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

Stock Code: 3993

2018
ANNUAL REPORT

* For identification purposes only

CONTENTS

THIS ANNUAL REPORT INCLUDES FORWARD-LOOKING STATEMENTS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACTS, THAT ADDRESS BUSINESS ACTIVITIES, EVENTS OR DEVELOPMENTS THAT THE COMPANY EXPECTS OR ANTICIPATES MAY OR WILL OCCUR IN THE FUTURE (INCLUDING BUT NOT LIMITED TO PROJECTIONS, TARGETS, ESTIMATES AND BUSINESS PLANS) ARE FORWARD-LOOKING STATEMENTS. THE COMPANY'S ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THOSE INDICATED BY THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS VARIABLES AND UNCERTAINTIES. THE COMPANY MAKES THE FORWARD-LOOKING STATEMENTS IN THE ANNUAL REPORT FOR THE YEAR REFERRED TO HEREIN AS AT 28 MARCH 2019 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**", and together with its subsidiaries, the "**Group**") is a joint stock company established in the People's Republic of China (the "**PRC**" or "**China**") on 25 August 2006. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 April 2007 and the Shanghai Stock Exchange (the "**SSE**") on 9 October 2012.

The Company is primarily engaged in the mining, beneficiation, smelting and deep processing of copper, cobalt, molybdenum, tungsten, niobium and phosphates minerals. It possesses a relatively complete and integrated industry chain. The Company represents one of the leading copper producers, one of the top five molybdenum producers, one of the largest tungsten producers and the second largest cobalt and niobium producer in the world. It is also the second largest phosphate fertilizer producer in Brazil.

The vision of the Company is to become a respected international resources company. We stick to the corporate culture of "meritocracy, cost control, continuous improvement and achievement sharing". The focus of our development strategies will be:

– To strengthen and maintain the existing highly competitive cost advantages;

– To continue to manage and optimize the balance sheet, properly arrange the financing structure and reduce cost of funds;

– To ensure the stable operation of our overseas businesses and explore and give play to the synergistic effects of businesses by virtue of the comprehensive competitive advantages of the Company in terms of the scale, industry chain, technology, funds, market and management and its diversified financing platform; focusing on adjustment of structure and shift of the way of growth, to actively promote resource acquisitions and prioritize mergers and acquisitions on investments in quality and mature resource projects located in politically stable areas and with good cash flows, so as to speed up the Company's development through "combination of industry and financing".

CHAIRMAN’S LETTER

Li Chaochun
Chairman

Dear Shareholders,

In 2018, CMOC reported RMB4.6 billion of net profit attributable to shareholders of the listed company, up 70% year on year; RMB9.4 billion of net operating cash flow, up 12% year on year; RMB12.6 billion of EBITDA; RMB26.6 billion of cash reserves available for use at the end of the year; a debt-to-asset ratio of 51% and a net interest-bearing debt ratio of 9.9%. We continue paying back our shareholders vigorously. The Board of Directors has proposed to distribute a total of RMB2.376 billion (pre-tax) of annual dividends to shareholders, representing a payout ratio of 51.25%. During the reporting year, we achieved record financial results and will distribute record cash dividend.

In 2018, we saw a more volatile market. The price of copper and cobalt rose respectively from USD3.26 per pound and USD36 per pound at the beginning of the year to the peak USD3.33 per pound and USD44.45 per pound but slumped in June and entered the downturn. Copper price reached its bottom at around USD2.71 per pound while cobalt was sent on a continued downward trend. To the contrary, molybdenum and niobium had an opposite price performance: lowering in the first half of 2018 and rising in the second half. In general, the average market price of our core products – copper, cobalt, molybdenum, tungsten, and niobium rose respectively by 5.42%, 35.55%, 41.80%, 18.21%, and 23% in 2018 compared to that of 2017. Holding a diversified product portfolio is crucial in a cyclical industry like mining. We hope that CMOC can establish a portfolio of unique and scarce products to produce a healthy and sustainable cash flow, helping our company to succeed in both bull and bear markets.

With an ever-tightening policy and regulatory environment, global operation is becoming more and more challenging for mining companies. In China, there is more emphasis than ever on environmental protection and safety. Many laws, regulations and standards on environmental protection of the industrial sector have been updated and more attention has been given to their implementation, leading to tremendous impact on the mining industry. In recent years, CMOC has been following the highest industrial standards on environmental protection and continuously expanding investment in green development. Thanks to that, our molybdenum and tungsten business maintained stable production and operation last year, enabling us to outperform our competitors in production and sales and seize favourable market opportunities.

In the DRC, the government promulgated its revised Mining Code in 2018, which involves a series of major changes to financial and taxation policies. We actively respond to these differences and we believe that mutually beneficial solutions could be found through friendly negotiations. The government of the DRC speaks highly of the TFM project, of which CMOC is the controlling shareholder, as it contributed USD257 million and USD572 million to the Public Treasury in 2017 and 2018, respectively. Since its inception in 2006, TFM has paid a total of USD2.52 billion of taxes and parafiscal payments to the DRC government. The government is willing to listen to our opinions as we are a major investor and partner of the country, and we will continue to push forward negotiations on major issues of common concern.

Like most mining companies, CMOC faces operational challenges such as lowering grade, more complex mining conditions, and higher cost. To eliminate their negative impact on production, we already had plans in place to reduce cost and improve throughput and recovery rate by investing in technical optimization and debottlenecking initiatives. We also speed up study and progress of expansion projects to leverage our rich reserves. Last year, we achieved our budgetary goals for production and cost control in China, Brazil and Australia. In particular, we managed to maintain our production volume and unit cost for molybdenum and tungsten operations in China despite reduction in ore grade. Though copper saw an annual record low C1 cost of negative USD0.31 per pound in the DRC, we knew that such low cost was mostly due to the rising price of by-product cobalt. There is an urgent need for technical optimization and other operational improvements, and our logistics and administration system have a great potential for cost reduction and must be reformed. We are convinced that thanks to its high-quality resources, our TFM project will have the potential to double its production and earnings in the future. We have developed a 3-year Cost Optimization Project together with action plan to reduce cost and improve efficiency. It has specific requirements for each mine site and is currