and other guarantee deposit is of RMB1,500,000.00 (Opening balance: RMB50,000,000.00).

The structural bank deposits are all within one year period and interest rate with 3.60% to 5.15%. The above-mentioned structural deposits cannot be withdrawn in advance in the deposit term.

2. Financial assets measured at fair value through profit or loss

Unit: RMB

Item	Closing Fair Value	Opening Fair Value
Forward foreign exchange contract *(note)*	–	55,599,027.64

Note: Gain or loss arising from changes in the fair value of the forward exchange contract not designated as hedging instrument are recognised in profit or loss immediately.

3. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	**1,579,021,877.20**	818,237,625.20
Commercial acceptances	**171,670,000.00**	132,624,000.00
Total	**1,750,691,877.20**	950,861,625.20

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

3. Notes receivable (Continued)

(2) At the end of the year, there's no notes receivable was used for pledge.

(3) Notes receivable endorsed or discounted by the Company but outstanding at the end of the period in the balance sheet

Unit: RMB

Category	Amount derecognized at the end of the year	Amount derecognized at the end of the prior year
Bank acceptance	**208,924,514.69**	814,706,228.07
Total	**208,924,514.69**	814,706,228.07

Note: Since major risks including the interest rate risks related to such bank acceptance as well as the remuneration have been substantially transferred to the bank or another party, the Group ceased to recognize discounted or endorsed bank acceptances. At the end of 2017, the group has no commercial acceptances discounted at year end which have not yet expired on the balance sheet date.

(4) As at the beginning and the end of the period, none of the Group's notes was transferred to accounts receivable due to the drawers' failure in performing the agreements.

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

4. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening Balance			
	Carrying balance		Bad debt provision		Carrying balance		Bad debt provision	
	Amount	Proportion *(%)*	Amount	Proportion *(%)*	Amount	Proportion *(%)*	Amount	Proportion *(%)*
Accounts receivable that are individually significant and for which bad debts are provided for individually	**496,427,199.46**	**22.65**	**33,180,005.20**	**6.68**	522,692,748.88	34.64	33,180,005.20	6.35
Accounts receivables for which bad debt are provided based on credit risk characteristics portfolio	**76,949,754.46**	**3.51**	**13,703,042.37**	**17.81**	66,660,098.05	4.42	13,897,318.33	20.85
Accounts receivable for which the bad debt provision has been made by specific identification method	**1,618,136,852.64**	**73.84**	**–**	**–**	919,531,676.42	60.94	–	–
Total	**2,191,513,806.56**	**100.00**	**46,883,047.57**	**2.14**	1,508,884,523.35	100.00	47,077,323.53	3.12

Explanations of categories of accounts receivable:

The accounts receivable with book value more than RMB5,000,000.00 of resources-related subsidiaries of the Group situated in the PRC and Australia are recognized as receivables that are individually significant and for which bad debt provision is individually assessed; bad debt provision for the accounts receivable that are not individually significant of the resources-related subsidiaries situated in the PRC and Australia is made in accordance with the combination of credit risk characteristics and bad debt provision for accounts receivable of resources-related subsidiaries situated in Brazil and Congo (DRC) is made by specific identification method.

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.

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

4. Accounts receivable (Continued)

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

Accounts receivable that are individually significant and for which bad debts are provided for individually at the end of the year:

Unit: RMB

Accounts receivable (by company)	Closing balance Accounts receivable	Bad debt reserve	Proportion (%)	Reason for proportion
Company A	8,459,253.13	4,229,626.57	50.00	There's a bad debt risk.
Company B	24,649,201.84	24,649,201.84	100.00	There's a bad debt risk.
Company C	16,323,321.04	4,301,176.79	26.35	There's a bad debt risk.
Total	49,431,776.01	33,180,005.20		

Accounts receivable for bad debt provision of portfolios using aging analysis:

Unit: RMB

Aging	Closing balance Accounts receivable	Bad debt reserve	Proportion (%)
Within 2 years	63,246,712.09	–	–
Over 2 years	13,703,042.37	13,703,042.37	100.00
Total	76,949,754.46	13,703,042.37	17.81

(2) Bad debt provision for the current period amounts to RMB2,624,204.85; and the collected or reversed bad debt reserve totals RMB2,818,480.81.

(3) There are no accounts receivable that are actually written off during the year.

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

4. Accounts receivable (Continued)

(4) Top five accounts receivable balances based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total account receivable *(%)*	Closing balance of bad debt Reserve
Company D	Third Party	938,306,505.03	42.82	–
Company E	Third Party	179,491,049.75	8.19	–
Company F	Third Party	148,638,992.26	6.78	–
Company G	Third Party	72,947,808.80	3.33	–
Company H	Third Party	56,871,939.42	2.60	–
Total		1,396,256,295.26	63.72	–

(5) The prices of the main products of the Group's subsidiaries, such as Copper and Cobalt hydroxide, are tentatively determined at the time of delivery. The temporary price is usually based on the monthly average spot price of Copper and Cobalt at the London Metal Exchange, and finalized one month later after delivery. As at 31 December 2017, the fair value of embedded derivative financial instruments included in accounts receivable was RMB283,152,000(2016: RMB137,859,000)

(6) Accounts receivable not involved in derecognition of the Group during the reporting period.

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

5. Prepayments

(1) Aging analysis of prepayments is as follows

Unit: RMB

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
Within 1 year	**105,379,230.59**	**95.29**	294,627,676.19	99.68
1 to 2 years	**4,410,477.31**	**3.99**	388,601.18	0.13
2 to 3 years	**244,722.57**	**0.22**	122,066.94	0.04
Above 3 years	**549,616.03**	**0.50**	433,748.85	0.15
Total	**110,584,046.50**	**100.00**	295,572,093.16	100.00

(2) Top five of prepayments balances based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the Total prepayments (%)
Company I	Third Party	15,063,291.26	13.62
Company J	Third Party	11,131,884.51	10.07
Company K	Third Party	10,422,115.58	9.42
Company L	Third Party	8,707,989.50	7.87
Company M	Third Party	8,000,000.00	7.23
Total		53,325,280.85	48.21

(3) For payments prepaid by the Group to related parties please refer to Note (X).6.

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

6. Interests receivable

Unit: RMB

Item	Closing balance	Opening balance
Time deposits interests	**235,881,558.07**	16,736,780.10
structured deposits interests	**420,821,500.64**	23,756,063.92
Total	**656,703,058.71**	40,492,844.02

7. Other receivables

(1) Other receivables disclosed by categories

Unit: RMB

Category	Closing balance				Opening Balance			
	Carrying balance		Bad debt provision		Carrying balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individual significant and for which bad debts are provided for individually	**43,751,269.88**	**5.34**	**16,722,670.13**	**38.22**	66,390,111.39	5.67	11,778,874.54	17.74
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	**47,240,198.09**	**5.76**	**13,125,476.43**	**27.78**	39,747,590.92	3.39	13,025,824.43	32.77
Other accounts receivables for which the bad debt provision has been made by specific identification method	**728,780,966.16**	**88.90**	**–**	**–**	1,065,706,314.89	90.94	–	–
Total	**819,772,434.13**	**100.00**	**29,848,146.56**	**3.64**	1,171,844,017.20	100.00	24,804,698.97	2.12

Explanations of categories of other receivables:

Other receivables with book value more than RMB5,000,000.00 of the resources-related subsidiaries of the Group situated in the PRC and Australia are recognized as other receivables that are individually significant and for which bad debt provision is individually assessed; bad debt provision for other receivables that are not individually significant of the resources-related subsidiaries situated in the PRC and Australia is made in accordance with the combination of credit risk characteristics and bad debt provision for other receivables of the resources-related subsidiaries situated in Brazil and Congo (DRC) is made by specific identification method.

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

7. Other receivables (Continued)

(1) Other receivables disclosed by categories (Continued)

Other receivables that are individually significant and for which bad debts are provided for individually at the end of the year:

Unit: RMB

Other receivables (by companies)	Closing balance Other receivables	Bad debt reserve	Proportion (%)	Reason for proportion
Company N	**16,722,670.13**	**16,722,670.13**	**100.00**	**Bad debt risk**

Other receivable for bad debt provision of portfolios using aging analysis:

Unit: RMB

Aging	Closing balance Other receivables	Bad debt reserve	Proportion (%)
Within 2 years	**34,114,721.66**	**–**	**–**
More than 2 years	**13,125,476.43**	**13,125,476.43**	**100.00**
Total	**47,240,198.09**	**13,125,476.43**	

(2) Bad debt provision made in the year was RMB8,460,987.07; Bad debt provision recovered or reversed in the year was RMB8,910.00.

(3) Bad debt provision written off by the Group in the reporting period was RMB3,408,629.48.

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

7. Other receivables (Continued)

(4) Other receivables presented by nature

Unit: RMB

Nature of other receivables	Closing carrying amount	Opening carrying amount
Deductible Brazil social contribution tax *(Note 1)*	**172,586,071.02**	105,879,431.00
Congo (DRC) VAT refunds receivable *(Note 2)*	**507,752,478.25**	626,972,997.00
Advanced compensation receivable	**–**	229,788,125.00
Acquisition consideration refunds receivable	**–**	71,277,675.00
Guarantee deposit	**10,653,389.22**	10,657,151.79
Refund of land-transferring fee receivable	**6,200,000.00**	7,000,000.00
Advanced transition bonus receivable *(Note 3)*	**15,763,077.94**	–
Others	**106,817,417.70**	120,268,637.41
Total	**819,772,434.13**	1,171,844,017.20

Note 1: See Note V. 18 Note 5 for details.

Note 2: The VAT refundable amount is generated from the export business of subsidiaries situated in the DRC. The entity has applied for tax refund from the government and is expected to receive the tax refund within one year.

Note 3: It is the bonuses for the management personnel in the transition period, paid by the Company on behalf of Freeport according to the agreement in acquisition of Congo (DRC) copper-cobalt business, which is expected to be collected within 1 year.

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

7. Other receivables (Continued)

(5) Top five other receivables balances based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Aging	Proportion of the amount to the total other receivables *(%)*	Closing balance of bad debt provision
Tax refund from DRC government	local tax authorities	507,752,478.25	Within 2 years	61.94	–
Federal government of Brazil	Third Party	172,586,071.02	Within 2 years	21.05	–
Company N	Third Party	16,722,670.13	More than 2 years	2.04	16,722,670.13
Freeport	Third Party	15,763,077.94	Within 2 years	1.92	–
Individual O	Third Party	10,175,210.53	More than 2 years	1.24	–
Total		722,999,507.87		88.19	–

(6) There are no other receivables concerning government grants in current period during the reporting time.

(7) Details of other receivables due from related parties refer to Note (X).6.

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

8. Inventories

(1) Categories of inventories

Unit: RMB

Category	Closing Balance			Opening Balance		
	Gross amount	Provision for decline in value of inventories	Carrying amount	Gross amount	Provision for decline in value of inventories	Carrying amount
Current:						
Raw materials	1,982,655,506.77	850,599.94	1,981,804,906.83	2,261,942,051.44	3,120,429.09	2,258,821,622.35
Work-in-progress	2,271,318,345.75	–	2,271,318,345.75	1,605,270,261.31	–	1,605,270,261.31
Finished goods	1,453,661,412.73	1,284,939.02	1,452,376,473.71	1,220,219,883.30	1,544,301.97	1,218,675,581.33
Subtotal	5,707,635,265.25	2,135,538.96	5,705,499,726.29	5,087,432,196.05	4,664,731.06	5,082,767,464.99
Non-current:						
Raw materials *(Note)*	4,333,265,851.84	23,552,051.93	4,309,713,799.91	4,248,549,279.23	21,198,546.67	4,227,350,732.56
Consumable biological assets	42,295,876.60	–	42,295,876.60	42,267,141.00	–	42,267,141.00
Subtotal	4,375,561,728.44	23,552,051.93	4,352,009,676.51	4,290,816,420.23	21,198,546.67	4,269,617,873.56
Total	10,083,196,993.69	25,687,590.89	10,057,509,402.80	9,378,248,616.28	25,863,277.73	9,352,385,338.55

Note: Non-current raw materials are minerals reserved by the Group for future production or sales, including:

The sulphide ore exploited and reserved in Australian Northparkes Copper and gold business. According to the estimation of the management, it is expected that these ore material reserves will not be sold before the end of 2024, the mining period of E48 mine shaft. Therefore, the amount is presented as non-current assets. In this year, according to the net realizable value is less than the cost, total RMB3,694,888.55 inventory provision are provided by the management.

Low-grade ores were produced from Tenke Copper-Cobalt mine in Congo, ore recovery process is further demanded in the future; the management estimates that these ores will not be ready for sales within one year, so it will be presented as non-current assets.

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

8. Inventories (Continued)

(2) Provision for decline in value of inventories

Unit: RMB

Categories of inventories	Opening Carrying amount	Increase in the current year	Decreasing in the current year		Translation differences arising on translation of financial statements denominated in foreign currencies	Closing Carrying amount
		Provision	Reversal	Write-off		
Raw materials	3,120,429.09	19,121,961.43	–	21,276,223.87	(115,566.71)	850,599.94
Finished goods	1,544,301.97	9,823,782.63	1,492,367.51	8,590,778.07	–	1,284,939.02
Subtotal	4,664,731.06	28,945,744.06	1,492,367.51	29,867,001.94	(115,566.71)	2,135,538.96
Non-current:						
Raw materials	21,198,546.67	3,694,888.55	–	–	(1,341,383.29)	23,552,051.93
Total	25,863,277.73	32,640,632.61	1,492,367.51	29,867,001.94	(1,456,950.00)	25,687,590.89

(3) Changes in consumable biological assets are set out below:

Unit: RMB

Item	Quantity	Opening balance	Increase in the year		Decrease in the year	Translation differences arising on translation of financial statements denominated in foreign currencies	Closing balance
			Purchase	Changes in fair value	Used		
Eucalyptus forest in Brazil	2968 hectares	42,267,141.00	107,769.60	4,391,611.20	1,347,120.00	(3,123,525.20)	42,295,876.60

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

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Wealth management products of banks	–	204,522,623.32
Other wealth management products by non-banking financial institutions *(Note 1)*	**801,402,575.34**	101,480,430.14
Loan receivables from third party *(Note 2)*	**199,165,000.00**	190,000,000.00
Prepayment of enterprise income tax	**42,079,191.88**	37,903,768.00
Prepayment of VAT	**96,563,472.34**	99,657,756.82
Amount receivable from Société Nationale d'Electricité *(Note 3)*	**97,382,258.05**	110,215,056.00
Accounts receivable from TFM minority shareholders *(Note 4)*	**109,488,939.47**	–
Others	**35,922,684.77**	54,812,921.48
Total	**1,382,004,121.85**	798,592,555.76

Note 1: Wealth management plans products by non-banking financial institutions purchased by the Group with principle protected and due within one year, the yields are between 5.24% and 6.50%. The management of the group considers that the difference between the fair value of the Company's interests in and risk exposures to these wealth management products as compared to their book value is not significant and account in accordance with available for sale debt instruments.

Note 2: It is the Group's pledged loan due from a third party. The loan period is 1 year and the agreed interest rate refers to loan interest rates for the same period issued by the People's Bank of China. The loan is pledged with the equity held by the third party in unlisted company.

Note 3: The amount receivable is due from Société Nationale d'Electricité (hereinafter referred to as "SNEL") which is provided by the subsidiary of the Group in DRC. According to the agreement, the amount will be settled by electricity bill when the company actually uses electricity. The current part is the portion expected to be settled in the next year. For the non-current part see Note (V) 18.

Note 4: It is Congo (DRC) subsidiary's accounts receivable from Gécamines. According to the agreement, the current portion is the Company's deductible consulting fees due to Gécamines within 1 year. Refer to Note (V), 18 for details of the non-current portion.

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

10. Available-for-sale financial assets

(1) Details of available-for-sale financial assets

Unit: RMB

Item	Closing balance Gross balance	Closing balance Provision for impairment	Closing balance Carrying value	Opening balance Gross balance	Opening balance Provision for impairment	Opening balance Carrying value
Available-for-sale equity	**3,246,899,715.97**	**–**	**3,246,899,715.97**	3,000,602,505.46	–	3,000,602,505.46
Measured at fair value	**2,826,030,474.37**	**–**	**2,826,030,474.37**	2,028,482,040.50	–	2,028,482,040.50
Measured at cost	**420,869,241.60**	**–**	**420,869,241.60**	972,120,464.96	–	972,120,464.96
Total	**3,246,899,715.97**	**–**	**3,246,899,715.97**	3,000,602,505.46	–	3,000,602,505.46

(2) Available-for-sale financial assets measured at fair value

Unit: RMB

Available-for-sale Financial Assets	Target Asset Management Plans *(Note 1)*	P Fund shares *(Note 2)*	Q Fund shares *(Note 2)*	R Company Equity *(Note 3)*	S Partnership shares *(Note4)*	T Partnership shares *(Note4)*	Total
Cost of equity instruments	1,763,468,867.81	60,204,417.36	48,839,700.00	100,000,000.00	420,000,000.00	460,204,882.00	2,852,717,867.17
Fair value	1,426,813,661.30	65,468,257.53	45,640,686.00	100,000,000.00	594,963,447.89	593,144,421.65	2,826,030,474.37
Changes of fair value included in other comprehensive income	52,716,841.42	8,046,992.31	–	–	174,963,447.89	132,939,539.65	368,666,821.27
Exchange differences arising on translation of financial statements denominated in foreign currencies accumulated in other comprehensive income	(98,222,251.71)	(2,783,152.14)	(3,199,014.00)	–	–	–	(104,204,417.85)
Amount of provision for impairment	291,149,796.22	–	–	–	–	–	291,149,796.22

Note 1: The target asset management plans are invested by the Group. At the end of the period, the assets management plan is measured based on fair value.

Note 2: Fund shares are held by the Group on a long-term basis. The Group has no control, joint control and significant impact on the relevant investment entities.

Note 3: Equity shares of listed companies is the shareholding in the publicly traded market measured subsequently at fair value by the Group.

Note 4: Partnership shares are the investments in partnerships of the Group measured subsequently at fair value by the Group.

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

10. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured as a cost

Unit: RMB

Unit Under Investment	Carrying amount: Beginning of the current period	Carrying amount: Increase in the current period	Carrying amount: Decrease in the current period	Carrying amount: Exchange differences arising on translation of financial statements denominated in foreign currencies	Carrying amount: At the end of the current period	Provision for impairment: Beginning of the current period	Provision for impairment: Increase in the current period	Provision for impairment: Decrease in the current period	Provision for impairment: At the end of the current period	Proportion of shareholding in the investee *(%)*	Cash dividends of the period
I Investments in unlisted companies *(Note 1)*											
equity U	400,000,000.00	–	–	–	400,000,000.00	–	–	–	–	5.30%	–
equity V	8,884,694.96	4,747,697.45	–	(592,196.41)	13,040,196.00	–	–	–	–	3.44%	–
equity W	4,186,260.00	3,920,520.00	–	(282,662.40)	7,824,117.60	–	–	–	–	2.31%	–
Subtotal	413,070,954.96	8,668,217.45	–	(874,858.81)	420,864,313.60	–	–	–	–	–	–
II Investments in partnership companies *(Note 2)*											
Equity investment of partnership entity X *(Note 3)*	50,000,000.00	–	(50,000,000.00)	–	–	–	–	–	–	N/A	–
Equity investment of partnership entity T *(Note 4)*	460,204,882.00	–	(460,204,882.00)	–	–	–	–	–	–	N/A	–
Equity investment of partnership entity Q *(Note 4)*	48,839,700.00	–	(48,839,700.00)	–	–	–	–	–	–	N/A	–
Total	559,044,582.00	–	(559,044,582.00)	–	–	–	–	–	–	–	
Others	4,928.00	–	–	–	4,928.00	–	–	–	–	–	–
Total	972,120,464.96	8,668,217.45	(559,044,582.00)	(874,858.81)	420,869,241.60	–	–	–	–	–	–

Note 1: Equity of unlisted companies invested by the Group; the Group does not control, hold under common control or have significant influence on relevant investees. For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, thus they shall be measured at cost.

Note 2: Equity of limited liability partnership companies invested by the Group, according to the agreements, the group participate the business as a limited partner. The Group does not control, hold under common control or have significant influence on relevant investees. At the end of the period, for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, thus they are measured at cost.

Note 3: It refers to the recovery of investment through disposal in the year.

Note 4: In 2017, due to the fair value of the relevant investment can be reliably measured, it was classified into the available-for-sale financial assets measured at fair value.

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

11. Long-term equity investments

Unit: RMB

Unit under investment balance	Notes	Opening balance	Changes increase/(decrease) Additional investment	Decreased investment	Investment income determined under Equity method	Adjustment To other comprehensive income	Other Changes in equities	Declared cash dividends Profits	Provision for impairment losses	Other	Closing balance	Closing balance of provision for impairment
I. Joint ventures												
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-Tech")	*Note 1*	88,762,283.32	–	–	(11,666,790.31)	–	–	–	–	–	77,095,493.01	–
Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu")	*Note 2*	1,031,793,428.90	–	–	(66,196,366.88)	–	–	–	–	–	965,597,062.02	–
Subtotal		1,120,555,712.22	–	–	(77,863,157.19)	–	–	–	–	–	1,042,692,555.03	–
II. Associates												
Luoyang Yulu Mining Co., Ltd. ("Yulu Mining")	*Note 3*	69,629,450.40	–	–	108,165,269.84	–	–	(85,300,000.00)	–	–	92,494,720.24	–
Caly Nanomoly Development, Inc. ("Nanomoly Development")	*Note 4*	–	–	–	–	–	–	–	–	–	–	–
Luoyang Shenyu Molybdenum Co., Ltd ("Luoyang Shenyu")	*Note 5*	1,314,112.19	–	–	(128,535.22)	–	–	–	–	–	1,185,576.97	–
Subtotal		70,943,562.59	–	–	108,036,734.62	–	–	(85,300,000.00)	–	–	93,680,297.21	–
Total		1,191,499,274.81	–	–	30,173,577.43	–	–	(85,300,000.00)	–	–	1,136,372,852.24	–

Note 1: The Company holds 50.25% equity in "High-Tech" and continues to control "High-Tech" with another shareholder according to the Articles of Association.

Note 2: Huan Yu, a joint venture of the Group, holds 90% of stake in Luoyang Fuchuan Mining Co., Ltd. ("Fuchuan"). Meanwhile, the Group holds indirectly by its subsidiary, Fu Kai, 10% of stake in Fuchuan. Therefore, the Group holds directly and indirectly by Huanyu 55% of stake in Fuchuan in total.

According to the agreement with local government, the local government is entitled to 8% of the dividend rights of Fuchuan. Thus, according to equity method, the Group actually holds 47% of the profit or loss of Fuchuan.

Note 3: According to the result of Yulu Mining's 2007 annual general meeting, both investors would share the net profit at the ratio of 1:1 since year 2008. Therefore, the Group holds 40% equity interest in Yulu Mining but recognizes investment income of 50% out of its net profit.

Note 4: The Group holds 40% of Nanomoly Development's equity and accounts investment therein based on equity method. In accordance with Articles of Association of Nanomoly Development, the Group do not assume any additional liabilities for additional loss. Up the end of the current period, the Group has decreased its investment in Nanomoly Development to zero.

Note 5: On 7 April 2016, the Company entered into a collaboration agreement with a third party, and the Company invested RMB1.5 million by way of intangible assets and the counterparty invested RMB8.5 million of cash to establish Luoyang Shenyu. Meanwhile, the Company appointed a director and a supervisor to Luoyang Shenyu.

There is no significant limits exist regarding cash transfer and investment income repatriation from these associates.

The entities invested by the Group are all unlisted entities.

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

12. Fixed assets

(1) Fixed assets

Unit: RMB

Item	Buildings and mining structures	Machinery equipment	Electronic equipment, fixture and furniture	Transportation device	Total
I. Total original carrying amount:					
1. Opening balance	11,475,753,057.58	19,347,519,662.60	195,630,680.53	156,158,994.71	31,175,062,395.42
2. Increase of amount in the current year	374,354,107.29	386,380,952.12	5,052,410.70	4,630,225.66	770,417,695.77
(1) Purchase	176,611,914.68	47,156,052.70	3,963,714.10	4,630,225.66	232,361,907.14
(2) Transferred from Construction in progress	197,742,192.61	339,224,899.42	1,088,696.60	–	538,055,788.63
3. Decrease of amount in the current year	6,920,835.88	95,546,590.86	1,916,757.10	3,861,359.37	108,245,543.21
(1) Disposal or scrap	6,920,835.88	95,546,590.86	1,916,757.10	3,861,359.37	108,245,543.21
4. Revaluation of reclamation and asset abandonment costs	434,472,026.40	–	–	–	434,472,026.40
5. Foreign currency exchange differences	(354,693,073.12)	(1,038,730,932.76)	–	–	(1,393,424,005.88)
6. Closing balance	11,922,965,282.27	18,599,623,091.10	198,766,334.13	156,927,861.00	30,878,282,568.50
II. Accumulated depreciation					
1. Opening balance	2,239,659,966.72	1,384,903,114.77	138,377,465.46	135,255,383.14	3,898,195,930.09
2. Increase of amount in the current year	1,027,804,017.07	1,865,834,655.02	12,776,678.48	2,781,770.14	2,909,197,120.71
(1) Provision	1,027,804,017.07	1,865,834,655.02	12,776,678.48	2,781,770.14	2,909,197,120.71
3. Decrease of amount in the current year	1,216,432.28	60,933,876.99	1,799,033.63	3,437,977.78	67,387,320.68
(1) Disposal or scrap	1,216,432.28	60,933,876.99	1,799,033.63	3,437,977.78	67,387,320.68
4. Foreign currency exchange differences	(23,206,683.85)	(94,589,363.22)	–	–	(117,796,047.07)
5. Closing balance	3,243,040,867.66	3,095,214,529.58	149,355,110.31	134,599,175.50	6,622,209,683.05
III. Provision for impairment					
1. Opening balance	–	3,945,202.39	–	–	3,945,202.39
2. Increase of amount in the current year	15,376,851.99	869,333.82	949,297.74	–	17,195,483.55
(1) Provision	15,376,851.99	869,333.82	949,297.74	–	17,195,483.55
(2) Transferred from Construction in progress	–	–	–	–	–
3. Decrease of amount in the current year	–	–	–	–	–
(1) Disposal or scrap	–	–	–	–	–
4. Foreign currency exchange differences	–	–	–	–	–
5. Closing balance	15,376,851.99	4,814,536.21	949,297.74	–	21,140,685.94
IV. Carrying amount					
1. Closing carrying amount	8,664,547,562.62	15,499,594,025.31	48,461,926.08	22,328,685.50	24,234,932,199.51
2. Opening carrying amount	9,236,093,090.86	17,958,671,345.44	57,253,215.07	20,903,611.57	27,272,921,262.94

As at the end of the year, no fixed asset is used as collateral.

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

12. Fixed assets (Continued)

(2) The temporary idle fixed assets

Unit: RMB

Item	Gross amount	Accumulated depreciation	Provision for impairment	Carrying amount
Closing balance:				
Machinery equipment	25,538,383.05	19,106,276.00	3,945,202.39	2,486,904.66

(3) At the end and the beginning of the year, the Group has no fixed assets leased under finance.

(4) At the end and the beginning of the year, the Group has no fixed assets leased out under operating.

(5) Details of the fixed assets without certificate of titles

Unit: RMB

Item	Carrying amount	The reason of not completing the certificate of title
High-pressure roller mill workshop	22,133,187.56	Completion settlement has been done and asset right dealing is in progress
High-pressure roller mill slope supporting	7,058,338.99	Completion settlement has been done and asset right dealing is in progress
Main extraction workshop	6,152,471.66	Completion settlement has been done and asset right dealing is in progress
Main decomposition workshop	6,050,817.18	Completion settlement has been done and asset right dealing is in progress
Main crystallization workshop	5,217,131.93	Completion settlement has been done, asset right dealing is in progress
Others	28,487,206.72	Completion settlement has been done and asset right dealing is in progress
Total	75,099,154.04	

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

13. Construction in progress

(1) Construction in progress status:

Unit: RMB

Item	Closing balance Gross amount	Closing balance Provision for impairment	Closing balance Net carrying amount	Opening balance Gross amount	Opening balance Provision for impairment	Opening balance Net carrying amount
Plant Tailings dam project of No.2 Ore	14,510,310.14	–	14,510,310.14	6,903,929.90	–	6,903,929.90
Tailings dam project of No. 3 Ore Processing	2,106,044.54	–	2,106,044.54	275,257.82	–	275,257.82
Gutterway tailing pond replacement project	–	–	–	14,250,735.63	–	14,250,735.63
Crushing system improvement project of No.3 dressing company	–	–	–	886,178.00	–	886,178.00
Eolybdenum mine project in East Gobi of Hami of Xinjiang	75,271,439.43	–	75,271,439.43	75,033,439.43	–	75,033,439.43
Northparkes E48 mine northern extension project	12,626,736.56	–	12,626,736.56	6,715,822.15	–	6,715,822.15
Northparkes E26 underground mine development project	3,417,140.20	–	3,417,140.20	1,352,888.01	–	1,352,888.01
Niobras tailing dam heightening project	110,800,530.69	–	110,800,530.69	76,295,900.80	–	76,295,900.80
Copebras phosphorus production plant maintenance project	73,017,888.03	–	73,017,888.03	–	–	–
Copebras phosphorus production process improvement projects	22,274,018.02	–	22,274,018.02	–	–	–
Niobras niobium production plant maintenance project	18,370,832.93	–	18,370,832.93	–	–	
–TFM filtering equipment upgrading project	41,093,687.76	–	41,093,687.76	2,902,178.30	–	2,902,178.30
TFM dehydration equipment installation project	21,076,352.55	–	21,076,352.55	–	–	–
TFM mining equipment purchase project	66,068,776.85	–	66,068,776.85	–	–	–
TFM No. 2 cobalt dryer improvement project	52,256,271.43	–	52,256,271.43	–	–	–
TFM mining zone railway construction project	21,502,258.69	–	21,502,258.69	7,806,500.51	–	7,806,500.51
TFM mining zone transportation road construction projects	23,358,695.94	–	23,358,695.94	–	–	–
TFM production process modeling and evaluation project	29,905,873.38	–	29,905,873.38	–	–	–
TFM IT system change project	25,039,150.78	–	25,039,150.78	–	–	–
Others	337,415,231.86	–	337,415,231.86	502,936,205.86	–	502,936,205.86
Total	950,111,239.78	–	950,111,239.78	695,359,036.41	–	695,359,036.41

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

13. Construction in progress (Continued)

(2) Significant change in construction in progress:

Unit: RMB

Name of project	Budget	Opening balance	Increase in the current year	Transfer to fixed assets	Other decreases	Foreign currency exchange differences	Closing balance	Amount incurred as a proportion of budget amount *(%)*	Accumulated capitalized interest	Including: interest capitalization for the year	Source of fund
Tailings dam project of No. 2 Ore Processing Plant	343,886,000.00	6,903,929.90	7,606,380.24	–	–	–	14,510,310.14	49	–	–	Funds in hand
Tailings dam project of No. 3 Ore Processing Plant	50,000,000.00	275,257.82	1,830,786.72	–	–	–	2,106,044.54	84	–	–	Funds in hand
Gutterway tailing pond replacement project	130,000,000.00	14,250,735.63	868,472.72	–	15,119,208.35	–	–	100	–	–	Funds in hand
Crushing system improvement project of No.3 dressing company	54,860,000.00	886,178.00	60,500,355.37	61,386,533.37	–	–	–	112	–	–	Funds in hand
Eolybdenum mine project in East Gobi	2,849,000,000.00	75,033,439.43	238,000.00	–	–	–	75,271,439.43	3	–	–	Funds in hand
Northparkes E48 mine northern extension project	174,399,159.01	6,715,822.15	19,744,636.47	13,578,665.29	–	(255,056.77)	12,626,736.56	100	–	–	Funds in hand
Northparkes E26 underground mine development project	173,153,515.39	1,352,888.01	4,996,687.86	2,854,131.22	–	(78,304.45)	3,417,140.20	84	–	–	Funds in hand
Niobras tailing dam heightening project	151,826,928.01	76,295,900.80	49,430,480.30	9,295,629.73	–	(5,630,220.68)	110,800,530.69	79	–	–	Funds in hand
Copebras phosphorus production plant maintenance project	78,229,844.18	–	77,007,683.79	34,625.16	–	(3,955,170.60)	73,017,888.03	95	–	–	Funds in hand
Copebras phosphorus production process improvement projects	22,443,031.70	–	23,542,128.21	–	–	(1,268,110.19)	22,274,018.02	102	–	–	Funds in hand
Niobras niobium production plant maintenance project	20,197,046.43	–	19,079,164.04	–	–	(708,331.11)	18,370,832.93	92	–	–	Funds in hand
TFM filtering equipment upgrading project	57,995,455.19	2,902,178.30	39,542,375.40	–	–	(1,350,865.94)	41,093,687.76	71	–	–	Funds in hand
TFM dehydration equipment installation project	49,071,842.00	–	21,725,977.20	–	–	(649,624.65)	21,076,352.55	43	–	–	Funds in hand
TFM mining equipment purchase project	70,692,777.97	–	68,105,177.89	–	–	(2,036,401.04)	66,068,776.85	93	–	–	Funds in hand
TFM No. 2 cobalt dryer improvement project	457,394,000.00	–	53,866,937.32	–	–	(1,610,665.89)	52,256,271.43	11	–	–	Funds in hand
TFM mining zone railway construction project	39,530,929.87	7,806,500.51	14,585,154.27	–	–	(889,396.09)	21,502,258.69	101	–	–	Funds in hand
TFM mining zone transportation road construction projects	235,231,200.00	–	24,078,667.99	–	–	(719,972.05)	23,358,695.94	10	–	–	Funds in hand
TFM production process optimization study	980,130,000.00	–	30,827,645.43	–	–	(921,772.05)	29,905,873.38	3	–	–	Funds in hand
TFM IT system change project	32,671,000.00	–	25,810,918.55	–	–	(771,767.77)	25,039,150.78	77	–	–	Funds in hand
Others	N/A	502,936,205.86	308,378,961.64	450,906,203.86	1,027,521.51	(21,966,210.27)	337,415,231.86	N/A	–	–	Funds in hand
Total		695,359,036.41	851,766,591.41	538,055,788.63	16,146,729.86	(42,811,869.55)	950,111,239.78		–	–	

No impairment losses have been provided for construction in progress as at 31 December 2017, as there is no indicator that construction in progress maybe impaired.

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

14. Intangible assets

Details of intangible assets

Unit: RMB

Item	Land use rights	Mining rights	Others	Total
I. Total original carrying amount:				
1. Opening balance	521,573,507.84	24,937,893,502.56	42,589,682.21	25,502,056,692.61
2. Increase for the current year	10,406,831.55	12,427,182.00	16,635,671.45	39,469,685.00
(1) Purchase	10,406,831.55	12,427,182.00	16,635,671.45	39,469,685.00
3. Decrease for the current year	–	2,445,022.80	7,745,940.00	10,190,962.80
(1) Disposal	–	2,445,022.80	7,745,940.00	10,190,962.80
4. Foreign currency exchange differences	–	(1,364,057,635.31)	(2,012,912.20)	(1,366,070,547.51)
5. Closing balance	531,980,339.39	23,583,818,026.45	49,466,501.46	24,165,264,867.30
II. Accumulated depreciation				
1. Opening balance	85,144,718.16	902,974,105.74	12,623,884.24	1,000,742,708.14
2. Increase for the current year	11,957,549.66	1,699,967,717.16	9,517,910.92	1,721,443,177.74
(1) Provision	11,957,549.66	1,699,967,717.16	9,517,910.92	1,721,443,177.74
3. Decrease for the current year	–	828,478.80	5,738,731.20	6,567,210.00
(1) Disposal or scrap	–	828,478.80	5,738,731.20	6,567,210.00
4. Foreign currency exchange differences	–	(86,172,801.57)	(362,746.99)	(86,535,548.56)
5. Closing balance	97,102,267.82	2,515,940,542.53	16,040,316.97	2,629,083,127.32
III. Provision for impairment				
1. Opening balance	–	–	–	–
2. Increase for the current year	–	–	–	–
3. Decrease for the current year	–	–	–	–
4. Foreign currency exchange differences	–	–	–	–
5. Closing balance	–	–	–	–
IV. Carrying amount				
1. Closing carrying amount	434,878,071.57	21,067,877,483.92	33,426,184.49	21,536,181,739.98
2. Opening carrying amount	436,428,789.68	24,034,919,396.82	29,965,797.97	24,501,313,984.47

At the end of the year, there is no land use rights nor mining rights used as collateral.

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.

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

15. Goodwill

(1) Original cost of goodwill

Unit: RMB

Investee	Opening balance	Translation differences arising on translation of financial statements denominated in foreign currencies	Closing balance
Brazil phosphorus business *(Note)*	892,326,161.92	(58,731,739.07)	833,594,422.85

Note: It represents the difference of the consideration paid for acquiring the phosphate business in Brazil and the fair value of identifiable net assets in respect of the acquisition on 1 October 2016.

(2) Provision for impairment losses of goodwill

Allocation of goodwill to cash generating units

The Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill has been allocated to cash-generating units. The carrying amount of goodwill as at 31 December 2017 allocated to the cash generating units is as follows:

Unit: RMB

	Cost	Translation differences arising on translation of financial statements denominated in foreign currencies	Provision for impairment	31 December 2017
Cash-generating unit – Brazil phosphorus business	850,671,685.12	(17,077,262.27)	–	833,594,422.85

The recoverable amount of the cash-generating unit of Brazil phosphate business of is determined according to the present value of the expected future cash flows. Future cash flows are determined based on the financial budget of the next five years approved by the management and based on the production life of available reserves and future mining plans, and discount rate of 10% is used. The inflation rate used to infer the cash flow from the asset group after 5 years is 2.3%. According to the characteristics of upstream mineral prices and costs, its impact by inflation is small, and the management believes that the forecast method is reasonable.

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

15. Goodwill (Continued)

(2) Provision for impairment losses of goodwill (Continued)

Allocation of goodwill to cash generating units (Continued)

The key assumptions for calculating the present value of future cash flows for the above asset group as at 31 December 2017 are as follows:

Key assumptions	Consideration of the management
Budget gross margin	On the basis of realizing the average gross margin in the year before the budget year, appropriately modify the average gross margin according to the changes in the expected efficiency and the fluctuation of metal market price.
Discount rate	The discount rate used is the pre-tax discount rate that reflects the specific risk of related the cash-generating unit.
Inflation of raw material price	Consider the expected price index for the operating environment in the budget year.

The data of key assumptions of the sales price, discount rate, raw material price inflation used in the above cash generating units are consistent with the external information.

According to the above impairment test, the management believes that the relevant goodwill has not been impaired.

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

16. Long-term deferred expenses

Unit: RMB

Item	Opening balance	Addition for the current year	Amortization for the current year	Closing balance
Relocation compensation *(Note 1)*	56,303,500.05	–	6,364,909.29	49,938,590.76
Geological Museum project *(Note 2)*	27,600,000.00	–	600,000.00	27,000,000.00
Others	31,343,874.56	16,281,323.98	8,374,403.03	39,250,795.51
Total	115,247,374.61	16,281,323.98	15,339,312.32	116,189,386.27

Note 1: The Company paid 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 Geological Museum for promoting the Company's product for 50 years from 1 January 2013.

17. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	**453,362,777.33**	**135,506,588.56**	428,839,167.49	127,392,908.14
Unutilised tax losses *(Note 1)*	**105,805,802.96**	**26,451,450.74**	671,577,371.39	174,116,831.85
Differences in inventory costs	**155,300,190.84**	**46,590,057.23**	177,263,473.33	53,179,042.00
Unrealized profit	**243,687,059.39**	**65,154,196.81**	148,767,658.29	40,190,534.84
Deferred government grant	**80,237,433.04**	**18,223,249.90**	87,628,025.61	20,032,325.76
Temporary differences on expenses	**2,671,065,038.42**	**772,356,394.53**	2,383,827,476.96	685,828,571.73
Losses on disposal of fixed assets without filling	**23,403,398.76**	**3,510,509.81**	23,403,398.76	3,510,509.81
Others	**320,424,298.09**	**110,074,646.78**	102,771,325.65	34,065,580.89
Total	**4,053,285,998.83**	**1,177,867,094.36**	4,024,077,897.48	1,138,316,305.02

Note 1: The actual amount of unutilised tax losses that the Group may eventually be deducted from the income tax in 2017 should be subject to final clearance of the local taxation authority

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

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

(2) Deferred tax liabilities before offsetting

Unit: RMB

	Closing balance		Opening balance	
Item	**Taxable temporary differences**	**Deferred tax liabilities**	Taxable temporary differences	Deferred tax liabilities
Accrued interest income	**667,824,863.18**	**100,173,729.50**	432,950,183.14	65,251,694.14
Differences in fixed assets tax basis	**11,431,593,666.67**	**3,445,166,329.84**	12,504,094,841.96	3,768,455,880.00
Profit or loss arising from fair value changes	**18,545,597.06**	**6,305,503.00**	51,821,233.59	11,572,212.69
Adjustment to the fair value of assets in business combination not involving enterprises under common control *(Note 3)*	**18,746,013,810.72**	**5,795,938,801.83**	22,265,894,393.20	6,653,594,496.07
Others	**424,341,002.10**	**129,174,156.75**	132,504,861.18	39,970,994.00
Total	**31,288,318,939.73**	**9,476,758,520.92**	35,387,265,513.07	10,538,845,276.90

Note 2: In the course of Brazil business combination not involving enterprises under common control in 2016, identifiable net assets of the acquiree was recorded at the fair value at the acquisition date, and deferred tax liability was recognised in accordance with the differences between the fair value and tax base of the related assets on the date of acquisition. According to the local tax law of Brazil, the above taxable temporary differences can be reversed after meeting certain conditions in the future. However, as the above conditions exist uncertainty, in accordance with the conservatism principle, the management has still recognised deferred tax liabilities amounting to RMB1,463,144,598.20 in 31 December 2017(2016: RMB1,642,841,579.32). If certain conditions are met in the future, the above deferred tax liabilities of the Group may be reversed in future to form one-time gain.

(3) Deferred tax assets or liabilities after offsetting

Unit: RMB

Item	**Closing set-off amount of deferred tax assets and deferred tax liabilities**	**Closing balance of deferred tax assets and deferred tax liabilities after offset**	**Opening balance of deferred tax assets and deferred tax liabilities after offset**	**Opening balance of deferred tax assets and deferred tax liabilities after offset**
Deferred tax assets	899,397,501.67	304,702,912.44	962,024,479.78	432,121,448.24
Deferred tax liabilities	899,397,501.67	8,603,594,339.00	962,024,479.78	9,832,650,420.12

The movement of deferred income tax assets of the year decreased RMB71,267,640.09 due to the decrease in the translation of financial statements denominated in foreign currencies. The movement of deferred income tax liabilities of the year decreased RMB525,989,423.58 due to the decrease in the translation of financial statements denominated in foreign currencies.

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

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

(4) Details of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Tax losses	**494,049,867.80**	68,178,683.63
Deductible temporary differences	**40,022,088.45**	717,843.48
Subtotal	**534,071,956.25**	68,896,527.11

Note: Due to the uncertainty in availability of sufficient taxable income in the future, deferred tax assets are not recognized.

(5) Tax losses, for which deferred tax assets are not recognised, will expire in the following years

Unit: RMB

Year	Closing balance	Opening balance
2017	–	4,245,802.40
2018	**50,325,007.38**	4,981,346.82
2019	**105,083,076.86**	7,193,683.64
2020	**139,352,425.13**	10,113,506.60
2021	**128,669,044.49**	41,644,344.17
2022	**70,620,313.94**	–
Subtotal	**494,049,867.80**	68,178,683.63

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

18. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Time deposit mature over 1 year and related interest receivable	–	1,418,649,288.83
Borrowings due from SNEL *(Note 1)*	**1,169,973,057.68**	1,224,352,752.00
Wealth management product due over 1 year *(Note 2)*	–	800,000,000.00
TFM prepayments for income tax	–	379,072,365.00
Structural deposit mature over 1 year *(Note 3)*	–	300,000,000.00
Amount due from TFM minority shareholders *(Note 4)*	**336,086,433.05**	290,299,576.00
Brazil deductible social contribution tax *(Note 5)*	**46,007,302.20**	106,184,659.00
Prepayments for water charges *(Note 6)*	**63,000,000.00**	63,000,000.00
Prepayments for farmland occupation tax *(Note 7)*	**29,709,022.42**	25,959,022.32
Prepayments for land *(Note 8)*	**8,659,900.00**	8,659,900.00
Land acquisition compensation due from government *(Note 9)*	**133,689,732.00**	143,595,900.00
Compensatory assets *(Note 10)*	**185,502,017.48**	196,937,267.80
Borrowings of Bohai Harvest	–	697,717,800.00
Litigation guarantee *(Note 11)*	**85,153,694.40**	75,439,875.00
Others	**19,672,613.80**	20,527,557.19
Total	**2,077,453,773.03**	5,750,395,963.14

Note 1: TFHL's loan due from SNEL. The applicable interest rate for the loan is determined by 1-year Libor interest rate plus 3%, which will be settled by electricity charges payable in the future.

Note 2: Wealth management product plan purchased by the Group from non-bank financial intermediaries in China, which will be matured in 2018, has been reclassified as other current assets at the end of the year. Refer to Note (V), 9 for details.

Note 3: Structural deposit of the Group deposited with a term of three years, which will be matured in April 2018，has been reclassified as cash and bank balances at the end of the year. Refer to Note (V), 1 for details.

Note 4: TFM's loans due from Gécamines. As at 31 December 2017, the principal due to TFM is USD53,125,454.61(equivalent to RMB347,132,345.51); the interest receivable is USD15,065,811.73(equivalent to RMB98,443,027.01) and the applicable interest rate for the loan is determined based on the 1-year Libor interest rate plus 6%, which will be charged against dividends and consulting expenses of Gécamines in the future. Therein, he principal amounting to USD16,756,288.37 (equivalent to RMB109,488,939.47) will be recovered within one year and accounted for as other current assets. Refer to Note (V), 9 for details.

Note 5: Brazil social contribution tax applicable to Niobras and Copebras, of which the tax base is the balance of income from the sales of goods and rendering of services in Brazil after deducting deductible cost. As it is not required to pay the social contribution tax and goods circulation tax for export goods, tax payment remains undeducted at the end of the year. The social contribution tax is levied by the Brazil's federal government, so the tax credit can be used to deduct the enterprise income tax levied by the federal government without expiry date. The portion of deductible balance within one year is accounted for as other receivables by the Group. See Note (V). 7 for details.

Note 6: Prepayments for water charges of Xinjiang Luomu Mining Co., Ltd (Xinjiang Luomu).

Note 7: The land occupation tax related to the land to be used in the future of the tailings owned by the mine.

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

18. Other non-current assets (Continued)

Note 8: The Group paid the land compensation and transfer payments in advance, and shall continue to handle the land transfer procedures after the relevant subsidiaries have resumed their production.

Note 9: Copebras holds the amount receivables from the state government of San Paulo, Brazil. Due to the local government suspended the payment of the remaining funds. Related issues are currently in the litigation stage, the management of the Group, based on the information and opinion of external lawyers, believe that the relevant funds can be recovered.

Note 10: Based on the agreement between the Group and Anglo American in the course of the acquisition of the Brazilian Niobium Phosphorus business, if Niobras and Copebras have incurred cash outflows in the course of the business due to tax-related contingencies, compensation will be provided by Anglo American. The Group recognized a liability for the Niobras and Copebras related contingencies at fair value (Note (V), 34), accordingly recognizes the right of relevant tax related compensation as an non – current assets.

Note 11: Niobras and Copebras have some disputes and litigation arising from some of the tax, labor and civil related legal proceedings in the course of business. Some of these proceedings require the submission of litigation collateral at the request of the court. The deposit is restricted for use and the interest is calculated at the Brazilian benchmark interest rate during this period. After the end of the litigation, according to the results, the company can call back the deposit or settle the litigation by the deposit.

19. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	–	806,773,100.00
Credit loan	**1,478,132,364.60**	3,565,660,377.73
Total	**1,478,132,364.60**	4,372,433,477.73

(2) At the end of this year, there were no outstanding short-term borrowings of the Group that were overdue

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

20. Financial liabilities measured at fair value through profit or loss

Unit: RMB

Item	Closing fair value	Opening fair value
1. Forward foreign exchange contract	–	23,772,676.40
2. Forward commodity contract and gold lease liabilities measured at fair value	**3,000,757,420.00**	2,752,065,250.00
3. Contingent consideration from the acquisition of copper-cobalt business in Congo (DRC) *(Note)*	**591,430,044.60**	45,603,838.00
Total	**3,592,187,464.60**	2,821,441,764.40

Note: On 17 November 2016, the Group completed acquisition of 56% of TFM equity held by Freeport. According to the terms of contingent consideration agreed in the acquisition agreement: if the monthly average delivery settlement price of LME Grade A copper is higher than USD3.50 per pound from 1 January 2018 to 31 December 2019, CMOC Limited shall pay PDK USD60 million no later than 10 January 2020. If the monthly average delivery settlement price of LME cobalt is higher than USD20 per pound within the 24 months from 1 January 2018 to 31 December 2019, CMOC Limited shall pay PDK USD60 million no later than 10 January 2020.

On 20 April 2017, the Group, through BHR controlled under the agreement, completed the acquisition of 24% of TFM's equity indirectly held by Lundin Mining Corporation. According to the agreement between both parties, Lundin enjoys the equal right to receive contingent consideration as Freeport does based on the transferred proportion of TFM's equity.

The Group recognizes the above contingent consideration as financial liabilities measured at fair value through profit or loss.

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

21. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	**23,955,000.00**	660,000,000.00
Total	**23,955,000.00**	660,000,000.00

22. Accounts payable

(1) Accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payables for purchase of goods	**853,338,766.90**	638,177,650.37
Others	**123,141,789.84**	103,330,622.93
Total	**976,480,556.74**	741,508,273.30

(2) Aging analysis on accounts payable is set out as follows:

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	**954,173,751.20**	727,540,195.38
1 to 2 years	**13,825,574.87**	4,172,608.83
Over 2 years	**8,481,230.67**	9,795,469.09
Total	**976,480,556.74**	741,508,273.30

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

23. Receipts in advance

(1) Details of receipts in advance are as follows

Unit: RMB

Item	Closing balance	Opening balance
Sales of goods	**127,796,251.75**	51,867,495.95
Total	**127,796,251.75**	51,867,495.95

(2) There is no material receipts in advance of which the aging is more than one year.

24. Employee benefits payable

(1) Details of employee benefits payable are as follows

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Foreign currency exchange differences	Closing
1. Short-term compensation	283,023,181.26	1,631,896,199.17	1,497,044,184.26	(18,280,993.80)	**399,594,202.37**
2. Retirement benefits-defined contribution plans	39,069,535.05	248,423,360.44	265,793,025.75	(8,200,978.85)	**13,498,890.89**
3. Others *(Note)*	32,729,436.53	11,322,961.42	7,351,953.67	(4,387,698.33)	**32,312,745.95**
Total	354,822,152.84	1,891,642,521.03	1,770,189,163.68	(30,869,670.98)	**445,405,839.21**

Note: It represents the liabilities related to annual leave and long service leave which are provided by Group's subsidiary in Australia to its employees and expected to be paid within 12 months.

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

24. Employee benefits payable (Continued)

(2) Details of short-term compensation are as follows

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Foreign currency exchange differences	Closing
I. Wages or salaries, bonuses, allowances and subsidies	272,017,533.26	1,531,132,231.46	1,396,749,153.96	(18,252,921.06)	**388,147,689.70**
II. Staff welfare	290,310.85	38,406,764.08	38,406,764.08	–	**290,310.85**
III. Social security contributions	59,973.62	27,587,266.35	26,709,762.46	(28,072.74)	**909,404.77**
Including: Medical insurance	34,256.69	22,439,980.18	21,550,796.43	(28,072.74)	**895,367.70**
Maternity insurance	2,606.98	1,251,751.37	1,253,514.78	–	**843.57**
Work injury insurance	23,109.95	3,895,534.80	3,905,451.25	–	**13,193.50**
IV. Housing funds	9,688.83	26,612,082.31	26,543,720.92	–	**78,050.22**
V. Termination benefits	–	–	–	–	**–**
VI. Labour union and staff education fund	10,645,674.70	8,157,854.97	8,634,782.84	–	**10,168,746.83**
Total	283,023,181.26	1,631,896,199.17	1,497,044,184.26	(18,280,993.80)	**399,594,202.37**

All the employee compensation payables are not overdue and not related to non-cash benefits, which will be expected to paid out in 2018.

(3) Retirement benefits – defined contribution plans

Unite: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Foreign currency exchange differences	Closing
1. Basis pension insurance	39,062,655.68	246,740,034.54	264,103,497.00	(8,200,978.85)	**13,498,214.37**
2. Unemployment insurance	6,879.37	1,683,325.90	1,689,528.75	–	**676.52**
Total	39,069,535.05	248,423,360.44	265,793,025.75	(8,200,978.85)	**13,498,890.89**

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

24. Employee benefits payable (Continued)

(3) Retirement benefits – defined contribution plans (Continued)

According to the pension and unemployment insurance plan set up by the government institutions or assigned with financial institutions, the Group monthly pay to the plan for the staff of according to a certain proportion of employee basic salary. Apart from the above monthly payment, the Group bear no longer further payment obligation. Corresponding expenses are recorded in the profits and losses of current period or the cost of the related assets.

The Group shall pay RMB246,740,034.54 and RMB1,683,325.90 (2016: RMB123,438,865.07 and RMB2,729,305.37) respectively to the pension insurance and unemployment insurance schemes in the year. As at 31 December 2017, there were RMB13,498,214.37 and RMB676.52 (31 December 2016: RMB39,062,655.68 and RMB6,879.37) of pension insurance and unemployment insurance outstanding but not paid. The related amounts have been paid subsequent to the reporting period ends.

25. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
PRC enterprise income tax	**(17,684,695.54)**	(57,579,903.16)
Australia enterprise income tax	**10,647,360.64**	5,888,644.75
Brazil enterprise income tax	**58,931,949.80**	23,171,515.42
Congo (DRC) enterprise income tax	**950,808,805.26**	–
Urban maintenance and construction tax	**(1,948,445.56)**	(2,490,186.83)
Value added tax	**10,959,940.78**	2,543,689.88
Resource tax	**52,221,418.95**	24,747,749.21
Price adjustment fund	**–**	9,725.08
Education surtax	**(1,779,452.79)**	(2,242,920.47)
Individual income tax	**49,539,041.58**	53,667,489.34
Others	**26,100,287.12**	10,145,439.07
Total	**1,137,796,210.24**	57,861,242.29

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

26. Interests Payable

Unit: RMB

Item	Closing balance	Opening balance
Interests on medium-term notes with periodic payments of interest and return of principal at maturity *(Note)*	**66,132,602.75**	107,006,027.41
Interests on bank borrowings	**153,672,947.19**	76,678,221.74
Total	**219,805,549.94**	183,684,249.15

Note: Details refer to Note (V).32.

27. Dividends payable

Unit: RMB

Name of entity	Closing balance	Opening balance
Luanchuan Taifeng Industry and Trading Co., Ltd. *(Note)*	**6,623,109.24**	6,623,109.24
Luanchuan Hongji Mining Co., Ltd. *(Note)*	**15,943,017.89**	15,943,017.89
Luanchuan Chengzhi Mining Co., Ltd. *(Note)*	**5,319,669.54**	5,319,669.54
Total	**27,885,796.67**	27,885,796.67

Note: Minority shareholders of subsidiaries of the Group.

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

28. Other payables

(1) Other payables shall be listed based on nature

Unit: RMB

Item	Closing balance	Opening balance
Government compensation	–	695,087,400.00
Project and equipment funds	**171,713,123.21**	192,190,462.62
Loyalties due to Gécamines *(Note 1)*	**42,090,109.74**	122,288,933.50
Service and transportation expenses	**139,010,173.46**	85,366,685.46
Electricity charge compensation due to SNEL *(Note 2)*	**65,342,000.00**	69,370,000.00
Production progress payment due to Gécamines *(Note 3)*	–	34,685,000.00
Deposits and advances	**35,204,707.85**	31,734,226.04
Service fees payable	**54,775,236.40**	28,062,001.22
Resource expenses payable	**23,084,747.89**	27,796,559.00
Land compensation	**8,369,753.98**	17,069,841.57
Resource tax	**1,123,882.40**	11,724,935.78
Others	**64,059,985.57**	101,399,769.93
Total	**604,773,720.50**	1,416,775,815.12

Note 1: Gécamines charge a monthly payment from TFM as loyalties for providing technical support and management consultant services. According to the mining rights agreement between TFM and the government of Congo (DRC), loyalties shall be calculated and paid at 2% of the adjusted sales income for the Group's business in Congo (DRC).

Note 2: TFM and SNEL had a dispute on the future fee of electricity, the management of TFM accrued the compensation based on the best estimation of the possible cash flow out in the future.

Note 3: According to the Mining Agreement entered into with Gécamines, Gécamines will charge TFM production progress fees. As at 31 December 2017, and there's no production progress fees that shall be paid within 1 year.

(2) Details of other payables due from related parties refer to Note (X).6.

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

29. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Payables for exploration right in Hami, Xinjiang	**10,000,000.00**	10,000,000.00
Deferred income to be released within one year *(Note (V).35)*	**7,417,144.28**	7,417,281.25
Long-term borrowings due within one year *(Note (V).31)*	**4,780,399,163.34**	567,080,088.80
Bonds payable due within one year *(Note (V).32)*	**–**	2,000,000,000.00
Total	**4,797,816,307.62**	2,584,497,370.05

30. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Acquisition transaction cost *(Note)*	**–**	114,893,082.82
Accrued expenses	**71,073,182.26**	94,004,105.64
Payable for Super short-term financing bonds	**–**	2,500,000,000.00
Total	**71,073,182.26**	2,708,897,188.46

Note: The acquisition transaction cost is professional fees incurred in transactions during the acquisition of the Brazil Niobium-Phosphorus business and the Congo (DRC) Copper-Cobalt business in 2016，and in 2017 has all been settled.

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

30. Other current liabilities (Continued)

Increase or decrease of short bonds payable：

Unit: RMB

Name	Par value	Issue date	Term	Issue amount	Opening balance	Issued In this period year	Accrued interest for the year	Interests paid during the year	Closing interest payable	Amortization of premium and discount	Payment in this period year	Ending balance
16 Luanchuan Molybdenum CP001	500,000,000.00	26 February 2016	1 year	500,000,000.00	500,000,000.00	–	2,570,136.96	15,943,561.64	–	–	500,000,000.00	–
16 Luanchuan Molybdenum SCP001	1,000,000,000.00	19 October 2016	270 days	1,000,000,000.00	1,000,000,000.00	–	16,182,789.82	22,191,780.82	–	–	1,000,000,000.00	–
16 Luanchuan Molybdenum SCP002	1,000,000,000.00	1 November 2016	270 days	1,000,000,000.00	1,000,000,000.00	–	18,756,164.38	24,115,068.49	–	–	1,000,000,000.00	–
Total	2,500,000,000.00			2,500,000,000.00	2,500,000,000.00	–	37,509,091.16	62,250,410.95	–	–	2,500,000,000.00	–

31. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings *(Note)*	**16,935,905,304.91**	17,972,067,402.29
Unsecured and non-guaranteed loans	**9,878,382,377.70**	5,971,892,626.00
Less: long-term borrowings due within one year *(Note (V).29)*	**4,780,399,163.34**	567,080,088.80
Total	**22,033,888,519.27**	23,376,879,939.49

Note: Borrowings obtained by the Group are through pledge of fixed deposits and equity of subsidiaries, including:

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

31. Long-term borrowings (Continued)

(1) Categories of long-term borrowings (Continued)

In September 2016, CMOC LUXEMBOURG S.À.R.L (hereinafter referred to as "CMOC LUXEMBOURG") and CMOC BRASIL SERVICOS ADMINISTRATIVOS E PARTICIPACOES LTDA (hereinafter referred to as "CMOC BRASIL"), the subsidiaries of the Group, obtained a total of USD900 million (equivalent RMB6.2 billion) acquisition syndicated loan for the payment of the consideration of acquisition of the Brazil Niobium-Phosphorus business, which will be repaid by the agreed installments during the period from 14 September 2018 to 14 September 2023, with interest rates range from 3-month USD libor + 1.8% to 3-month USD libor + 2.75%; the Group pledged the 100% equity interest in CMOC LUXEMBOURG to the Bank of China Luxembourg branch and provide a joint guarantee.

In November 2016, CMOC DRC LIMITED (hereinafter referred to as "CMOC DRC"), a subsidiary of the Group, obtained a total of US $1.59 billion (equivalent to RMB11 billion) acquisitions syndicated loan for the payment of the consideration of acquisition of the Congo Copper-Cobalt business, which will be repaid by the agreed installments during the period from 15 March 2018 to 15 November 2023, with interest rates range from 3-month USD libor + 1.7% to 3-month USD libor + 2.2%; the Group pledged the 100% equity interest in CMOC DRC to the bank and provide a joint guarantee.

On 6 April 2017, the Group's subsidiary BHR signed a syndicated credit loan agreement of a total loan commitment amount of USD690 million for the acquisition of 30% equity in TFHL. The syndicated loan will be repaid in instalments between 6 July 2019 and 6 April 2024 according to the agreement, and interest rate ranges from 3-month USD LIBOR plus 2.50% to 3-month USD LIBOR plus 2.64%.

(2) Analysis of long-term borrowings due over one year:

Unit: RMB

Expiration date	Closing balance	Opening balance
1 to 2 years	**4,681,724,845.18**	3,989,536,037.20
2 to 5 years	**7,647,569,834.09**	10,448,558,302.29
More than 5 years	**9,704,593,840.00**	8,938,785,600.00
Total	**22,033,888,519.27**	23,376,879,939.49

As at 31 December 2017, the annual interest rate for the above loans was 0.5153% to 4.5125% (31 December 2016: 0.9% to 4.5125%).

As at 31 December 2017, there is no outstanding long-term borrowing of the Group in due but not paid.

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

32. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium-term note	**2,000,000,000.00**	4,000,000,000.00
Less: Middle-term note due within 1 year	**–**	2,000,000,000.00
Total	**2,000,000,000.00**	2,000,000,000.00

(2) Changes in bonds payable

Unit: RMB

Name	Par value Issue date	Issue date	Term	Issue amount	Opening balance	Payment in this period year	Issued amount for the year	Accrued interest for the year	Interests paid during the year	Closing interest payable	Amortization of Premium and for discount	Exercise of convertible option during the year	Amount due within one year	Closing balance
12 CMOC MTN1 *(Note1)*	2,000,000,000.00	2 August 2012	5 years	2,000,000,000.00	2,000,000,000.00	2,000,000,000.00	–	57,926,575.36	98,800,000.00	–	–	–	–	–
16 Luanchuan Molybdenum MTN001 *(Note 2)*	2,000,000,000.00	17 March 2016	5 years	2,000,000,000.00	2,000,000,000.00	–	–	84,566,666.64	84,400,000.00	66,132,602.74	–	–	–	2,000,000,000.00
Total	4,000,000,000.00			4,000,000,000.00	4,000,000,000.00	2,000,000,000.00	–	142,493,242.00	183,200,000.00	66,132,602.74	–	–	–	2,000,000,000.00

Note 1: On 2 August 2012, the Company issued medium-term notes with a par value of RMB2 billion (refers to 12 CMOC MTN1) and the relevant bonds is permitted to trade and circulate on the National Inter-bank Bond Market. The proceeds from the issuance of the medium-term financing notes were used to supply the Company and its subsidiaries' working capital and repayment of bank borrowings. The annual interest rate of the medium-term notes is a fixed rate of 4.94% with a term of 5 years. The interest is paid once each year. The bonds has been paid on 3 August 2017.

Note 2: The Company issued medium-term notes with a total par value of RMB2 billion (refers to: 16 Luanchuan Molybdenum MTN001) on March 17, 2016; and the relevant bonds is permitted to trade and circulate on the National Inter-bank Bond Market. The proceeds from the issue of the medium-term financing bonds were used to supply the Company and its subsidiaries' working capital and repayment of bank borrowings. The annual interest rate of the medium-term notes is a fixed rate of 4.22% with a term of 5 years and the interest is paid once a year in the duration. See Note (V), 26 for the details of interest payable.

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

33. Long-term employee benefits payable

Unit: RMB

Item	Closing balance	Opening balance
Long service leave *(Note)*	**64,382,271.54**	43,278,727.15
Total	**64,382,271.54**	43,278,727.15

Note: It represents liabilities relating to annual leave and long service leave accrued for employees by overseas companies of the Group, in which the portion expected to be paid within 12 months is accounted for in employee benefits payable.

34. Provisions

Unit: RMB

Item	Closing balance	Opening balance
Rehabilitation and asset abandonment cost *(Note 1)*	**1,357,296,132.95**	948,036,274.99
Lawsuit *(Note 2)*	**682,983,334.48**	809,757,397.40
Others	**9,624,876.60**	–
Total	**2,049,904,344.03**	1,757,793,672.39

Note 1: The Group has the obligation of rehabilitation, environmental restoration and dismantling of related assets due to the environmental impact caused by mineral production and development activities. The management's best estimate of future economic benefits outflow generated from the above obligations is recognized as provision upon discounting. The above estimate is determined based on the industry practices and the current local laws and regulations, and significant changes in related laws and regulations may have a significant impact on the Group's estimate.

Note 2: The Group's Niobium-Phosphorus business in Brazil is facing with a series of local litigations and disputes related to tax matters, labors and other civil cases. When the relevant litigations are likely to lose and result in economic benefits outflow, the management of the Group estimate the amount of potential economic benefits outflow and make corresponding provisions.

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

35. Deferred income

Unit: RMB

Item	Closing balance	Opening balance
Refunds of land-transferring fees *(Note 1)*	**15,359,167.70**	15,744,753.50
R & D subsidies *(Note 2)*	**3,000,000.00**	3,000,000.00
Demonstration base project subsidies *(Note 2)*	**61,878,265.34**	68,883,272.11
Others	**70,189.60**	94,962.40
Less: Deferred income carried forward with 1 year	**7,417,144.28**	7,417,281.25
Total	**72,890,478.36**	80,305,706.76

Note 1: It represents the refunds of land-transferring fees received by the Group, which is included in deferred revenue, and amortized in the period of land use with the straight-line method.

Note 2: It represents the special funds for major science and technology of Henan Province, the special funds for mineral resources conservation and comprehensive utilization and the subsidies for the central mineral resources comprehensive utilization demonstration base received by the Group, which are to be used for the study of key technologies for molybdenum-tungsten dressing and deep processing, included in deferred income, and recognised as an other income in the future when related technology research costs are incurred.

Projects related to government grants：

Unit: RMB

Item	Opening balance	Increase in the year	Recorded in other income	Closing balance	Related to assets/ income *(Note)*
Deferred income-subsidies for low-grade scheelite demonstration project	68,883,272.11	–	7,005,006.77	61,878,265.34	Related to assets
Subsidies of the return of Nannihu land premium	15,744,753.50	–	385,585.80	15,359,167.70	Related to assets
Special funds for comprehensive utilization of 3,000 tons/day Molybdenum selection tailings	3,000,000.00	–	–	3,000,000.00	Related to assets
Subsidies for installation of heavy metal automatic monitoring facilities	94,962.40	–	24,772.80	70,189.60	Related to assets
Total	87,722,988.01	–	7,415,365.37	80,307,622.64	

Note: For the government grants to be received by the Company, it will be divided to asses-related government grants and income-related government grants according to the definition and requirements by the government. For those not clearly defined by the government documents, the Company will make judgment according to whether it can form assets or not.

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

36. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Principal, interest and others payable to a third party *(Note 1)*	**385,567,566.20**	369,588,638.84
Service fees payable to a third party	**59,826,606.06**	60,630,814.29
Production progress fees payable to Gécamines *(Note 2)*	**65,342,000.00**	69,370,000.00
Acquisition consideration payable to BHR shareholders *(Note (VII), 2)*	**3,071,074,000.00**	–
Others	**18,533,506.21**	15,261,400.01
Total	**3,600,343,678.47**	514,850,853.14

Note 1: The loan is from a third party with a term of ten years and an annual interest rate of 0.4% in 2016. And the Group measures the liability with actual interest rate. The amount of imputed interest discounts is recognized as deferred income.

Note 2: In accordance with the mining agreement entered into between the Group and Gécamines, Gécamines needs to charge TFM production progress fees. On 31 December 2017, the outstanding payment is USD10 million; according to TFM's production plan, the remaining amount is expected to be paid after 2020.

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

37. Share capital

As at 31 December 2017, the Company issued 21,599,240,583 shares, the par value of the Company's share is RMB0.2 per share, and the total capital stock is RMB4,319,848,116.60. The structures and types of share are shown as follow:

Unit: shares

	Opening balance	Changes for the year Issuing new shares	Bonus	Capitalisation of surplus reserve	Others	Subtotal	Closing balance
2017 :							
I. Shares restricted for trading							
1. Shareholding of state-own legal-person	–	–	–	–	–	–	–
2. Other domestic-owned shares	–	4,712,041,884	–	–	–	4,712,041,884	4,712,041,884
Total amount of shares restricted for trading	–	4,712,041,884	–	–	–	4,712,041,884	4,712,041,884
II. Trading shares	–	–	–	–	–	–	–
1. Ordinary shares denominated in RMB	12,953,730,699	–	–	–	–	–	12,953,730,699
2. Foreign-owned shares listed overseas	3,933,468,000	–	–	–	–	–	3,933,468,000
Total amount of unrestricted shares	16,887,198,699	–	–	–	–	–	16,887,198,699
III. Total amount of shares	16,887,198,699	4,712,041,884	–	–	–	4,712,041,884	21,599,240,583
2016 :							
I. Shares restricted for trading							
1. Shareholding of state-own legal-person	–	–	–	–	–	–	–
2. Other domestic-owned shares	–	–	–	–	–	–	–
Total amount of shares restricted for trading	–	–	–	–	–	–	–
II. Trading shares	–	–	–	–	–	–	–
1. Ordinary shares denominated in RMB	12,953,730,699	–	–	–	–	–	12,953,730,699
2. Foreign-owned shares listed overseas	3,933,468,000	–	–	–	–	–	3,933,468,000
Total amount of unrestricted shares	16,887,198,699	–	–	–	–	–	16,887,198,699
III. Total amount of shares	16,887,198,699	–	–	–	–	–	16,887,198,699

Note: On 24 July 2017, the Company privately placed 4,712,041,884 shares of RMB ordinary shares (A-share) to specific objects at a price of RMB3.82 per share with a par value of RMB0.20, and the total amount of funds raised was RMB17,999,999,996.88; after deducting the issuance expenses, the net of raised funds amounted to RMB17,858,632,663.30. After the issuance, the share capital of the Company increased from 16,887,198,699 shares to 21,599,240,583 shares. The restricted stock trade period for the new shares is 12 months.

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

38. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the year *(Note 1)*	Decrease in the year *(Note 2)*	Closing balance
2017:				
Capital premium	**10,720,306,602.38**	**16,916,224,286.50**	**53,735,905.65**	**27,582,794,983.23**
Including: Capital invested by investors	**10,718,184,562.38**	**16,916,224,286.50**	**53,735,905.65**	**27,580,672,943.23**
Other capital reserves	**2,122,040.00**	**–**	**–**	**2,122,040.00**
Total	**10,720,306,602.38**	**16,916,224,286.50**	**53,735,905.65**	**27,582,794,983.23**

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2016:				
Capital premium	10,720,306,602.38	–	–	10,720,306,602.38
Including: Capital invested by investors	10,718,184,562.38	–	–	10,718,184,562.38
Other capital reserves	2,122,040.00	–	–	2,122,040.00
Total	10,720,306,602.38	–	–	10,720,306,602.38

Note 1: Details please refer to Note (V), 37.

Note 2: Details please refer to Note (VII), 2.

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

39. Other comprehensive income

Unit: RMB

Item balance	Opening balance	Amount recognised in the current year: Actual amount before income tax in the year	Less: Amount Previously Included in other comprehensive income transferred into profit or loss	Less: income tax expense	After-tax Amount Attributable to Owners of the parent company	After-tax amount Attributable to minority shareholder	Ending balance
I. Other comprehensive income cannot reclassified into the profit or loss subsequently	–	–	–	–	–	–	**-**
Including: Changes in defined contribution plans	–	–	–	–	–	–	**-**
II. Other comprehensive income to be reclassified into the profit or loss subsequently	282,854,287.93	(1,024,042,650.91)	–	–	(521,671,890.87)	(502,370,760.04)	**(238,817,602.94)**
Including: Gains and losses from changes in fair value of available-for-sale financial assets	(3,711,727.44)	372,378,548.71	–	–	372,378,548.71	–	**368,666,821.27**
Exchange differences arising on translation of financial statements denominated in foreign currencies	286,566,015.37	(1,396,421,199.62)	–	–	(894,050,439.58)	(502,370,760.04)	**(607,484,424.21)**
Total of other comprehensive incomes	282,854,287.93	(1,024,042,650.91)	–	–	(521,671,890.87)	(502,370,760.04)	**(238,817,602.94)**

40. Special reserve

Unit: RMB

Item	**Opening balance**	**Increase in the year**	**Decrease in the year**	**Closing balance**
2017:				
Safety production expense	**8,570,089.43**	**122,559,476.97**	**123,403,655.61**	**7,725,910.79**
Total	**8,570,089.43**	**122,559,476.97**	**123,403,655.61**	**7,725,910.79**

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2016:				
Safety production expense	13,214,328.53	112,139,491.32	116,783,730.42	8,570,089.43
Maintenance fee *(Note)*	101,986,347.03	–	101,986,347.03	–
Total	115,200,675.56	112,139,491.32	218,770,077.45	8,570,089.43

Note: In accordance with the actual production and operation situation of the Company in 2015, and combining the Cai Zi [2015] No. 8 Notice on Cancellation of Cost Standards for Simple Reproduction Maintenance of Metallurgical Mines issued by the Ministry of Finance ("Maintenance fee"), the Company decided not to make provisions for maintenance fee, and all the remaining amount has been utilized in 2016.

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

41. Surplus reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2017:				
Statutory surplus reserve *(Note)*	**840,098,875.14**	**128,091,820.96**	**–**	**968,190,696.10**

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2016:				
Statutory surplus reserve *(Note)*	786,050,081.94	54,048,793.20	–	840,098,875.14

Note: In accordance with The Company Law of the PRC, the Company appropriated the statutory surplus reserve at 10% of the net profit of 2017, which amounts to RMB128,091,820.96 (2016:RMB54,048,793.20).

42. Retained profits

Unit: RMB

Item	Current year	Prior year
Retained profit at beginning of year	**3,508,788,628.94**	2,986,976,808.88
Add: Net profit attributable to shareholders of the parent company for the period	**2,727,796,169.73**	998,040,580.75
Less: Appropriation to statutory surplus reserve *(Note 1)*	**128,091,820.96**	54,048,793.20
Ordinary shares payable *(Note 2)*	**591,051,954.47**	422,179,967.49
Retained profit at ending of year	**5,517,441,023.24**	3,508,788,628.94

Note 1: See Note (V).41 for details.

Note 2: Cash dividend has been approved in shareholders' meeting of the year.

As resolved at the Company's 2016 annual general meeting on 14 April 2017, the Company distributed to all shareholders cash dividends of RMB0.035 per share, RMB591,051,954.47 in total (2016:RMB422,179,967.49).

Note 3: Profit distribution declared after the balance sheet date.

According to a proposal of the board of directors, on the basis of 21,599,240,583 issued shares (with the par value of RMB0.2 per share), dividends in cash of RMB0.076 per share (2016:RMB0.035) will be distributed to all the shareholders.

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

43. Operating income and operating costs

(1) Operating income

Unit: RMB

Item	Amount recognised in the current year Revenue	Amount recognised in the current year Costs	Amount recognised in the prior year Revenue	Amount recognised in the prior year Costs
Principal operating activities	**23,968,549,678.63**	**15,063,081,582.84**	6,797,289,351.39	4,504,295,025.22
Other operating activities	**179,008,085.47**	**148,859,473.32**	152,281,655.58	119,523,106.15
Total	**24,147,557,764.10**	**15,211,941,056.16**	6,949,571,006.97	4,623,818,131.37

(2) Principal operating activities (classified by products)

Unit: RMB

Name of product	Amount recognised in the current year Operating revenue	Amount recognised in the current year Operating costs	Amount recognised in the prior year Operating revenue	Amount recognised in the prior year Operating costs
Molybdenum, tungsten and related products	**3,772,287,274.74**	**1,819,355,167.19**	2,815,657,614.65	1,511,570,037.60
Niobium related products	**1,670,081,521.37**	**1,251,484,058.05**	410,653,115.36	306,579,395.96
Phosphorus related products	**2,834,185,561.20**	**2,462,084,175.50**	729,610,629.70	584,775,039.30
Copper, cobalt and related products	**13,844,637,480.60**	**8,302,165,519.84**	1,296,146,914.20	996,305,846.03
Copper, gold and relate products	**1,663,825,511.70**	**1,145,760,601.76**	1,381,203,392.40	1,013,663,409.49
Others	**183,532,329.02**	**82,232,060.50**	164,017,685.08	91,401,296.84
Total	**23,968,549,678.63**	**15,063,081,582.84**	6,797,289,351.39	4,504,295,025.22

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

44. Taxes and levies

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Basis of calculation
Business tax	–	1,320,695.98	*Note (IV)*
Urban maintenance and construction tax	**21,469,899.93**	15,369,301.85	*Note (IV)*
Education surcharge	**12,999,465.39**	9,281,340.06	*Note (IV)*
Resource tax	**216,027,160.28**	146,823,169.39	*Note (IV)*
Others	**93,831,297.23**	57,514,902.73	
Total	**344,327,822.83**	230,309,410.01	

45. Selling expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Salary, bonus and allowances	**26,489,852.09**	10,163,357.96
Transportation costs	**116,618,459.38**	54,533,730.56
Entertainment expenditures	**1,320,860.78**	1,221,282.19
Traveling expense	**4,192,316.11**	1,273,943.85
Market consulting fee	**46,264,907.59**	5,222,578.73
Tax	–	1,091,363.93
Others	**19,954,604.87**	17,113,128.33
Total	**214,841,000.82**	90,619,385.55

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

46. Administrative expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Salary, bonus and allowances	**399,920,355.66**	117,907,256.69
Depreciation and amortization	**62,040,131.73**	40,631,473.27
Consulting and agency fees	**399,781,032.74**	313,935,612.92
Entertainment expenditures	**20,355,164.32**	9,333,079.39
Technology development fees	**101,793,771.63**	109,001,290.10
Others	**175,203,564.65**	123,926,020.52
Total	**1,159,094,020.73**	714,734,732.89

47. Financial expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Interest expenses on bonds	**180,002,333.16**	203,559,581.20
Discount interest of notes receivables	**13,287,536.12**	30,381,678.47
Bank loans interest expenses	**1,082,931,091.41**	430,798,066.67
Total interest expenses:	**1,276,220,960.69**	664,739,326.34
Less: Interest income	**765,373,154.74**	452,742,920.56
Exchange differences	**389,913,901.81**	19,329,692.30
Gold lease charges	**121,559,742.96**	70,611,993.45
Returns paid to BHR shareholders *(refer to Note (VII), 2 for details)*	**158,391,378.72**	–
Others	**236,261,160.19**	105,730,284.78
Total	**1,416,973,989.63**	407,668,376.31

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

48. Asset impairment losses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Bad debt loss	**8,257,801.11**	28,651,800.99
Impairment loss of inventories	**31,148,265.10**	30,251,987.60
Impairment loss on fixed assets	**17,195,483.55**	1,193,936.69
Impairment loss on available-for-sale financial assets	**–**	291,757,534.75
Total	**56,601,549.76**	351,855,260.03

49. Gains (losses) from changes in fair values

Unit: RMB

Source resulting in gains (losses) from changes in fair values	Amount recognised in the current year	Amount recognised in the prior year
1. Gains (Loss) from the changes in the fair values of forward foreign exchange contract	**(31,826,351.24)**	51,131,410.27
2. Gains (Loss) from gold lease measured in fair value and changes in fair value of forward contract	**(15,636,470.00)**	(9,935,600.00)
3. Gains from changes in fair value of consumable biological assets	**4,391,611.20**	5,224,503.40
4. Loss on changes in fair value of the contingent consideration for the acquisition of Congo (DRC) copper-cobalt business *((Note (V), 20)*	**(428,694,671.16)**	–
Total	**(471,765,881.20)**	46,420,313.67

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

50. 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	**30,173,577.43**	7,210,716.74
Investment income from banks' wealth investment product	**2,308,688.30**	94,793,860.23
Investment income on disposal of available-for-sale financial assets	**121,636.46**	92,667,004.11
Investment income (loss) on disposal of financial instruments at fair value through profit or loss	**76,095,119.34**	(3,736,797.34)
Derivatives not designated as hedging instruments	**–**	(16,752,200.00)
Total	**108,699,021.53**	174,182,583.74

(2) Income (loss) 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 change between this year and last year
Yulu Mining	**108,165,269.84**	70,969,591.46	The changes in profits of the invested company
Luoyang Shenyu	**(128,535.22)**	(185,887.81)	The changes in profits of the invested company
High-Tech	**(11,666,790.31)**	(13,655,705.25)	The changes in profits of the invested company
Huan Yu	**(66,196,366.88)**	(49,917,281.66)	The changes in profits of the invested company
Total	**30,173,577.43**	7,210,716.74	The changes in profits of the invested company

There are no significant restrictions on remittance of investment income.

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

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

51. Other incomes

Unit: RMB

Item	2017	2016	Related to assets/profit
Special funds for the development of manufacturing industry	**3,360,000.00**	–	Related to profit
Subsidies for reclamation of the land in Longwangmian village	**1,426,249.03**	–	Related to profit
Government subsidies for stabilizing job posts	**1,657,181.00**	–	Related to profit
Nannihu land transfer compensation	**385,585.80**	–	Related to assets
Deferred income-subsidies for low-grade scheelite demonstration project	**7,005,006.77**	–	Related to assets
Others	**24,772.80**	–	Related to assets
Total	**13,858,795.40**	–	

52. 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
Government grants	**9,937,040.00**	25,748,779.11
Negative goodwill arising from business combination not under common control *(Note (VI), 1)*	**–**	430,908,350.60
Others	**29,108,996.11**	3,774,678.32
Total	**39,046,036.11**	460,431,808.03

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

52. Non-operating income (Continued)

(2) Details of major government grants

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Related to assets/ Related to profit
Special funds for foreign trade development	**6,596,500.00**	–	Related to profit
2016 direct debt financing subsidies	**1,554,000.00**	–	Related to profit
Special rewards received for financial industry development	**890,000.00**	–	Related to profit
Rewards for high-tech enterprises	**200,000.00**	–	Related to profit
Special subsidies for the development of import and export enterprises	**200,000.00**	–	Related to profit
Deferred income-subsidies for low-grade scheelite demonstration project	**–**	1,171,234.66	Related to assets
Subsidy of the return of Nannihu land premium	**–**	385,585.80	Related to assets
Subsidy of the return of the DongLin premium	**–**	–	Related to assets
Subsidies of foreign investment	**–**	6,000,000.00	Related to profit
Fund support for enterprise technology center R & D platform	**–**	1,000,000.00	Related to profit
Financial subsidies for Luanchuan County 2015 annual preferential industry and mining	**–**	14,759,809.85	Related to profit
Special funds for mineral resources conservation and comprehensive utilization	**–**	–	Related to profit
Others	**496,540.00**	2,432,148.80	
Total	**9,937,040.00**	25,748,779.11	

53. Non-operating expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
External donations	**29,235,336.57**	21,906,318.90
The losses of debt restructuring	**48,000.00**	499,687.98
Others	**5,024,724.73**	4,823,737.96
Total	**34,308,061.30**	27,229,744.84

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

54. Income tax expenses

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	**2,302,934,954.05**	214,865,562.05
Differences arising on settlement of income tax for the previous year	**(12,353,243.77)**	(35,000,951.71)
Adjustments to deferred income tax	**(504,380,481.65)**	(8,961,755.04)
Total	**1,786,201,228.63**	170,902,855.30

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

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Accounting profit	**5,381,816,656.45**	1,190,141,289.50
Income tax expenses calculated at 15% (2016:15%)	**807,272,498.48**	178,521,193.43
Tax impact of non-deductible expense	**270,047,096.10**	63,186,128.30
Tax impact of tax free income/extra deductible expense	**(156,822,442.75)**	(30,576,347.31)
Tax impact of negative goodwill arising from business combination not under common control *(Note VI)*	**–**	(63,203,099.46)
Tax impact of unrecognised deductible loss and deductible difference	**78,189,443.33**	6,112,982.94
Capital interest deductible before tax *(Note 1)*	**(4,486,490.63)**	(8,431,651.68)
Impact of different tax rate in subsidiaries in other jurisdictions	**804,354,367.87**	60,294,600.79
Difference arising on settlement of income tax for the previous years	**(12,353,243.77)**	(35,000,951.71)
Total	**1,786,201,228.63**	170,902,855.30

Note 1: According to the local tax law of Brazil, enterprises can pay capital interest to their shareholders on a yearly basis, which can be deductible before tax, and the amount of interest is calculated based on the local long-term deposit rate of Brazil. The tax preferential policy is applicable to the Group's subsidiaries in Brazil.

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

55. Calculation process of basic earnings per share and diluted earnings per share

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

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Net profit attributable to ordinary shareholders for the current year	**2,727,796,169.73**	998,040,580.75

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

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Number of ordinary shares issued at the beginning of year	**16,887,198,699.00**	16,887,198,699.00
Add: Weighted average number of ordinary shares issued during the year	**2,159,685,863.50**	–
Weighted average number of ordinary shares issued at the end of year	**19,046,884,562.50**	16,887,198,699.00

Earnings per share：

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	**0.14**	0.06
Diluted earnings per share	**N/A**	N/A

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

56. Notes to the cash flow statement

(1) *Other cash received relating to operating activities*

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Receipts of interest income	**609,325,607.81**	360,452,165.98
Receipts of government grants	**16,380,470.03**	52,278,092.63
Others	**29,108,996.11**	11,925,544.62
Total	**654,815,073.95**	424,655,803.23

(2) *Other cash payments relating to operating activities*

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Payments for consulting fee, technology development fee and transportation fee, etc.	**916,950,547.01**	266,367,404.03
Payments of donations and penalty, etc.	**22,541,000.00**	21,906,318.90
Payments of bank charges and consulting fees	**139,093,963.34**	52,265,407.22
Others	**195,116,866.09**	56,239,740.69
Total	**1,273,702,376.44**	396,778,870.84

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

56. Notes to the cash flow statement (Continued)

(3) *Cash receipts from disposals and recovery of investments*

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash receipts from withdrawal of bank structured deposits and wealth investment products of other financial institutions	**1,953,812,919.34**	3,020,975,000.00
Cash receipts from withdrawal of investment in available-for sale financial assets	**49,000,000.00**	314,953,536.55
Total	**2,002,812,919.34**	3,335,928,536.55

(4) *Cash payments to acquire investments*

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash payment of purchasing bank structured deposits and wealth investment products of other financial institutions	**4,809,363,548.12**	700,000,000.00
Cash payment of purchasing available-for-sale financial assets	**24,924,065.65**	715,661,774.43
Capital injection in joint venture	**–**	531,163.62
Total	**4,834,287,613.77**	1,416,192,938.05

(5) *Other cash payments relating to investing activities*

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash payment for loans to third party	**–**	787,717,800.00
Cash payment for loans to minority shareholders	**216,703,582.18**	–
Payment for transaction costs relating to acquisition	**114,893,082.82**	121,246,708.15
Total	**331,596,665.00**	908,964,508.15

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

56. Notes to the cash flow statement (Continued)

(6) Other cash receipts relating to financing activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash receipts from gold lease business	**1,485,196,100.00**	2,657,694,450.00
Cash receipts from borrowings of third party	**–**	369,588,638.84
Total	**1,485,196,100.00**	3,027,283,088.84

(7) Other cash payments relating to financing activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash paid for gold leasing business	**1,252,140,400.00**	1,414,084,400.00
Commission charge related to gold leasing business and guarantee fees related to loans	**115,773,372.12**	52,859,234.92
Borrowing guarantee deposit and arrangement fee	**40,757,888.98**	703,844,295.86
Fixed remuneration paid to BHR shareholders	**158,391,378.72**	–
Acquisition of minority interests in the scope of consolidation *(Note(VII), 2)*	**7,778,979,755.24**	–
Total	**9,346,042,795.06**	2,170,787,930.78

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

57. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	**3,595,615,427.82**	1,019,238,434.20
Add: Provision for impairment losses of assets	**56,601,549.76**	351,855,260.03
Depreciation of fixed assets	**2,909,197,120.71**	849,669,426.59
Intangible asset amortization	**1,721,443,177.74**	310,442,825.66
Amortisation of long-term deferred expenses	**15,339,312.32**	12,160,644.64
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	**17,491,578.26**	(5,770,618.09)
Losses (gains) on changes in fair values	**471,765,881.20**	(46,420,313.67)
Financial expenses	**1,647,814,579.44**	809,518,440.05
Gains arising from investments	**(108,699,021.53)**	(174,182,583.74)
Increase in deferred tax assets	**(504,380,481.65)**	(8,961,755.04)
Decrease in inventories (increase is filled in column with "-")	**(1,087,660,618.33)**	75,367,539.54
Decrease in receivables from operating activities (increase is filled in column with "-")	**(710,844,286.45)**	(552,911,412.77)
Increase in payables from operating activities (decrease is filled in column with "-")	**263,387,252.31**	416,873,943.60
Amortisation of deferred income	**(7,415,365.37)**	(25,748,779.11)
Increase in special reserve (decrease is filled in column with "-")	**(844,178.64)**	(106,630,586.13)
Decrease in restricted bank deposits (increase is filled in column with "-")	**150,000,000.00**	(9,674,029.71)
Net cash flow from operating activities	**8,428,811,927.59**	2,914,826,436.05
2. Significant investing and financing activities that do not involving cash:		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	**19,781,418,278.86**	8,420,208,068.29
Less: Opening balance of cash	**8,420,208,068.29**	8,982,162,302.30
Add: Closing balance of cash equivalents	**–**	–
Less: Opening balance of cash equivalents	**–**	–
Net increase (decrease) in cash and cash equivalents	**11,361,210,210.57**	(561,954,234.01)

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

57. Supplementary information to the cash flow statement (Continued)

(2) Constitution of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
1. Cash	**19,781,418,278.86**	8,420,208,068.29
Including: Cash on hand	**1,045,556.05**	1,120,248.17
Bank deposits always available for payment	**19,780,372,722.81**	8,419,087,820.12
Other monetary funds always available for payment	**–**	–
2. Cash equivalents	**–**	–
3. Closing balance of cash and cash equivalents	**19,781,418,278.86**	8,420,208,068.29

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries within the Group and cash and bank balances due over 3 months.

58. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing balance denominated in foreign currency	Exchange rate	Closing balance of foreign currency translated into RMB
Monetary assets			
Including: RMB	1,810,197.11	1.0000	1,810,197.15
USD	23,442,347.54	6.5525	153,604,857.39
EUR	4,295,407.48	7.8300	33,632,850.64
HKD	4,353,119.70	0.8359	3,638,865.39
CAD	1,164,364.20	5.1903	6,043,439.72
AUD	8,688,014.51	5.0967	44,279,995.04
BRL	58,885,312.80	1.9753	116,314,515.01
GBP	508,000.00	8.8153	4,478,168.21
CDF	18,452,376.40	0.0041	75,598.34
Non-current liabilities due within one year			
Including: EUR	231,000,000.00	7.8247	1,807,517,243.34

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

58. Foreign currency monetary items (Continued)

(2) Functional currency for significant overseas operations

Name of subsidiaries	The main operating location abroad	Functional currency	Basis of choice
Copebras Indústria Ltda.	Brazil	BRL	According to the primary economic environment
Niobras Mineração Ltda.	Brazil	USD	According to the primary economic environment
COMC Brazil	Brazil	USD	According to the primary economic environment
COMC Luxembourg	Luxembourg	USD	According to the primary economic environment
CMOC Mining Pty Limited	Australia	USD	According to the primary economic environment
CMOC Mining Services Pty. Limited	Australia	USD	According to the primary economic environment
CMOC International DRC Holdings Limited	Bermuda	USD	According to the primary economic environment
TF Holdings Limited	Bermuda	USD	According to the primary economic environment
Tenke Fungurume Mining S.A.	DRC	USD	According to the primary economic environment
Purveyors South Africa Mine Services CMOC	Republic of South Africa	USD	According to the primary economic environment

(VI) CHANGE OF CONSOLIDATION SCOPE

1. Business combination not involving enterprises under common control

(1) Business combination not involving enterprises under common control in 2016

There are business combination occurrence as follows in 2016 for the Group:

Unit: RMB

Acquiree	Date of equity and business acquisition	Cost on equity acquisition	Percentage of equity acquired *(%)*	Acquisition Method	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period	Net cash flow relating to operating activities of the acquiree from the acquisition date to the end of the period
Phosphorus business in Brazil *(Note 1)*	1 October 2016	5,332,430,410.52	100%	By cash	Transfer of control	729,610,629.70	81,658,048.00	64,037,100.80
Niobium business in Brazil *(Note 1)*	1 October 2016	5,861,151,705.88	100%	By cash	Transfer of control	410,653,115.36	37,283,345.60	99,071,844.39
Copper-Cobalt business in Congo (DRC) *(Note 2)*	17 November 2016	18,145,980,868.63	100%	By cash	Transfer of control	1,296,146,914.20	85,080,872.00	392,840,349.29

Note 1: On 1 October 2016, the Group completed the acquisition of the Brazil Niobium-phosphorus business from Anglo American. The total consideration for the acquisition is USD1,676,238,000, equivalent to RMB11,193,582,116.40, based on the consideration and price adjustment terms agreed upon in the acquisition agreement.

Note 2: On 17 November 2016, the Group completed the acquisition of Congo (DRC) Copper-Cobalt business of Freeport, with the actual consideration of USD2,641,643,986, equivalent to RMB18,145,980,868.63, meanwhile the contingent consideration agreed by both parties in the acquisition agreement: if the average monthly delivery price of the London Metal Exchange ("LME") Class A Copper spot is higher than USD3.50 per pound in the 24 months from 1 January 2018 to 31 December 2019, CMOC Limited shall pay USD60 million to PDK no later than 10 January 2020. If the average monthly delivery price of LME Cobalt spot is higher than USD20.00 per pound, CMOC Limited shall pay USD60 million to PDK no later than 10 January 2020. Therefore, the contingent consideration at the acquisition date is recorded at the fair value and recognized as a financial liability at FVTPL (Note (V), 20).

(2) Purchase price allocation

According to the "Accounting Standards for Business Enterprises No. 20-Business Combination, as described in Note (III), 5, the Group accounted for the acquisition of Brazil phosphorus and niobium businesses in the financial report for the year of 2016 at a provisional value. During the year, the Group used the retrospective adjustment method to account for the temporarily determined value based on the updated information obtained within 12 months after the purchase date. Refer the following list for the effect on the adjusted financial statements.

(VI) CHANGE OF CONSOLIDATION SCOPE (CONTINUED)

1. Business combination not involving enterprises under common control (Continued)

(2) Purchase price allocation (Continued)

	Phosphorus business in Brazil		Niobium business in Brazil		Copper-cobalt business in Congo (DRC)	
	Acquisition date Book value	Acquisition date Fair value	Acquisition date Book value	Acquisition date fair value	Acquisition date Book value	Acquisition date fair value
Cash and bank balances	265,662,917.40	265,662,917.40	698,157,312.20	698,157,312.20	522,079,574.05	522,079,574.05
Accounts receivable	461,349,168.60	461,349,168.60	143,899,912.20	143,899,912.20	386,358,154.00	386,358,154.00
Other receivables	58,203,704.80	58,203,704.80	1,689,483.40	1,689,483.40	866,223,293.00	866,223,293.00
Inventories	455,993,573.00	455,993,573.00	422,457,661.40	422,457,661.40	7,528,086,794.80	7,528,086,794.80
Prepayments	–	–	–	–	100,990,772.32	100,990,772.32
Other current assets	–	–	16,146,920.40	16,146,920.40	–	–
Fixed assets	1,047,506,419.20	2,067,153,056.80	3,307,360,750.60	3,160,602,740.00	15,425,668,544.52	16,803,551,564.24
Construction in progress	154,998,415.80	154,998,415.80	288,554,415.80	288,554,415.80	484,182,431.20	484,182,431.20
Intangible assets	12,247,085.20	3,315,814,845.40	919,720,038.40	1,511,021,084.03	346,832,777.20	15,508,215,034.00
Deferred tax assets	–	–	65,375,662.00	115,272,183.60	113,960.03	113,960.03
Other non-current assets	206,197,108.40	378,370,825.80	94,150,302.20	111,552,649.00	1,700,353,683.60	1,700,353,683.60
Subtotal of assets	2,662,158,392.40	7,157,546,507.60	5,957,512,458.60	6,469,354,362.03	27,360,889,984.72	43,900,155,261.24
Accounts payable	223,663,158.40	223,663,158.40	84,129,999.20	84,129,999.20	344,275,992.27	344,275,992.27
Other payables	1,689,483.40	1,689,483.40	30,971,636.40	30,971,636.40	189,465,930.94	877,760,266.46
Employee benefits payable	97,726,000.00	97,726,000.00	33,706,459.60	33,706,459.60	105,188,059.60	105,188,059.60
Taxes payable	71,432,426.60	71,432,426.60	–	–		
Deferred tax liabilities	22,744,586.80	1,492,635,211.60	–	173,382,497.920	3,167,010,314.00	8,128,789,748.30
Other non-current liabilities	401,301,992.00	941,930,002.20	2,243,740,800.00	2,243,740,800.00	178,537,377.20	178,537,377.20
Provisions	230,685,000.00	230,685,000.00	1,442,164,399.20	286,012,063.03	558,328,576.00	558,328,576.00
Subtotal of liabilities	1,049,242,647.20	3,05 9,761,282.20	3,834,713,294.40	2,851,943,456.15	4,542,806,250.01	10,192,880,019.83

(VI) CHANGE OF CONSOLIDATION SCOPE (CONTINUED)

1. Business combination not involving enterprises under common control (Continued)

(2) Purchase price allocation (Continued)

	Phosphorus business in Brazil		Niobium business in Brazil		Copper-cobalt business in Congo (DRC)	
	Acquisition date Book value	Acquisition date Fair value	Acquisition date Book value	Acquisition date fair value	Acquisition date Book value	Acquisition date fair value
Net Assets	1,612,915,745.20	4,097,785,225.40	2,122,799,164.20	3,617,410,905.88	22,818,083,734.71	33,707,275,241.41
Less: Minority interests	–	–	–	–	8,117,374,855.20	15,130,386,022.18
Acquired net assets	1,612,915,745.20	4,097,785,225.40	2,122,799,164.20	3,617,410,905.88	14,700,708,879.51	18,576,889,219.23
Creditor's rights acquired in Brazil Phosphorus and Niobium businesses *(Note 1)*	–	383,973,500.00	–	2,243,740,800.00	–	–
Total assets acquired	–	4,481,758,725.40	–	5,861,151,705.88	–	18,576,889,219.23
Total consideration	–	5,332,430,410.52	–	5,861,151,705.88	–	18,145,980,868.63
Including: Cash consideration *(Note 2)*	–	5,332,430,410.52	–	5,861,151,705.88	–	18,100,822,747.83
Contingent consideration	–	–	–	–	–	45,158,120.80
The amount that the goodwill/ combination cost is less than the acquired interest in the fair value of identifiable assets	–	850,671,685.12	–	–	–	(430,908,350.60)

Note 1: Pursuant to the acquisition agreement, the Group assumed creditor's rights of US $57,500,000.00 (equivalent to RMB383,973,500.00) and US $336,000,000.00 (equivalent to RMB2,243,740,800.00) in Brazil Phosphate and Niobium businesses from the Anglo American during the acquisition of the Phosphorus and Niobium businesses.

Note 2: The cash consideration has been deducted from the price adjustments based on the actual settlement and seller's compensation.

Note 3: The fair value of the identifiable assets and liabilities of the Niobium and Phosphorus Business in Brazil and the Copper and Cobalt Business in Congo DRC are measured by way of the replacement cost method and the multi-period excess return method determined by the valuation results of the independent valuer, Censere Holdings Limited. Among the fair value of the identifiable assets and liabilities at the date of purchase, except for the monetary assets are measured at the first level of fair value, the accounts receivable, other receivables, inventories, fixed assets, construction in progress, intangible assets, other non-current assets, accounts payable, other payables, other non-current liabilities and provision are measured at the second level of fair value.

(VII) INTERESTS IN OTHER ENTITIES

1. Interest in subsidiaries

(1) Constitution of subsidiaries

Name of the subsidiary	Main Business site	Place of incorporation	Nature of business	Shareholding ratio *(%)* Direct	Indirect	Acquisition method
China Molybdenum Refining Co., Ltd. ("Ye Lian")	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	–	Investment Establishment
China Molybdenum Tungsten Sales and Trading Co., Ltd. ("Xiao Shou Mao Yi")	China	Luanchuan, Henan	Trading of mineral products	100.00	–	Investment Establishment
Luoyang Dachuan Molybdenum Tungsten Technology Co., Ltd. ("Da Chuan")	China	Luanchuan, Henan	Processing and sales of mineral products	100.00	–	Investment Establishment
Luoyang Mudu International Hotel Co., Ltd. ("International Hotel")	China	Luoyang, Henan	Hotel	100.00	–	Investment Establishment
China Molybdenum Tungsten Co., Ltd ("Wu Ye")	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	–	Investment Establishment
China Molybdenum (Hong Kong) Company Limited ("CMOC HK")	Hong Kong, China	Hong Kong	Trading of mineral products	100.00	–	Investment Establishment
China Molybdenum Metal Material Company Limited ("Metal Material")	China	Luoyang, Henan	Processing and sales of mineral	100.00	–	Investment Establishment
Xinjiang Luomu Mining Co., Ltd ("Xin Jiang Luo Mu")	China	Xinjiang	Production and sales of mineral	70.00	–	Investment Establishment
China Molybdenum Sales Co., Ltd. ("Sales Company")	China	Luanchuan, Henan	Trading of mineral products	100.00	–	Investment Establishment
CMOC Co., Ltd ("CMOC Ltd")	Hong Kong, China	Hong Kong	Investment & Holding	100.00	–	Investment Establishment
CMOC Mining Pty Limited ("CMOC Mining")	Australia	Australia	Production and sales of mineral products	–	100.00	Investment Establishment
CMOC Mining Services Pty. Limited("CMOC services")	Australia	Australia	Mining services	–	100.00	Investment Establishment
Luochuan Huqi Mining Company Limited ("Hu Qi")	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	–	Investment Establishment
Luanchuan Fu Kai Trading Co., Ltd. ("Fu Kai")	China	Luanchuan, Henan	Trading of Molybdenum products	100.00	–	Investment Establishment
Luochuan Qixing Mining Company Limited ("Qi Xing")	China	Luanchuan, Henan	Refining and sales of mineral products	90.00	–	Investment Establishment
Luanchuan Furun Mining Co., Ltd ("Fu Run")	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	–	Investment Establishment
Luanchuan County Dadongpo Tungsten Molybdenum Co., Ltd. ("Da Dong Po")	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	–	Investment Establishment
Luanchuan County Jiuyang Mining Co., Ltd. ("Jiu Yang")	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	–	Business combination under common control

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

Name of the subsidiary	Main Business site	Place of incorporation	Nature of business	Shareholding ratio (%) Direct	Indirect	Acquisition method
Luanchuan County Sanqiang Molybdenum Tungsten Co., Ltd. ("San Qiang")	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	–	Business combination not under common control
Luoyang Mudulihao Business Co., Ltd. ("Mu Du Li Hao")	China	Luoyang, Henan	HOTEL MANAGEMENT	–	100.00	Investment Establishment
Schmoke (Shanghai) International Trading Co., Ltd. ("Schmoke")	China	Shanghai	Import and export of goods and technology	100.00	–	Investment Establishment
CMOC Mining USA LTD("CMOC USA ")	America	America	Consultancy	–	100.00	Investment Establishment
Shanghai Ruichao Investment Co., Ltd ("Rui Chao")	China	Shanghai	Consulting and enterprise operating and management	–	100.00	Investment Establishment
Schmocker (Tibet) International Trading Co., Ltd ("Tibet Schmoke")	China	Tibet	Consulting and asset management and sales	–	100.00	Investment Establishment
Upnorth Investment Limited("Upnorth")	China	BVI	Investment holding	–	100.00	Investment Establishment
Beijing Yongbo Resources Investment holding Co., Ltd. ("Beijing Yongbo")	China	Beijing	Consulting and asset management and sales	100.00	–	Investment Establishment
Luoyang Yuehe Properties Co., Ltd ("Luoyang Yuehe")	China	Luoyang	Consulting, asset management	100.00	–	Investment Establishment
Molybdenum Congo	Hong Kong	Hong Kong	Mining services	–	100.00	Investment Establishment
CMOC Sales & Marketing Limited(("Molybdenm UK")	UK	London	Mining services and sales	–	100.00	Investment Establishment
CMOC LUXEMBOURG	Luxembourg	Luxembourg	Investment holding	–	100.00	Investment Establishment
CMOC BRAZIL	Brazil	Brazil	Investment holding	–	100.00	Investment Establishment
Tibet Zhaoxu Venture Capital Investment Co., Ltd. ("Tibet Zhaoxu")	China	Tibet	Consulting, business planning, management	–	100.00	Investment Establishment
Long March No.1 Investment Limited ("Long March")	Hong Kong	Hong Kong	Investment holding	–	100.00	Investment Establishment
Bandra Investment Limited ("Bandra")	China	BVI	Investment holding	–	100.00	Investment Establishment
Copebras Indústria Ltda.	Brazil	Brazil	Mining and processing	–	100.00	Business combination not under common control
Niobras Mineração Ltda.	Brazil	Brazil	Mining and processing	–	100.00	Business combination not under common control
CMOC International DRC Holdings Limited	Bermuda	Bermuda	Investment holding	–	100.00	Business combination not under common control

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

Name of the subsidiary	Main Business site	Place of incorporation	Nature of business	Shareholding ratio *(%)* Direct	Indirect	Acquisition method
TFHL	Bermuda	Bermuda	Investment holding	–	100.00	Business combination not under common control
TFM	Congo (DRC)	Congo (DRC)	Mining and processing	–	80.00	Business combination not under common control
Purveyors South Africa Mine Services CMOC ("CMOC South Africa")	The Republic of South Africa	The Republic of South Africa	Transportation	–	100.00	Business combination not under common control
Oriental Red Investments Limited	Virgin Islands, British	Virgin Islands, British	Investment holding	–	100.00	Investment Establishment
Natural Resource Elite Investment Limited ("NREIL") *(Note 1)*	Hong Kong	Hong Kong	Investment holding	–	100.00	Investment Establishment
BHR *(Note (VII).2)*	Virgin Islands, British	Virgin Islands, British	Investment holding	–	100.00	Control according to agreement

Note 1: These subsidiaries are newly established by the Group during the year.

(2) Significant non-wholly owned subsidiaries

Unit: RMB

Name of the subsidiary	Minority shareholder's shareholding ratio *(%)*	Profit or loss attributable to minority interests in the current period	Dividends distributed to minority shareholder in the current period	Closing balance of minority interests
TFM	20%	633,734,890.10	–	4,624,552,200.77

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(3) Financial information of significant non-wholly owned subsidiaries

Unit: RMB

Name of the subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TFM	7,672,332,978.11	34,294,494,342.67	41,966,827,320.78	1,924,464,406.00	16,919,601,910.94	18,844,066,316.94

Unit: RMB

	Amount recognised in the current year			
Name of the subsidiary	Operating Revenue	Net profit	Total comprehensive income	Cash flow from operating activities
TFM	13,844,637,480.60	3,168,674,450.50	3,168,674,450.50	6,398,149,571.85

2. Transactions that change the share of owners' equity in subsidiaries without losing control

(1) Details of changes in the share of owners' equity in subsidiaries

As stated in Note (I), 2.3, the Group entered into a framework agreement with BHR and its investors on 20 January 2017, pursuant to which, the Group obtained the control over BHR and its associated assets and committed to giving BHR investors a fixed annual exit returns in the corresponding period. On 20 April 2017, BHR completed the acquisition of 30% of TFHL's equity held by Lundin Mining Corporation, thereby indirectly acquiring 24% of TFM's equity.

Based on afore-said contractual control over BHR, the Group's indirect shareholding proportion in TFM increased from 56% to 80% since 20 April 2017, and the effect of this transaction is described in the following table. In addition, the Group measured payables and committed returns to BHR investors according to the arrangement in the framework agreement. See note (V), 36 and 47 for details.

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Transactions that change the share of owners' equity in subsidiaries without losing control (Continued)

(2) Effect of transactions on the interests of minority shareholders and the equity attributable to the owners of the Company

Unit: RMB

	Acquisition of TFHL minority interests
Purchase cost	
– cash	7,778,979,755.24
– contingent consideration *(Note V, 20)*	139,598,917.68
Total cost of purchase	7,918,578,672.92
Less: Share of the net assets of subsidiaries calculated at the acquired equity ratio	7,864,842,767.27
Difference – Adjustment to the capital reserve *(Note V, 38)*	(53,735,905.65)

3. Interest in joint ventures and associates

(1) Significant joint ventures and associates

Name of the joint venture or associate	Major place of business	Place of incorporation	Nature of business	Shareholding ratio *(%)* Direct	Indirect	Accounting methods of joint ventures and associates
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-Tech") *(Note 1)*	Luoyang, Henan	Luoyang, Henan	Processing and sales of minerals products	50.25%	–	Equity method
Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu")	Xuzhou, Jiangsu	Xuzhou, Jiangsu	Investment	50%	–	Equity method
Luoyang Yulu Mining Co., Ltd. ("Yulu Mining") *(Note 2)*	Luoyang, Henan	Luoyang, Henan	Processing and sales of minerals products	40%	–	Equity method
Luoyang Shenyu Molybdenum Co., Ltd *(Note 1)*	Luoyang, Henan	Luoyang, Henan	Processing and sales of minerals products	15%	–	Equity method

Note 1: See Note V, 11.

Note 2: According to the resolution of shareholders' meeting in 2007 of Yulu Mining Co., Ltd., both investment parties share net profits of the company by ratio of 1 to 1 from 2008. Therefore, the Group actually shares 50% of profits or losses of Yulu Mining under equity method.

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interest in joint ventures and associates (Continued)

(2) Major financial information of key joint ventures

Unit: RMB

Name of subsidiary	Closing balance/Amount recognised in the current year		Opening balance/Amount recognised in the prior year	
	High-Tech	Huan Yu *(Note 1)*	High-Tech	Huan Yu *(Note 1)*
Current assets	71,874,052.43	211,250,142.94	73,329,845.12	214,844,450.90
Including: cash and cash equivalent	6,409,364.85	6,567,395.04	4,567,969.58	6,114,498.23
Non-current assets	107,026,475.04	2,649,548,550.69	128,895,470.66	2,698,563,519.94
Total assets	178,900,527.47	2,860,798,693.63	202,225,315.78	2,913,407,970.84
Current liabilities	25,476,660.78	182,795,807.21	24,700,749.14	83,248,774.13
Non-current liabilities	–	800,000,000.00	–	800,000,000.00
Total liabilities	25,476,660.78	982,795,807.21	24,700,749.14	883,248,774.13
Minority Interests	–	(30,658,642.89)	–	(16,575,771.17)
Equity interests attributable to the parent company	153,423,866.69	1,908,661,529.31	177,524,566.64	2,046,734,967.88
Net assets share calculated by percentage of shareholding	77,095,493.01	954,330,764.65	88,762,283.32	1,023,367,483.94
Adjusting items *(Note 2)*	–	11,266,297.37	–	8,425,944.96
Carrying amount in the investment of Joint ventures equity	77,095,493.01	965,597,062.02	88,762,283.32	1,031,793,428.90
Fair value of joint venture investment of public offer	N/A	N/A	N/A	N/A
Operating income	99,845,748.54	5,189.27	76,499,619.97	203,622.81
Financial expense	(95,623.84)	46,538,500.58	199,351.52	39,935,663.78
Income tax expense	–	–	–	–
Net losses	(22,782,511.23)	(140,842,456.78)	(27,207,470.33)	(105,286,812.01)
Discontinued operation net profit	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	(22,782,511.23)	(140,842,456.78)	(27,207,470.33)	(105,286,812.01)
Dividends received from joint ventures for the period	–	–	–	–

Note 1: The joint venture, Huan Yu of the Group, has 90% equity interest of Fu Chuan; meanwhile, through its subsidiary Fukai, the Group holds the remaining 10% interests of Fu Chuan.

Note 2: According to the agreement with local government, the local government shares 8% the dividend rights of Fu chuan. Therefore, the Group actually shares 47% of the profits or losses of Fu chuan under equity method.

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interest in joint ventures and associates (Continued)

(3) Major financial information of significant associates

Unit: RMB

	Closing balance/ Amount recognised in the current year Yulu Mining	Opening balance/ Amount recognised in the prior year Yulu Mining
Current assets	**198,853,919.77**	130,107,368.59
Including: cash and cash equivalent	**459,498.45**	408,532.14
Non-current assets	**57,749,694.08**	60,874,589.89
Total assets	**256,603,613.85**	190,981,958.48
Current liabilities	**48,351,859.49**	28,028,822.35
Non-current liabilities	**3,000,000.00**	4,000,000.00
Total liabilities	**51,351,859.49**	32,028,822.35
Minority interests	**–**	–
Total equity interest attributable to parent company	**205,251,754.36**	158,953,136.13
Net assets shares calculated by percentage of shareholding	**82,100,701.74**	63,581,254.45
Adjustments items *(Note)*	**10,394,018.50**	6,048,195.95
Carrying amount in investment to associates	**92,494,720.24**	69,629,450.40
Fair value of investment to associates with public offer	**Not applicable**	Not applicable

Note: Although the Group holds 40% equity interest of Yulu Mining, but shares 50% dividend rights. Details refer to Note (V).11.

Unit: RMB

	Closing balance/ Amount recognised in the current year Yulu Mining	Opening balance/ Amount recognised in the prior year Yulu Mining
Operating income	**401,595,481.92**	300,927,252.66
Financial expense	**(140,283.94)**	(6,229.05)
Income tax expense	**(69,005,630.90)**	(50,426,526.03)
Net profits	**216,330,539.67**	141,939,182.91
Discontinued operation net profit	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**216,330,539.67**	141,939,182.91
Dividends received from the associate for the period	**85,300,000.00**	78,250,000.00

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

4 Significant joint operation

(1) Significant joint operation

Name of the operation under common control	Main business Place of Site	Incorporation	Nature of Business	Shareholding ratio/shares *(%)* Direct	Direct
Northparkes Joint Venture ("NJV") *(Note)*	Australia	Australia	Copper gold mining	–	80%

Note: On 1 December 2013, the Company had completed acquiring 80% joint control interests of unincorporated joint venture in Northparkes Copper gold mining and some relevant assets related to Copper gold mining business of Northparkes Joint Venture held by North Mining Limited. Afterwards, the unincorporated joint venture Northparkes Joint Venture became a joint operation of the Group.

Northparkes mines held by Northparkes Joint Venture is a quality Copper and gold mining operation with advanced mining method of block caving in Goonumbla, situated northwest of the town of Parkes in New South Wales, Australia. The Northparkes mines started operating from 1993 and the remaining useful life is more than 20 years. The headquarters of Northparkes Joint Venture is located in the town of Parkes in New South Wales, Australia. The 80% interest of Northparkes Joint Venture under joint control is held by CMOC Mining Pty Limited, a subsidiary of the Company. The remaining 20% interest is held by Sumitomo Metal Mining Oceania Pty Ltd (SMM) and SC Mineral Resources Pty Ltd (SCM).

Pursuant to the Northparkes Joint Venture Management Agreement, the Company as the manager arrange the daily operation of the Northparkes mine which hold by the Company, as joint controllers of Northparkes Joint Venture jointly, both parties of the joint ventures are responsible for the assets and liabilities according to their respective proportion. The joint ventures have agreed to protect the rights of individual party (including their respective shares of the production volume) from the event of default by any other joint venture to ensure the benefits of all parties.

(2) Financial information of significant joint operation

As at 31 December 2017, the assets and liabilities and operation status of Northparkes Joint Venture are as follows:

Unit: RMB

Item	2017	2016
Net shares of operative costs	**980,979,167.15**	655,580,366.19

Item	As at 31 December 2017	As at 31 December 2016
Share of total assets	**1,991,814,239.67**	2,162,305,530.63
Share of total liabilities	**402,282,198.30**	391,839,296.10

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, financial assets held-for-trading, accounts receivable, notes receivable, other receivables, interest receivable, other current assets, other non-current assets, available-for-sale financial assets, financial liabilities held-for-trading, 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 within a certain range.

1. Risk management objectives and policies

The Group's business is mining. The Group only sells commodities which produced by themselves. In the long term, natural hedges operate in a number of ways can help to maintain stabilise earnings and cash flow, and there is no need to use the derivative financial instruments in this way or other forms of synthetic hedges. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has exposure to such trading or speculative holdings through its investments in associates and jointly controlled entities

The Group's risk management objectives are to achieve a proper balance between risks and benefits, and 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 and practice risk management, and monitors these exposures regularly and effectively to ensure the risks are controlled within a certain range.

1.1 Market risk

1.1.1. Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group is subject to foreign exchange risk mainly related to USD, HKD, EUR, CAD, RMB, BRL, GBP, CDF and AUD. The Group's subsidiaries in the PRC use RMB for settlement of their principal business activities. The Group's subsidiaries in Australia mainly use AUD or USD for settlement, the Group's Niobium and Phosphorus businesses in Brazil are principally settled in USD and BRL and the Group's Copper-Cobalt business in Congo (DRC) is principally settled in USD and CDF. Foreign currency transactions are mainly financing activities of domestic and Hong Kong subsidiaries settled in USD, operating activities of subsidiaries in Australia of which the functional currency is USD settled in AUD, operating activities of subsidiaries in Brazil of which the functional currency is USD settled in BRL, and operating activities of subsidiaries in Congo (DRC) of which the functional currency is USD settled in CDF. The group pays close attention to the influence of exchange rate on the foreign exchange risk. The group currently has not taken any measures to avoid foreign exchange risk.

As at 31 December 2017, except for the financial assets and liabilities balance of each entity mentioned below use USD, HKD, AUD, EUR, CAD, RMB, BRL,GPB and CDF(converted in RMB) as functional currency, the Group's financial assets and financial liabilities are settled on the basis of the functional currency of each entity. The foreign exchange risk arising from the assets and liabilities of such foreign currency balances may have an impact on the Group's operating results.

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

Unit: RMB'000

Item	Closing balance	Opening balance
USD	–	–
Cash and bank balances	**153,605**	48,133
Short-term borrowings	–	(884,468)
Long-term borrowings	–	–
Subtotal	**153,605**	(836,335)
HKD	–	–
Cash and bank balances	**3,639**	185
Short-term borrowings	–	–
Subtotal	**3,639**	185
AUD	–	–
Cash and bank balances	**44,280**	30,749
Subtotal	**44,280**	30,749
EUR	–	–
Cash and bank balances	**33,633**	188,484
Long-term borrowings	–	(1,686,200)
Non-current liabilities due within one year	**(1,807,517)**	–
Subtotal	**(1,773,884)**	(1,497,716)
CAD	–	–
Cash and bank balances	**6,043**	6,001
Subtotal	**6,043**	6,001
RMB	–	–
Cash and bank balances	**1,810**	1,552
Subtotal	**1,810**	1,552

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

Unit: RMB'000

Item	Closing balance	Opening balance
BRL	–	–
Cash and bank balances	**116,315**	196,747
Subtotal	**116,315**	196,747
GBP	–	–
Cash and bank balances	**4,478**	173
Subtotal	**4,478**	173
CDF	–	–
Cash and bank balances	**76**	318,820
Subtotal	**76**	318,820
Total	**(1,443,638)**	(1,779,824)

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures and purchase appropriate forward foreign exchange contracts to mitigate currency risk exposures.

The following table sets out in detail the sensitivity of the Group to the 10% rate of change in the exchange rate when exchanging the foreign currencies with the functional currency (including RMB, USD, HKD and BRL) of each entity. 10% ratio is used internally to report foreign exchange risk to the senior management, which represents the management's estimate of possible changes in the foreign exchange rate. Foreign exchange risk sensitivity analysis at the Group's reporting date is based on the changes on the settlement date and throughout the reporting period. A positive number indicates that an increase in profit before tax of a company with RMB as its functional currency is resulted from having USD, HKD and EUR borrowings and RMB increase against those foreign currencies. A negative number indicates that a decrease in profit before tax of a company with HKD as its functional currency is resulted from having USD and RMB cash and bank balances and HKD increase against those foreign currencies, and of companies with USD as their functional currency is resulted from having financial liabilities of AUD, HKD, EUR, CAD, RMB, BRL, GBP and CDF and USD increase against them. If the relevant functional currency decreases against these foreign currencies, it will have an opposite effect on the pre-tax profit. The Group does not consider the effect of current forward foreign exchange contract in the sensitivity analysis as below.

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

RMB'000

Item	Changes in exchange rates	Current year		Prior year	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Entities which are denominated in RMB					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation by 10% of USD against RMB	**(13,304)**	**(13,304)**	85,671	85,671
	Depreciation by 10% of HKD against RMB	**(2)**	**(2)**	(3)	(3)
	Depreciation by 10% of EURO against RMB	**70,221**	**70,221**	65,761	65,761
Entities which are denominated in HKD					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation by 10% of USD against HKD	**(2,056)**	**(2,056)**	(2,038)	(2,038)
	Depreciation by 10% of RMB against HKD	**(143)**	**(143)**	(143)	(143)
Entities which are denominated in USD					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation by 10% of AUD Against USD	**(4,428)**	**(4,428)**	(3,075)	(3,075)
	Depreciation by 10% of HKD against USD	**(361)**	**(361)**	(16)	(16)
	Depreciation by 10% of EUR against USD	**107,168**	**107,168**	94,223	94,223
	Depreciation by 10% of CAD against USD	**(604)**	**(604)**	(600)	(600)
	Depreciation by 10% of RMB against USD	**(38)**	**(38)**	(12)	(12)
	Depreciation by 10% of BRL against USD	**(11,631)**	**(11,631)**	(19,675)	(19,675)
	Depreciation by 10% of GBP against USD	**(448)**	**(448)**	(17)	(17)
	Depreciation by 10% of CDF against USD	**(8)**	**(8)**	(31,882)	(31,882)

The management of the Group believes that closing date foreign currency risk cannot reflect the risk of the duration. Sensitivity analysis cannot reflect inherent foreign currency risk.

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.2 Interest rate risk

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy in accordance with the management consider the risk exposure related to fair value interest rate is low.

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. The Group paid close attention to the impact on cash flow change risks from the changes in interest rate.

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;
- 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 constantly, 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:

RMB'000

		Current year		Prior year	
Item	**Changes in interest rates**	**Effect on profit**	**Effect on shareholders' equity**	Effect on profit	Effect on shareholders' equity
Floating interest rate	Increase 50 base points of interest rate	**(27,751)**	**(27,751)**	(69,200)	(69,200)
Floating interest rate	Decrease 50 base points of interest rate	**27,751**	**27,751**	69,200	69,200

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.3. Commodity price risk

International Copper prices and Cobalt prices have a significant impact on the Group's operating results. Copper and Cobalt prices fluctuated in the past and the factors causing fluctuation were uncontrollable by the Group. The Group does not hedge against the fluctuation risk of Copper and Cobalt prices.

The table below shows the sensitivity analysis of the price of Copper and Cobalt on the balance sheet date, which reflects pre-tax impact of unpricing accounts receivable at the end of the year on the total profit and shareholders' equity when the market price of Copper and Cobalt is changed reasonably and possibly under the assumption that other variables remain unchanged.

RMB'000

		2017		2016	
Item	**Increase/ (Decrease) percentage**	**Impact on profit**	**Impact on shareholders' equity**	Impact on profit	Impact on shareholders' equity
Market price of copper	5%	**19,884**	**19,884**	29,435	29,435
Market price of copper	(5%)	**(19,884)**	**(19,884)**	(29,435)	(29,435)

		2017		2016	
Item	**Increase/ (Decrease) percentage**	**Impact on profit**	**Impact on shareholders' equity**	Impact on profit	Impact on shareholders' equity
Market price of cobalt	5%	**54,413**	**54,413**	3,099	3,099
Market price of cobalt	(5%)	**(54,413)**	**(54,413)**	(3,099)	(3,099)

1.1.4 Other price risk

The equity instrument investments held by the Group, including financial assets classified as available- for-sale financial assets measured at fair value at each balance sheet date. As at the end of the reporting period, the equity instrument investments held by the Group mainly comprise listed securities and assets management plans, therefore, the Group is exposed to the risk of the fluctuation of securities market price. If equity price of the equity instrument investments held by the Group increase or decrease by 5% while other variables remain the same, the interests of shareholders of the Group will increase or decrease by RMB141,301,000 at the end of the year (excluding the impact of income tax).

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.2. Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of other party to fulfill an obligation, including:

- The book value of the financial assets has been recognized in the consolidated balance sheet. For financial instruments measured at fair value, the book value reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure of risks will change according to the future changes in fair value.

The Group only trades with recognised, creditworthy third parties. Total amount of top five entities with the largest balances of accounts receivable as at 31 December 2017 takes 63.72%of the amount of total accounts receivable (31 December 2016: 46.45%). Accounts receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is controlled. Products are sold only to companies whose credit information is in an acceptable range. Credit limits have been set for most of the customers and they are monitored systematically. For overseas sales, letters of credit are generally in use.

To credit risk arising from the 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.

To the available-for-sale financial asset, the Group has established an investment committee that is responsible for analysis of major investment and for advisory of the board. And the Group has a mechanism to authorise, examine and approve along the hierarchy based on the maturity of single investment amount. The Group has devised a relatively sophisticated investment management system to control the credit risks from the Group's invested financial assets.

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

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

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:

Unit: RMB'000

Current year	**Within 1 year**	**1–2 years**	**2–5 years**	**More than 5 years**	**Total**
Bank borrowings	**2,307,797**	**4,440,284**	**9,781,424**	**10,021,787**	**26,551,292**
Financial liabilities at FVTPL	**1,500,833**	**2,091,354**	**–**	**–**	**3,592,187**
Bills payable	**23,955**	**–**	**–**	**–**	**23,955**
Accounts payable	**976,481**	**–**	**–**	**–**	**976,481**
Dividends payable	**27,886**	**–**	**–**	**–**	**27,886**
Other payables	**604,774**	**–**	**–**	**–**	**604,774**
Non-current liabilities due within one year	**4,889,774**	**–**	**–**	**–**	**4,889,774**
Bonds payable	**84,400**	**84,400**	**2,168,800**	**–**	**2,337,600**
Other non-current liabilities	**–**	**3,315,165**	**65,342**	**385,568**	**3,766,075**
Total	**10,415,900**	**9,931,203**	**12,015,566**	**10,407,355**	**42,770,024**

Unit: RMB'000

Prior year	Within 1 year	1–2 years	2–5 years	More than 5 years	Total
Bank borrowings	5,136,811	4,653,894	10,048,222	13,146,707	32,985,634
Financial liabilities at FVTPL	2,821,442	–	–	–	2,821,442
Bills payable	660,000	–	–	–	660,000
Accounts payable	741,508	–	–	–	741,508
Dividends payable	27,886	–	–	–	27,886
Other payables	1,416,776	–	–	–	1,416,776
Non-current liabilities due within one year	2,638,326	–	–	–	2,638,326
Other current liabilities	2,537,948	–	–	–	2,537,948
Bonds payable	84,400	84,400	2,187,761	–	2,356,561
Other non-current liabilities	–	60,631	69,370	382,676	512,677
Total	16,065,097	4,798,925	12,305,353	13,529,383	46,698,758

(IX) DISCLOSURE OF FAIR VALUE

1. The closing fair value of assets and liabilities measured at fair value

Unit: RMB'000

	Closing fair value			
Item	**Level 1 Fair value**	**Level 2 Fair value**	**Level 3 Fair value**	**Total**
1. Persistent fair value measurement				
(1) Available-for-sale financial assets				
– Equity instrument	–	–	2,826,030	2,826,030
(2) Inventories:				
– Consumable biological assets	–	–	42,296	42,296
(3) Accounts receivable				
– Accounts receivable	–	283,152	–	283,152
(4) Other current assets				
– Other wealth management products by non-banking financial institutions	–	–	801,403	801,403
The total assets measured continuously at fair value	–	283,152	3,669,729	3,952,881
Financial liabilities measured at fair value and change included in the profit and loss for the period				
– Forward Commodity contract and Gold lease liabilities measured at fair value	–	3,000,757	–	3,000,757
– Contingent consideration at fair value	–	–	591,430	591,430
The total liabilities measured continuously at fair value	–	3,000,757	591,430	3,592,187

2. Determination basis of market price for items that are continuously measured at Level 2 fair value

Items that are continuously measured at the second level of fair value are the embedded derivatives and the debt instruments at fair value included in accounts receivable, and the related fair value is determined with reference to the closing price and long-term offer of similar products and the yield rate of similar debt instruments in open market.

(IX) DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Determination basis of market price for items that are continuously measured at Level 3 fair value

Items that are continuously measured at the third level of fair value are consumable biological assets, available-for-sales financial assets and contingent consideration. The fair value of consumable biological assets is measured based on the prices of same kind wood, the growth period of tree and the discounting of the subsequently input and maintenance fee. The fair value of available-for-sales financial assets is according to the valuation report provided by third-party financial institutions which is based on the comparable market investment prices and discounted future cash flow or valued by the management. The fair value of contingent consideration is based on the corresponding commodity prices calculated by Monte Carlo model.

Unit: RMB'000

Assets/liabilities measured at fair value	31 December 2017	Valuation techniques	Parameters	The significant input data cannot be observed	The relationship between the input data not be observed and the fair value
Assets measured at fair value					
Available for sale financial assets –equity instruments	2,826,030	Comparable companies analysis/Negotiating transfer price/Market discount method	Unobserved parameters	Liquidity-lacked discount rate	The higher the discount rate is, the lower the fair value is.
Consumable biological assets	42,296	Cash flow discount Method	Timber price, growth cycle, and follow-up estimated investment	Follow-up estimated investment	Higher follow-up estimated investment and lower fair value
Other wealth management products by non-banking financial institutions	801,403	Cash flow discount Method	The expected cash flows of the products, the yield of similar financial products in private market	The yield of similar financial products in private market	Higher yield of similar financial products in private market, lower fair value
Liabilities measured at fair value					
Contingent consideration measured at fair value	591,430	Monte Carlo model	Forward price of commodities, volatility, discount rate	Volatility	Higher volatility and lower fair value

4. Transfer between the levels or change in valuation technique did not occur to items continuously measured at fair value.

5. Financial instruments subsequently not measured at fair value

The management of the Group has assessed cash and bank balances, notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, other current assets, short-term borrowings, notes payable, accounts payable, dividends payable, interest payable, other payables, long-term borrowings due within a year, etc. As the remaining term is not long, fair values are approximate to book values.

The long-term financial liabilities which are not subsequently measured at fair values by the Group include long-term borrowings and other non-current liabilities. The floating rates of the long-term borrowings of the Group are linked to market interest rates.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of the parent	Place of registration	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent	Proportion of the Company's voting power held by the parent
Cathay Fortune Corporation	Shanghai	Investment management	RMB181,818,200	24.69%	24.69%

On 12 January 2014, the Company received the Notice of Change of Control Rights of Luoyang Luanchuan Molybdenum Group Co., Ltd. from the shareholders Cathay Fortune Corporation ("CFC") and Luoyang Mining Group Co., Ltd. ("LMG"), notifying that CFC increased its shareholding H shares of the Company in the secondary market through its wholly-owned subsidiary, Cathy Fortune Investment, incorporated in Hong Kong. Upon completion, CFC and its persons acting in concert totally hold 1,827,706,322 shares of the Company (approximately 36.01% of the total share capital of the Company), surpassing 1,776,594,475 shares (approximately 35.01% of the total share capital of the Company) held by the original largest shareholder LMG, and become the Company's largest shareholder. CFC and LMG exchanged views on the change of control of the Company. LMG confirmed that it no longer had control over the Company and had no intention to increase its shareholding in the Company. Therefore, the controlling shareholder of the Company changed to CFC.

As at December 31, 2017, CFC actually holds 5,333,220,000.00 shares of the Company accounting for 24.69% of the total share capital of the Company. CFC is the actual controller of the Company.

2. Subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note (VII), 1.

3. Associates and joint ventures of the Company

For details of associates and joint ventures of the Company, please refer to Note (VII), 3.

Other associates or joint ventures which have transactions with the Group in the current year or in previous years are as follows:

Associates or joint ventures	Relationship with the Company
High-Tech	Joint venture
Fuchuan	A subsidiary held by joint venture
Yulu Mining	Associate
Luoyang Shenyu	Associate

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties

Other related parties	Relationship with the Company
LMG	Shareholder of the Company
CFC	Shareholder of the Company
Gécamines *(Note)*	Minority shareholder of a subsidiary

Note: The Group completed the acquisition of Congo (DRC) Copper-Cobalt business on 17 November 2016, and Gécamines, the minority shareholder of TFM, became related party of the Group.

5. Related party transactions

(1) Sales and purchase of goods, receipt of services

Unit: RMB

Related party	Details of related party transaction	Amount for the current year	Amount for the prior year
Luoyang Shenyu	Sales of products	**14,004,221.04**	2,460,231.10
Yulu Mining	Sales of products	**3,280.77**	–
Yulu Mining	Services Provided	**10,672,592.60**	–
High-Tech	Purchases of products	**2,155,555.55**	1,128,205.12
Gécamines	Provision of technical support	**102,940,174.80**	13,670,262.68

(2) 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	**16,610**	10,620

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bed debt provision	Carrying amount	Bed debt provision
Accounts receivable	Luoyang Shenyu	**1,673,384.53**	**–**	–	–
Accounts receivable	Yulu	**3,838.50**	**–**	–	–
Prepayments	High-Tech	**4,098.49**	**–**	–	–
Other current assets *(Note)*	Gécamines	**109,488,939.47**	**–**	–	–
Other non-current assets *(Note)*	Gécamines	**336,086,433.05**	**–**	290,299,576.00	–
Other payables	Fuchuan	**11,384,276.00**	**–**	9,721,000.00	–
Other payables	Gécamines	**42,090,109.74**	**–**	852,061,333.50	–
Other non-current liabilities	Gécamines	**65,342,000.00**	**–**	69,370,000.00	–

Note: The above receivables are fund borrowings due from minority shareholders of TFM and other related parties, TFM received interest from relevant parties in accordance with the agreed interest rate. During this year, the increase amount of borrowing TFM lend to Gécamines was USD30,000,000 and the interest accrued was USD4,191,037.81.

7. Emoluments of directors and supervisors

Emoluments of each director for the year 2017 are as follows:

	Remuneration of directors *RMB'000*	Salary and allowances *RMB'000*	Bonus *RMB'000*	Pension *RMB'000*	Social insurance and housing funds other than pension *RMB'000*	Total *RMB'000*
Executive directors:						
Li Chaochun	**–**	**360.00**	**3,000.00**	**50.59**	**63.37**	**3,473.96**
Li Faben	**–**	**360.00**	**2,000.00**	**23.81**	**24.80**	**2,408.61**
Non-executive directors:						
Ma Hui	**90.00**	**–**	**–**	**–**	**–**	**90.00**
Yuan Honglin	**90.00**	**–**	**–**	**–**	**–**	**90.00**
Cheng Yunxiao	**90.00**	**–**	**–**	**–**	**–**	**90.00**
Independent non-executive directors:						
Bai Yanchun	**200.00**	**–**	**–**	**–**	**–**	**200.00**
Xu Shan	**200.00**	**–**	**–**	**–**	**–**	**200.00**
Cheng Yu	**200.00**	**–**	**–**	**–**	**–**	**200.00**
Total	**870.00**	**720.00**	**5,000.00**	**74.40**	**88.17**	**6,752.57**

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

Emoluments of each director for the year 2016 are as follows:

	Remuneration of directors *RMB'000*	Salary and allowances *RMB'000*	Bonus *RMB'000*	Pension *RMB'000*	Social insurance and housing funds other than pension *RMB'000*	Total *RMB'000*
Executive directors:						
Li Chaochun	–	360.00	1,959.34	19.41	21.25	2,360.00
Li Faben	–	360.00	1,559.34	19.41	21.25	1,960.00
Non-executive directors:						
Ma Hui	90.00	–	–	–	–	90.00
Yuan Honglin	90.00	–	–	–	–	90.00
Cheng Yunxiao	90.00	–	–	–	–	90.00
Independent non-executive directors:						
Bai Yanchun	200.00	–	–	–	–	200.00
Xu Shan	200.00	–	–	–	–	200.00
Cheng Yu	200.00	–	–	–	–	200.00
Total	870.00	720.00	3,518.68	38.82	42.50	5,190.00

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

Emoluments of each supervisor for the year 2017are as follows:

	Salary and allowances *RMB'000*	Bonus *RMB'000*	Pension *RMB'000*	Social insurance and housing funds other than pension *RMB'000*	Total *RMB'000*
Zhang Zhenhao	**90.00**	**–**	**–**	**–**	**90.00**
Kou Youmin	**90.00**	**–**	**–**	**–**	**90.00**
Wang Zhengyan	**320.00**	**1,700.00**	**23.81**	**24.80**	**2,068.61**
Total	**500.00**	**1,700.00**	**23.81**	**24.80**	**2,248.61**

Emoluments of each supervisor for the year 2016 are as follows:

	Salary and allowances *RMB'000*	Bonus *RMB'000*	Pension *RMB'000*	Social insurance and housing funds other than pension *RMB'000*	Total *RMB'000*
Zhang Zhenhao	90.00	–	–	–	90.00
Kou Youmin	90.00	–	–	–	90.00
Wang Zhengyan	320.00	1,256.69	19.41	23.90	1,620.00
Total	500.00	1,256.69	19.41	23.90	1,800.00

0 staff (2016: 3) of the top five of 2017 remunerations are directors or supervisors of the Company, and the emoluments of the other 5 staffs (2016: 2) are as follows:

Range of emoluments	**Number of the current year**	Number of the prior year
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,254,000 to RMB1,672,000)	**–**	2
HK$3,500,001 to HK$4,000,000 (equivalent to RMB2,926,000 to RMB3,344,000)	**1**	–
HK$4,000,001 to HK$4,500,000 (equivalent to RMB3,344,000 to RMB3,762,000)	**1**	–
HK$5,500,001 to HK$6,000,000 (equivalent to RMB4,597,000 to RMB5,015,000)	**2**	–
HK$13,500,001 to HK$14,000,000 (equivalent to RMB11,285,000 to RMB11,702,000)	**1**	–

(XI) COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB'000

	Amount for the year	Amount for the previous
Contracted but not recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	**294,582**	207,821
– Commitment for investment	**343,424**	527,634
Total	**638,006**	735,455

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

(2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

Unit: RMB'000

	Closing balance	Opening balance
Minimum lease payment under irrevocable agreement		
First year after the balance sheet date	**45,319**	21,147
Second year after the balance sheet date	**38,680**	19,149
Third year after the balance sheet date	**37,835**	18,282
Fourth year after the balance sheet date	**29,654**	17,142
Subsequent years	**123,140**	16,890
Total	**274,628**	92,610

(XI) COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1) Pending litigation

Business of the Group in PRC

On 30 January 2013, the Group received relevant documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that West Lead Mine, Yangshuao, Luanchuan County ("Yangshuao") filed a lawsuit accusing that the tailing storage built by the No. 3 Ore Processing Branch, a branch of subsidiary of the Group, 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. According to the results of judicial authentication, the appraised value of the mining right in the litigation in respect of Yangshuao amounted to RMB1.724 million. The litigation is still in process, the Group believes that the infringement claimed by Yangshuao cannot be confirmed truly existed based on the existing circumstances and the submitted evidences. The Group considers that the litigation does not currently have a significant impact on the financial position of the Group and has not accrued the relevant claim amount in the financial statements as at 31 December 2017.

Copper-Cobalt business of the Group in Congo (DRC)

At the end of 2015, TFM negotiated with SNEL to address the availability, supply quality and quantity of electricity. In accordance with the amended items of the power agreement included in the dispute settlement plan, TFM agrees to pay the electricity at the price of US$0.0569 per kilowatt-hour from January 2016 (the original electricity price was $0.0350 per kilowatt-hour) and to pay US$10 million settlement compensation to get more continuous supply of electricity from SNEL. As at the date of this report, the two parties have not yet signed any formal agreement, and the negotiations are still in progress. In response to this contingent liability, TFM has accrued $10 million in expenditure in prior years.

The Group's Copper-Cobalt business in Congo (DRC) may have some lawsuits, claims and liability claims in the daily business. The management considers that the results of such contingencies will not have a material adverse effect on the financial position, operating performance or cash flows of the business based on the information currently available.

The Group's Niobium-Phosphorus business in Brazil

The Group's Niobium-Phosphorus business in Brazil may face with various litigations and disputes in its daily business activities. The management determine the possibility of losing and consequent economic benefits outflow in accordance with the information available and the professional advice of external legal experts. If the possibility of economic benefits outflow were low, the management would determine as contingencies. The results of such contingencies will not have a material adverse effect on the financial position, operating performance or cash flows of the business based on the information currently available.

(2) Guarantee

As at 31 December 2017, the Group's Australian Northparkes Copper and gold mine business provides guarantees to the relevant business operations of Southwest Welsh government agencies of Australia, whose guarantee amount of AUD 32,920,000 (equivalent to RMB167,760,000). The relevant business venture agrees to any liability of the business compulsory executed from this guarantee. As at 31 December 2017, no material guarantee responsibility was undertaken.

(XII) EVENTS AFTER THE BALANCE SHEET DATE

According to the proposal of the board of directors, the Company will distribute a cash dividend of RMB0.076 (2016: RMB0.035) per share to all shareholders based on the issued shares of 21,599,240,583 for the year of 2017.

(XIII) OTHER SIGNIFICANT EVENTS

1. Segment reporting

(1) Reporting segment's confirmation basis and accounting policies

The management divided the Group's business into five operating segments, namely Molybdenum Tungsten related products, Copper and gold-related products, Niobium and Phosphorus related products,Copper and Cobalt related products and others on the basis of the Group's internal organization structure, management requirements and internal reporting system. The Group's management evaluates the operating results of these segments regularly, in order to determine the allocation of resources and assess their performance.

These reporting segments are determined on the basis of internal management and reporting system. Information of segment reporting are disclosed according to segment accounting policies and measurement standards, the measurement basis should be corresponding with that of financial statements.

(2) Reporting segment's financial information

Unit: RMB'000

2017	Molybdenum & tungsten related products	Copper & gold related products	Niobium related products	Phosphorus related products	Copper & cobalt related products	Others	Unallocated item	Intersegment eliminations	Total
Operating revenue									
External revenue	3,772,287	1,663,826	1,670,082	2,834,186	13,844,637	362,540	–	–	24,147,558
Inter-segment revenue	–	–	–	–	–	–	–	–	–
Total segment operating revenue	3,772,287	1,663,826	1,670,082	2,834,186	13,844,637	362,540	–	–	24,147,558
Total operating revenue in the financial statements	3,772,287	1,663,826	1,670,082	2,834,186	13,844,637	362,540	–	–	24,147,558
Operating cost	1,819,355	1,145,761	1,251,484	2,462,084	8,302,166	231,091	–	–	15,211,941
Taxes and levies	286,583	55,259	922	1,564	–	–	–	–	344,328
Selling expenses	24,006	59,926	20,625	12,379	97,905	–	–	–	214,841
Administrative expenses	–	10,180	228,472	256,074	32,507	–	631,861	–	1,159,094
Financial expenses	–	73,585	13,088	(43,628)	1,185	–	1,372,744	–	1,416,974
Impairment losses of assets	–	3,695	4,178	2,342	12,601	–	33,785	–	56,601
Add: Gains (losses) from changes in fair values	–	–	–	4,392	–	–	(476,158)	–	(471,766)
Investment income	–	–	–	–	–	–	108,699	–	108,699
The disposal of assets income (loss)	–	(420)	–	(16,650)	(2,460)	–	2,038	–	(17,492)
Other income	–	–	–	–	–	–	13,859	–	13,859
Segment operating profit	1,642,343	315,000	151,313	131,113	5,395,813	131,449	(2,389,952)	–	5,377,079
Operating profit	1,642,343	315,000	151,313	131,113	5,395,813	131,449	(2,389,952)	–	5,377,079
Add: Non-operating income	–	11,431	–	–	–	–	27,615	–	39,046
Less: Non-operating expenses	–	1,319	–	–	–	–	32,989	–	34,308
Total profit	1,642,343	325,112	151,313	131,113	5,395,813	131,449	(2,395,326)	–	5,381,817
Less: Income tax expense	273,674	128,442	2,110	91,315	1,426,984	–	(136,323)	–	1,786,202
Net profit	1,368,669	196,670	149,203	39,798	3,968,829	131,449	(2,259,003)	–	3,595,615

(XIII) OTHER SIGNIFICANT EVENTS

1. Segment reporting (Continued)

(2) Reporting segment's financial information (Continued)

Unit: RMB'000

2016	Molybdenum & Tungsten related products	Copper & gold related products	Niobium related products	Phosphorus related products	Copper & Cobalt related products	Others	Unallocated item	Intersegment eliminations	Total
Operating revenue									
External revenue	2,815,658	1,381,203	410,653	729,611	1,296,147	316,299	–	–	6,949,571
Inter-segment revenue	–	–	2,687	–	–	–	–	2,687	–
Total segment operating revenue	2,815,658	1,381,203	413,340	729,611	1,296,147	316,299	–	2,687	6,949,571
Total operating revenue in the financial statements	2,815,658	1,381,203	413,340	729,611	1,296,147	316,299	–	2,687	6,949,571
Operating cost	1,511,570	1,013,663	309,266	584,775	996,306	210,925	–	2,687	4,623,818
Taxes and levies	190,690	39,619	–	–	33,435	–	(33,435)	–	230,309
Selling expenses	20,371	55,106	2,384	4,170	8,588	–	–	–	90,619
Administrative expenses	–	11,721	28,842	56,570	10,765	–	606,838	–	714,736
Financial expenses	–	95,602	43,428	(5,997)	129,149	–	145,486	–	407,668
Impairment losses of assets	–	2,786	7,837	591	3,712	–	336,929	–	351,855
Add: Gains (losses) from changes in fair values	–	–	–	5,225	–	–	41,195	–	46,420
Investment income	–	–	–	–	–	–	174,183	–	174,183
The disposal of assets income (loss)	–	–	–	–	–	–	5,770	–	5,770
Other income	–	–	–	–	–	–	–	–	–
Segment operating profit	1,093,027	162,706	21,583	94,727	114,192	105,374	(834,670)	–	756,939
Operating profit	1,093,027	162,706	21,583	94,727	114,192	105,374	(834,670)	–	756,939
Add: Non-operating income	–	–	–	8,340	–	–	452,092	–	460,432
Less: Non-operating expenses	–	–	–	2,773	–	–	24,457	–	27,230
Total profit	1,093,027	162,706	21,583	100,294	114,192	105,374	(407,035)	–	1,190,141
Less: Income tax expense	95,462	61,000	(15,700)	18,635	29,111	–	(17,605)	–	170,903
Net profit	997,565	101,706	37,283	81,659	85,081	105,374	(389,430)	–	1,019,238

(XIII) OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(3) *The Group mainly operates in China, Australia, Brazil and Congo (DRC), and sells to the customers in China and other countries. The geographic disclosure of revenue and results of segments are classified by the destination of the products to deliver.*

Unit: RMB'000

	Amount recognised in the current year	Amount recognised in the prior year
Revenue		
China	**6,135,861**	3,525,124
Japan	**965,173**	837,917
Brazil	**2,838,114**	730,678
Switzerland	**11,201**	597,899
Singapore	**–**	378,065
Finland	**3,701,722**	270,539
Korea	**462,103**	204,094
South Africa	**5,709,141**	–
Zambia	**3,098,449**	–
Belgium	**308,158**	–
U.S.A	**241,525**	–
Others	**676,111**	405,255
Total	**24,147,558**	6,949,571

(4) *External revenue by location of resources and non-current assets by location*

Unit: RMB'000

Items	**Amount recognised in the current year**	Amount recognised in the prior year
External revenue from Chinese business	**4,280,055**	3,101,861
External revenue from Australian business	**1,686,559**	1,410,775
External revenue from Brazil business	**4,336,306**	1,140,788
External revenue from Congo (DRC) business	**13,844,638**	1,296,147
Subtotal	**24,147,558**	6,949,571

(XIII) OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(4) External revenue by location of resources and non-current assets by location (Continued)

Unit: RMB'000

Items	Closing balance	Opening balance
Non-current assets located in China	**5,437,789**	9,368,639
Non-current assets located in Australia	**4,298,676**	4,824,504
Non-current assets located in Brazil	**11,033,758**	12,259,027
Non-current assets located in Congo (DRC)	**34,466,622**	38,236,511
Subtotal	**55,236,845**	64,688,681

Note: The above non-current assets are not including deferred tax assets and financial assets.

(5) Reliance on major clients

The revenue of two major customers from copper-cobalt-related product segment in the year was RMB3,711,380,160.05 and RMB3,183,789,240.83 respectively, accounting for 15.37% and 13.18% of operating income of the Group in 2017. (2016: 3.91% and 5.54%)

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

1. Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash:			**35,255.97**			117,244.09
RMB	**–**	**–**	**35,255.97**	–	–	117,244.09
USD	**–**	**–**	**–**	–	–	–
Bank balances:			**11,364,812,472.13**			4,535,744,581.62
RMB	**–**	**–**	**11,231,644,794.86**	–	–	4,507,965,996.90
USD	**20,304,196.18**	**6.5575**	**133,143,802.96**	4,000,725.86	6.9370	27,753,035.29
HKD	**28,560.86**	**0.8359**	**23,874.31**	28,560.44	0.8945	25,547.60
EUR	**–**	**–**	**–**	0.25	7.3200	1.83
Other cash and bank balances			**6,122,383,303.62**			1,300,016,029.71
RMB	**–**	**–**	**6,122,383,303.62**	–	–	1,300,016,029.71
Total			**17,487,231,031.72**			5,835,877,855.42

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

2. Notes receivable

(1) Categories of Notes receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	**1,580,380,995.29**	788,450,950.75
Commercial acceptance	**171,670,000.00**	132,624,000.00
Total	**1,752,050,995.29**	921,074,950.75

(2) Notes receivable endorsed or discounted by the Company as at the end of the year but not yet due at the balance sheet date

Unit: RMB

Category	Amount derecognized as at the end of the year
Bank acceptance	**208,924,514.69**
Total	**208,924,514.69**

3. Accounts receivable

Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Gross Balance		Bad debt provision		Gross Balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant	**304,234,908.97**	**98.48**	**4,229,626.57**	**1.39**	745,480,056.90	99.26	4,229,626.57	0.57
receivable that are not individually significant	**4,695,088.08**	**1.52**	**3,775,030.81**	**80.40**	5,546,799.63	0.74	3,775,030.81	68.06
Total	**308,929,997.05**	**100.00**	**8,004,657.38**	**2.59**	751,026,856.53	100.00	8,004,657.38	1.07

The Group recognises accounts receivable of over RMB5 million as accounts receivable that are individually significant.

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

4. Prepayments

Aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance Amount	Closing balance Proportion (%)	Opening balance Amount	Opening balance Proportion (%)
Within 1 year	**34,779,055.04**	**89.81**	25,758,658.27	99.86
1 to 2 years	**3,921,672.44**	**10.13**	9,660.34	0.04
2 to 3 years	**–**	**–**	25,000.00	0.10
Over 3 years	**25,000.00**	**0.06**	–	–
Total	**38,725,727.48**	**100.00**	25,793,318.61	100.00

5. Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Categories	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying Amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant	**2,007,849,392.58**	**98.85**	**16,722,670.13**	**0.83**	5,602,941,240.19	99.61	11,778,874.54	0.21
Other receivables that are not individually significant	**23,455,449.56**	**1.15**	**11,766,434.65**	**50.17**	22,053,679.57	0.39	11,766,434.65	53.35
Total	**2,031,304,842.14**	**100.00**	**28,489,104.78**	**1.40**	5,624,994,919.76	100.00	23,545,309.19	0.42

The Group recognises other receivables of over RMB5 million as other receivables that are individually significant.

(2) During the report period, the Group actually written off other receivables of RMB3,408,629.48 during the reporting period.

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

6. Inventories

Categories of inventories:

Unit: RMB

	Closing balance			Opening balance		
Item	Gross amount	Provision for decline in value of inventories	Carrying amount	Gross amount	Provision for decline in value of inventories	Carrying amount
Raw materials	**57,707,964.87**	**–**	**57,707,964.87**	59,997,094.86	–	59,997,094.86
Finished goods	**82,399,442.69**	**–**	**82,399,442.69**	119,388,586.21	–	119,388,586.21
Total	**140,107,407.56**	**–**	**140,107,407.56**	179,385,681.07	–	179,385,681.07

7. Available-for-sale financial assets

Available-for-sale financial assets

Unit: RMB

	Closing balance			Opening balance		
Items	Gross amount	Provision for impairment	Carrying amount	Gross amount	Provision for impairment	Carrying amount
Available-for-sale equity instruments measured at cost	**200,004,928.00**	**–**	**200,004,928.00**	200,004,928.00	–	200,004,928.00
Total	**200,004,928.00**	**–**	**200,004,928.00**	200,004,928.00	–	200,004,928.00

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

8. Long-term equity investments

Details of long-term equity investment as follows:

Unit: RMB

Investee	Initial investment cost	Closing balance	Opening balance
Equity Method			
Yulu Mining	20,000,000.00	**92,494,720.24**	69,629,450.40
High-tech	135,000,000.00	**77,095,493.01**	88,762,283.32
Huan Yu	973,335,000.00	**723,111,792.29**	775,225,287.45
Luoyang Shenyu	1,500,000.00	**1,185,576.97**	1,314,112.19
Subtotal	1,129,835,000.00	**893,887,582.51**	934,931,133.36
Cost Method			
Ye Lian	5,638,250.27	**5,638,250.27**	5,638,250.27
Da Chuan	17,500,000.00	**17,500,000.00**	17,500,000.00
Xiao Shou Mao Yi	2,000,000.00	**2,000,000.00**	2,000,000.00
Da Dong Po	33,483,749.86	**33,483,749.86**	33,483,749.86
Jiu Yang	17,028,900.00	**17,028,900.00**	17,028,900.00
San Qiang	28,294,800.00	**33,397,038.41**	33,397,038.41
International Hotel	210,000,000.00	**210,000,000.00**	210,000,000.00
Wu Ye	100,000,000.00	**100,000,000.00**	100,000,000.00
CMOC HK *(Note 1)*	1,869,455,300.96	**1,869,455,300.96**	0.96
Metal Material	650,000,000.00	**650,000,000.00**	650,000,000.00
Fu Run	8,803,190.84	**8,803,190.84**	8,803,190.84
Xin Jiang Luo Mu	980,000,000.00	**980,000,000.00**	980,000,000.00
Hu Qi	9,900,000.00	**9,900,000.00**	9,900,000.00
Fu Kai	261,520,000.00	**261,520,000.00**	261,520,000.00
Sales Company	50,000,000.00	**50,000,000.00**	50,000,000.00
Qi Xing	46,963,636.00	**46,963,636.00**	46,963,636.00
CMOC Ltd *(Note 2)*	575,797,299.48	**15,096,649,809.48**	13,018,677,299.48
Schmocke	500,000,000.00	**500,000,000.00**	500,000,000.00
Beijing YongBo	10,000,000.00	**167,800,000.00**	40,000,000.00
Subtotal	5,376,385,127.41	**20,060,139,875.82**	15,984,912,065.82
Total		**20,954,027,458.33**	16,919,843,199.18
Less: Provision for impairment losses		**–**	–
Net amount of long-term equity investments		**20,954,027,458.33**	16,919,843,199.18

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

8. Long-term equity investments (Continued)

Note 1: On 10 July 2017, upon the resolution of the Investment Committee, the Company increased capital of RMB1,869,455,300 to the wholly owned subsidiary of CMOC HK through debt capitalization.

Note 2: On 11 July 2017, upon the resolution of the Investment Committee, the Company increased capital of RMB1,872,972,510 to the wholly owned subsidiary, CMOC Ltd through debt capitalization. Meanwhile, the Company provided a guarantee for the USD loan of BHR (a subsidiary of CMOC Ltd) in the year, and recognized an investment cost according to the fair value of the guarantee.

9. Fixed assets

Unit: RMB

Items	Building and mining engineering	Machinery equipment	Electronic furniture and fixtures	Transportation equipment	Total
I. Total original carrying amount:					
1. Opening balance	2,591,964,117.75	786,992,157.45	155,199,825.20	126,618,155.80	3,660,774,256.20
2. Increased during current year	30,336,900.39	48,402,231.44	2,211,944.68	2,110,525.65	83,061,602.16
(1) Purchasing	826,441.94	3,055,023.19	1,236,086.29	2,110,525.65	7,228,077.07
(2) Transferred from construction-in-progress	29,510,458.45	45,347,208.25	975,858.39	–	75,833,525.09
3. Reduced during current year	121,445.83	–	895,726.50	3,208,782.37	4,225,954.70
(1) Disposal or retirement	121,445.83	–	895,726.50	3,208,782.37	4,225,954.70
4. Closing balance	2,622,179,572.31	835,394,388.89	156,516,043.38	125,519,899.08	3,739,609,903.66
II. Accumulated depreciation					
1. Opening balance	1,403,292,536.08	562,776,101.34	106,304,981.41	116,637,929.97	2,189,011,548.80
2. Increased during current year	99,152,624.48	45,655,810.96	9,632,047.94	1,779,623.87	156,220,107.25
(1) Provision	99,152,624.48	45,655,810.96	9,632,047.94	1,779,623.87	156,220,107.25
3. Reduced during current year	23,387.58	–	895,726.50	3,102,833.78	4,021,947.86
(1) Disposal or retirement	23,387.58	–	895,726.50	3,102,833.78	4,021,947.86
4. Closing balance	1,502,421,772.98	608,431,912.30	115,041,302.85	115,314,720.06	2,341,209,708.19
III. Impairment provision					
1. Opening balance	–	3,945,202.39	–	–	3,945,202.39
2. increased during current year	–	–	–	–	–
(1) Provision	–	–	–	–	–
(2) Transferred from construction-in-progress	–	–	–	–	–
3. Reduced during current year	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–
(2) Reduction because of selling subsidiary	–	–	–	–	–
4. Closing balance	–	3,945,202.39	–	–	3,945,202.39
IV. Carrying amount					
1. Carrying amount at the end of the year	1,119,757,799.33	223,017,274.20	41,474,740.53	10,205,179.02	1,394,454,993.08
2. Carrying amount at the beginning of the year	1,188,671,581.67	220,270,853.72	48,894,843.79	9,980,225.83	1,467,817,505.01

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

10. Intangible assets

Unit: RMB

Item	Land use right	Mining right	Trademark right	Non proprietary technology	Others	Total
I. Total original carrying amount:						
1. Opening balance	317,342,691.27	408,985,700.00	1,286,750.00	83,831,281.87	10,236,946.99	821,683,370.13
2. Increased during current year	10,406,831.55	–	–	142,883.31	101,367.52	10,651,082.38
(1) Purchasing	10,406,831.55	–	–	142,883.31	101,367.52	10,651,082.38
3. Reduced during current year	–	–	–	–	–	–
(1) Disposal	–	–	–	–	–	–
4. Closing balance	327,749,522.82	408,985,700.00	1,286,750.00	83,974,165.18	10,338,314.51	832,334,452.51
II. Accumulated amortization						
1. Opening balance	64,211,607.88	280,766,817.96	1,066,468.89	39,819,859.14	3,776,030.94	389,640,784.81
2. Increased during current year	7,282,614.45	27,219,369.48	–	8,388,341.34	840,983.76	43,731,309.03
(1) Provision	7,282,614.45	27,219,369.48	–	8,388,341.34	840,983.76	43,731,309.03
3. Reduced during current year	–	–	–	–	–	–
(1) Disposal	–	–	–	–	–	–
4. Closing balance	71,494,222.33	307,986,187.44	1,066,468.89	48,208,200.48	4,617,014.70	433,372,093.84
III. Impairment provision						
1. Opening balance	–	–	–	–	–	–
2. Increased during current year	–	–	–	–	–	–
(1) Provision	–	–	–	–	–	–
3. Reduced during current year	–	–	–	–	–	–
(1) Disposal	–	–	–	–	–	–
(2) Decrease for sale of subsidiary	–	–	–	–	–	–
4. Closing balance	–	–	–	–	–	–
IV. Carrying amount						
1. Carrying amount at the end of the year	256,255,300.49	100,999,512.56	220,281.11	35,765,964.70	5,721,299.81	398,962,358.67
2. Carrying amount at the beginning of the year	253,131,083.39	128,218,882.04	220,281.11	44,011,422.73	6,460,916.05	432,042,585.32

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

11. Deferred income tax assets/deferred income tax liabilities

(1) *Deferred income tax assets or liabilities listed in net value after offsetting*

Unit: RMB

Item	Closing amount	Opening amount
Deferred income tax assets		
Impairment provision for assets	**6,065,844.69**	5,324,275.35
Government grants' deferred revenue	**2,754,162.55**	2,812,020.96
Net accrued and unpaid expenses	**42,258,777.73**	42,467,140.99
Scrap of fixed assets without record	**3,510,509.81**	3,510,509.81
Subtotal	**54,589,294.78**	54,113,947.11
Deferred income tax liabilities: Interest income	**100,173,729.48**	64,478,777.47
Gains and losses from changes in fair value	**–**	4,773,952.69
Subtotal	**100,173,729.48**	69,252,730.16
Deferred tax assets/liabilities after offsetting	**(45,584,434.70)**	(15,138,783.05)

(2) *Temporary differences corresponding to the assets/liabilities causing temporary differences*

Unit: RMB

Item	Temporary differences	
	Closing balance	Opening balance
Impairment provision for assets	**40,438,964.55**	35,495,168.96
Deferred government grants	**18,361,083.64**	18,746,806.41
Gains and losses from changes in fair value	**–**	(31,826,351.24)
Net accrued and unpaid expenses	**281,725,184.88**	283,114,273.26
Scrap of fixed assets without record	**23,403,398.76**	23,403,398.76
Accrued interest income	**(667,824,863.17)**	(429,858,516.47)
Subtotal	**(303,896,231.34)**	(100,925,220.32)

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

12. Breakdown of impairment provision on assets

Unit: RMB

Items	Beginning balance	Increase in current year	Decrease in current year		Closing balance
			Return back	Written-off	
I. Bad debts provision	31,549,966.57	8,361,335.07	8,910.00	3,408,629.48	**36,493,762.16**
II. Impairment provision for fixed assets	3,945,202.39	–	–	–	**3,945,202.39**
Total	35,495,168.96	8,361,335.07	8,910.00	3,408,629.48	**40,438,964.55**

13. Other non-current assets

Unit: RMB

Item	Closing amount	Opening amount
Deposit over one year	–	1,418,649,288.83
Structured Deposit over one year	–	300,000,000.00
Banks' wealth investment product over one year	–	800,000,000.00
Prepaid farmland occupation tax	**29,709,022.42**	25,959,022.32
Total	**29,709,022.42**	2,544,608,311.15

14. Short-term borrowings

Categories of Short term borrowings:

Unit: RMB

Item	Closing amount	Opening amount
Secured borrowings	–	806,773,100.00
Credit loan	**560,000,000.00**	3,149,440,377.73
Total	**560,000,000.00**	3,956,213,477.73

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

15. Financial liabilities measured at fair value through profit or loss

Details of transaction financial liabilities are as follows:

Unit: RMB

Item	Closing fair value	Opening fair value
1. Derivative financial liabilities not designated as hedge	**–**	23,772,676.40
– Forward Commodity Contracts	**–**	23,772,676.40
2. Gold lease liabilities measured at fair value	**3,000,757,420.00**	2,752,065,250.00
Total	**3,000,757,420.00**	2,775,837,926.40

Details of transaction financial liabilities refer to Note (V).20.

16. Taxes payable

Unit: RMB

Item	Closing amount	Opening amount
Enterprise income tax	**1,005,737.97**	(48,682,920.95)
Urban maintenance and construction tax	**(1,633,951.24)**	(2,117,989.18)
Resource tax	**39,529,339.99**	14,160,480.53
Education surtax	**(947,145.18)**	(1,254,107.57)
Other tax	**3,435,411.52**	3,119,875.92
Total	**41,389,393.06**	(34,774,661.25)

17. Other current liabilities

Unit: RMB

Item	Closing amount	Opening amount
Accrued expenses	**91,016,307.04**	166,033,808.80
Financial guarantee contracts *(Note (XIV).8)*	**144,096,269.23**	127,768,520.06
Payables for short-term financing bonds	**–**	2,500,000,000.00
Total	**235,112,576.27**	2,793,802,328.86

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

18. Provisions

Unit: RMB

Item	Closing amount	Opening amount
Land restoration and rehabilitation fee *(Note (V).34)*	**47,570,371.67**	47,570,371.67
Total	**47,570,371.67**	47,570,371.67

19. Operating income and operating costs

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Main business income	**3,134,739,523.23**	2,206,922,815.15
Other business income	**63,264,723.70**	60,337,343.98
Main business cost	**1,186,204,106.58**	1,009,627,268.16
Other business cost	**65,735,416.41**	63,516,476.52

20. Taxes and levies

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Calculation and payment standards
Business tax	**–**	3,330.00	*Note (IV)*
Urban maintenance and construction tax	**19,523,625.16**	13,134,643.43	*Note (IV)*
Education Surcharges	**11,714,175.09**	7,881,909.92	*Note (IV)*
Resource tax	**216,027,160.28**	146,471,693.73	*Note (IV)*
Other	**23,131,521.64**	10,240,887.20	
Total	**270,396,482.17**	177,732,464.28	

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

21. Administrative expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Wages and social security contribution	**44,370,373.31**	27,216,897.05
Depreciation and amortization	**22,091,180.41**	21,324,261.59
Consulting and professional fees	**138,053,721.42**	267,384,387.98
Entertainment expenditures	**9,288,915.35**	4,240,939.17
Technological development expense	**111,039,054.65**	110,256,904.85
Other	**54,647,180.51**	44,608,742.25
Total	**379,490,425.65**	475,032,132.89

22. Financial expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Interest expenses on bond	**180,002,333.16**	203,559,581.20
Discount interest of notes receivables	**7,335,850.05**	15,548,058.98
Bank loans interest expenses	**241,512,950.46**	128,609,562.09
Total interest expenses:	**428,851,133.67**	347,717,202.27
Less: Interest income	**642,661,098.09**	469,562,967.66
Exchange differences	**23,858,539.21**	31,313,297.71
Gold lease charges	**121,559,742.96**	70,611,993.45
Other	**(7,317,866.59)**	76,540,055.31
Total	**(75,709,548.84)**	56,619,581.08

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

23. Assets impairment losses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Bad debt losses	**8,352,425.07**	10,753,661.39
Impairment loss of fixed assets	**–**	1,193,936.69
Total	**8,352,425.07**	11,947,598.08

24. Investment income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Income (loss) from long-term equity investments under equity method	**44,256,449.15**	16,287,797.94
Investment income from bonds and banks' wealth investment product	**2,308,688.29**	93,608,673.75
Loss from investment during the held-for-trading financial assets	**76,095,119.34**	(3,736,797.34)
Derivatives that are not specified as hedging relationship	**–**	(16,752,200.00)
Total	**122,660,256.78**	89,407,474.35

25. Non-operating income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Government grants	**9,582,040.00**	23,690,677.65
Other	**178,057.80**	4,769,446.76
Total	**9,760,097.80**	28,460,124.41

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

26. Non-operating expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
External donations	**22,508,000.00**	19,100,000.00
Other	**4,525,929.35**	3,896,342.18
Total	**27,033,929.35**	22,996,342.18

27. Income tax expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Current income tax liabilities calculated as per tax law and relevant regulations	**133,634,892.45**	65,212,771.41
Differences arising on settlement of income tax for the previous years	**(17,388,693.90)**	(7,305,535.90)
Adjustments to deferred income tax	**30,445,651.65**	15,571,707.15
Total	**146,691,850.20**	73,478,942.66

Reconciliation sheet for income tax expenses and accounting profit as follows:

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Accounting profit	**1,427,610,059.79**	613,966,874.66
Income tax expenses calculated as per 15% tax rate (the year of 2016: 15%)	**214,141,508.97**	92,095,031.20
Tax impact of non-deductible expenses	**4,047,084.33**	13,041,221.28
Tax impact of non-taxable income	**(54,108,049.20)**	(24,351,773.92)
Difference arising on settlement of income tax for the previous years	**(17,388,693.90)**	(7,305,535.90)
Total	**146,691,850.20**	73,478,942.66

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

28. Supplementary information for cash flow statement

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
1. Reconciliation of net profit into cash flow from operating activities:		
Net profit	**1,280,918,209.59**	540,487,932.00
Add: Provision of the impairment of assets	**8,352,425.07**	11,947,598.08
Depreciation of fixed assets	**156,220,107.25**	162,900,448.99
Amortization of intangible assets	**43,731,309.03**	43,645,880.67
Amortisation of long-term prepaid expenses	**17,689,457.06**	11,052,725.18
Loss from the disposal of fixed assets, intangible assets		
And other long-term assets (income is filled in column with "-")	**(634,474.01)**	(6,311,639.78)
Loss from fair value change (less income)	**47,462,821.24**	(41,195,810.27)
Financial expenses (income is filled in column with "-")	**642,053,373.70**	496,370,641.49
Investment losses (income is filled in column with "-")	**(122,660,256.78)**	(89,407,474.35)
The decrease of deferred tax assets (increase is filled in column with "-")	**30,445,651.65**	15,571,707.15
The decrease of inventory (increase is filled in column with "-")	**39,278,273.51**	73,062,077.17
The decrease of operating accounts receivable items (increase is filled in column with "-")	**(518,337,807.61)**	(799,391,439.89)
The increase of operating payables (decrease is filled in column with "-")	**(318,549,398.31)**	626,527,750.84
The amortization of deferred revenue	**(385,585.80)**	(385,585.80)
The increase of special reserves (decrease is filled in column with "-")	**(841,175.89)**	(107,004,134.57)
The limited bank deposits decrease (increase is filled in column with "-")	**150,000,000.00**	(269,674,029.71)
The net cash flow incurred from operating activities	**1,454,742,929.70**	668,196,647.20
2. The net change conditions of cash and cash equivalents:		
Cash balance at the end of that year	**11,364,847,728.10**	4,535,861,825.71
Less: cash balance at the beginning of that year	**4,535,861,825.71**	8,163,156,539.48
Add: cash equivalents balance at the end of that year	**–**	–
Less: cash equivalents balance at the beginning of that year	**–**	–
Net increase(decrease) amount of cash and cash equivalents	**6,828,985,902.39**	(3,627,294,713.77)

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

29. Related party relationships and transactions

Please refer to note (VII).1 for the subsidiaries of the enterprise and note (v), 11 for associates and joint ventures of the enterprise.

(1) Details on related party transactions

(1.1) Sales and purchase of goods, provision and receipt of services

Unit: RMB

The related party	Related transaction type	Content of related party transactions	Related transaction pricing methods and decision-making process	**Amount for the current year**	Amount for the prior year
The Sales Company	Goods	Sales	Contract price	**516,854,187.69**	720,692,341.71
Ye Lian	Goods	Sales	Contract price	**717,715,522.47**	265,625,967.71
Xiao Shou Mao Yi	Goods	Sales	Contract price	**289,102,718.76**	1,794.73
Da Chuan	Goods	Sales	Contract price	**–**	3,538,360.14
Da Dong Po	Goods	Sales	Contract price	**72,626,577.25**	35,227,546.35
Jiu Yang	Goods	Sales	Contract price	**51,486,333.36**	40,853,508.76
San Qiang	Goods	Sales	Contract price	**74,182,092.55**	58,226,883.62
Wu Ye	Goods	Sales	Contract price	**506,852,146.56**	192,159,002.61
Metal Material	Goods	Sales/provide the charge for use of specific technology	Contract price	**693,294,144.76**	629,884,495.66
Total				**2,922,113,723.40**	1,946,209,901.29
San Qiang	Service/Goods	Accept services/ purchase of goods and material	Contract price	**295,549.16**	–
Da Chuan	Goods	Purchase of goods and materials	Contract price	**–**	2,644,444.44
Jiu Yang	Service/Goods	Accept services/ purchase of goods and material	Contract price	**2,120,659.33**	2,242,796.09
Metal Material	Goods	Purchase of goods and materials	Contract price	**31,869,242.53**	7,145,519.59
Xiao Shou Mao Yi	Service	Accept services	Contract price	**15,933,452.70**	7,201,519.01
Ye Lian	Service/Goods	Accept services/ purchase of goods and material	Contract price	**238,323.08**	1,679.01
Schmocke	Service	Accept services	Contract price	**26,660,000.00**	–
Beijing Yongbo	Service	Accept services	Contract price	**20,530,000.00**	–
International Hotel	Service	Accept services	Contract price	**11,479,245.72**	–
Da Dong Po	Goods	Purchase of goods and materials	Contract price	**231,486.86**	–
Mudu Trading	Goods	Purchase of goods and materials	Contract price	**2,794,371.29**	–
Total				**112,152,330.67**	19,235,958.14

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

29. Related party relationships and transactions (Continued)

(1) Details on related party transactions (Continued)

(1.2) Loans and borrowings of the related party

Except the related party financing disclosures in note (X).6, the financing transactions between our company and other related parties are as follows:

Unit: RMB

	Lent to during the current year *Unit: RMB*	Received during the current year *Unit: RMB*	Closing balance *Unit: RMB*	Lent to during the prior year *Unit: RMB*	Received during the prior year *Unit: RMB*	Opening balance *Unit: RMB*
Lent to						
Sales Company	–	–	–	8,196,907,147.78	8,669,281,635.79	–
Xiao Shou Mao Yi	106,143,525.86	–	106,143,525.86	–	–	–
Ye lian	–	–	–	1,717,266,905.90	1,838,307,028.91	–
International Hotel	113,999,702.67	137,039,963.52	102,053,448.58	51,583,947.08	72,798,131.38	125,093,709.43
Jiu Yang	417,169,956.49	369,371,351.24	86,567,553.77	28,592,317.48	76,390,922.73	38,768,948.52
CMOC HK *(Note1)*	9,421,661.00	1,899,766,929.00	11,135,925.96	1,186,240,621.00	805,253,567.00	1,901,481,193.96
CMOC Ltd *(Note 2)*	945,440,290.00	2,745,122,560.00	393,020,057.72	2,326,830,623.09	147,115,495.37	2,192,702,327.72
Qi Xing	323,490.00	–	66,362,027.59	1,241,895.00	–	66,038,537.59
Schmocke	–	–	1,066,000,000.00	741,000,000.00	50,000.00	1,066,000,000.00
Fu Run	25,000.00	571,590.93	18,206,602.98	1,966,475.62	–	18,753,193.91
Yuehe	892,000.00	–	59,437,579.99	58,545,579.99	–	58,545,579.99
Total	1,593,415,626.02	5,151,872,394.69	1,908,926,722.45	14,310,175,512.94	11,609,196,781.18	5,467,383,491.12

Note 1: Decrease of RMB1,869,455,300 in the amount for the year is resulted from the Company's capital increase to CMOC HK through debt capitalization.

Note 2: Decrease of RMB1,872,972,510.00 in the amount for the year is resulted from the Company's capital increase to CMOC Ltd through debt capitalization.

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

29. Related party relationships and transactions (Continued)

(1) Details on related party transactions (Continued)

(1.2) Loans and borrowings of the related party (Continued)

Unit: RMB

	Lent to during the current year *Unit: RMB*	Repaid during current year *Unit: RMB*	Closing balance of current year *Unit: RMB*	Lent to during the prior year *Unit: RMB*	Repaid during prior year *Unit: RMB*	Opening balance of current year *Unit: RMB*
Borrowed from						
Sales Company	**4,318,845,310.15**	**4,398,296,402.08**	**165,224,461.66**	244,675,553.59	–	244,675,553.59
Xiao Shou Mao Yi	**55,763,884.09**	**62,259,037.91**	**–**	10,475,036.33	8,204,495.24	6,495,153.82
Wu Ye	**215,836,939.40**	**110,798,549.66**	**105,038,389.74**	282,455,547.35	346,915,514.46	–
Metal Material	**3,456,039,244.80**	**3,366,083,267.83**	**92,582,287.53**	3,392,952,402.51	3,729,580,427.01	2,626,310.56
San Qiang	**434,303,090.53**	**434,303,090.53**	**–**	281,569,923.43	473,720,231.41	–
Da Dong Po	**134,139,750.84**	**134,797,492.01**	**326,627.00**	237,687,308.10	237,184,769.67	984,368.17
Da Chuan	**48,583,275.67**	**55,470,498.12**	**8,882,427.20**	67,557,368.13	58,801,417.37	15,769,649.65
Xin Jiang Luo Mu	**2,229,151.49**	**3,787,536.00**	**192,757,386.03**	2,329,174.32	19,595,821.00	194,315,770.54
Fu Kai	**–**	**–**	**11,300,000.00**	–	–	11,300,000.00
Hu Qi	**–**	**–**	**9,900,000.00**	–	–	9,900,000.00
Ye lian	**2,507,906,159.80**	**2,301,300,246.07**	**206,605,913.73**	–	–	–
Total	**11,173,646,806.77**	**10,867,096,120.21**	**792,617,492.89**	4,519,702,313.76	4,874,002,676.16	486,066,806.33

(1.3) Interest of related parties

The borrowings/loans with other related parties are as follows:

	Current year *RMB*	Prior year *RMB*
Net interests paid to (charged from) related parties	**(85,855,412.10)**	(116,317,650.99)

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

29. Related party relationships and transactions (Continued)

(1) Details on related party transactions (Continued)

(1.4) Guarantees with related party

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
China Molybdenum Co., Ltd. *(Note 1), (Note 2)*	CMOC Mining	USD259,500,000	29 November 2013	29 November 2020	No
China Molybdenum Co., Ltd. *(Note 1)*	CMOC Mining	USD259,500,000	27 November 2013	27 November 2020	No
China Molybdenum Co., Ltd.	CMOC Mining	AUD37,000,000	18 December 2013	18 December 2018	No
China Molybdenum Co., Ltd.	CMOC Mining	USD40,000,000	5 June 2015	4 June 2017	No
China Molybdenum Co., Ltd.	CMOC Mining	USD50,000,000	28 June 2015	30 June 2017	No
China Molybdenum Co., Ltd.	CMOC limited	RMB1,000,000,000	15 August 2016	9 August 2018	No
China Molybdenum Co., Ltd.	CMOC limited	USD80,000,000	16 August 2016	29 July 2018	No
China Molybdenum Co., Ltd.	CMOC Brazil and CMOC LUXEMBOURG	USD907,000,000	29 September 2016	14 September 2023	No
China Molybdenum Co., Ltd.	CMOC DRC	USD1,593,000,000	15 November 2016	15 November 2023	No
China Molybdenum Co., Ltd. *(Note 3)*	BHR Newwood Investment Management Limited	USD700,000,000	5 April 2017	5 April 2024	No

Note 1: The guarantee period of instalment debts is from the effective date of the contract to the two years after the discharge of last repayment.

Note 2: The guaranteed amount is USD259.5 million, which is used for bank borrowings for CMOC Mining, in the year end the outstanding bank borrowings are USD135.5 million.

Note 3: See note (XIV).8 for details.

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

29. Related party relationships and transactions (Continued)

(2) Amount due from and amount due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts receivable	Ye Lian	**815,511.93**	293,418,676.43
	Da Dong Po	**7,701,638.76**	518,212.34
	Jiu Yang	**48,238.19**	547,602.60
	San Qiang	**–**	1,178,186.34
	The sales company	**203,019,897.23**	202,174,986.80
	Wu Ye	**85,054,119.85**	107,881,536.99
Dividends receivable	San Qiang	**10,118,892.09**	10,118,892.09
	Da Dong Po	**6,893,440.23**	6,893,440.23
	Jiu Yang	**26,993,751.76**	26,993,751.76
Other receivables	Yuehe Properties	**59,437,579.99**	58,545,579.99
	International Hotel	**102,053,448.58**	125,093,709.43
	Qi Xing	**66,362,027.59**	66,038,537.59
	Jiu Yang	**86,567,553.77**	38,768,948.52
	Da Chuan	**71,000,000.00**	85,000,000.00
	CMOC Co., Ltd	**393,020,057.72**	2,192,702,327.72
	Shimoke	**1,066,000,000.00**	1,066,000,000.00
	Fu Run	**18,206,602.98**	18,753,193.91
	CMOC HK	**11,135,925.96**	1,901,481,193.96
	Xiao Shou Mao Yi	**106,143,525.86**	–
Interest receivable	CMOC HK	**147,177,433.97**	112,833,174.39
	Shimoke	**7,613,680.30**	3,586,628.96
	CMOC Co., Ltd	**62,644,326.43**	43,677,223.27
Interest payables	Shimoke	**180,635.03**	180,635.03
Other payables	Sales Company	**165,224,461.66**	244,675,553.59
	Metal Material	**92,582,287.53**	2,626,310.56
	Da Chuan	**8,882,427.20**	15,769,649.65
	Da Dong Po	**326,627.00**	984,368.17
	Fu Kai	**11,300,000.00**	11,300,000.00
	Hu Qi	**9,900,000.00**	9,900,000.00
	Xin Jiang Luo Mu	**192,757,386.03**	194,315,770.54
	Xiao Shou Mao Yi	**–**	6,495,153.82
	Shimoke	**28,259,600.00**	–
	Beijing Yongbo	**615,900.00**	–
	Ye Lian	**206,605,913.73**	–
	Wu Ye	**105,038,389.74**	–
Accounts payables	Xiao Shou Mao Yi	**15,870.41**	16,706.10
	Metal Material	**60,061,068.55**	23,791,035.92
Advances from customers	Xiao Shou Mao Yi	**16,452.50**	34,518.15
	Da Dong Po	**129,177.64**	–
	San Qiang	**738,053.44**	–
Other current liabilities	Beijing Yongbo	**20,530,000.00**	–

(XV) APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the Board and authorised for issue on 29 March 2018.

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Net profit	**3,595,615,427.82**	1,019,238,434.20
Add (less): Non-recurring profit or loss items	**–**	–
– Loss (Income) on disposal of non-current assets	**17,491,578.26**	(5,770,618.09)
– Government grants	**(23,795,835.40)**	(25,748,779.11)
– Income from bank's wealth investment product	**(2,308,688.30)**	(94,793,860.23)
– Income from the disposal of available-for-sale financial assets	**(121,636.46)**	(92,667,004.11)
– Loss (Income) from the disposal of held-for-trading financial assets	**(76,095,119.34)**	3,736,797.34
– Derivatives not designated as hedging instruments	**–**	16,752,200.00
– Loss on impairment of available-for-sale financial assets	**–**	291,757,534.75
– Transaction expenses incurred in acquisition	**–**	236,139,790.97
– Loss on changes in fair value of the contingent consideration for the acquisition of Congo (DRC) copper-cobalt business	**428,694,671.16**	–
– Other loss (income) on changes in the fair value	**43,071,210.04**	(46,420,313.67)
– Loss on debt restructuring	**48,000.00**	499,687.98
– Negative goodwill caused combinations not under common control	**–**	(430,908,350.60)
– Other net non-operating income or expenses other than the above	**5,151,065.19**	24,149,315.23
Subtotal	**392,135,245.15**	(123,273,599.54)
Income tax effects from non-recurring profit or loss items	**5,310,009.86**	32,905,572.21
Net profit after deducting non-recurring profit or loss items	**3,993,060,682.83**	928,870,406.87
Including: Net profit attributable to shareholders of the parent company	**3,125,343,718.95**	907,668,359.56
Net profit attributable to minority interests	**867,716,963.88**	21,202,047.31

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE ("EPS")

The calculation of net assets and EPS prepared by China Molybdenum Co., Ltd. are in accordance with Information Disclosure and Presentation Rules for Entities with Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Amended in 2010) issued by China Securities Regulatory Commission.

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	EPS Basic EPS	EPS Diluted EPS
Net profit attributable to ordinary shareholders of the Company	9.89	0.14	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	11.25	0.16	N/A

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

* For identification purposes only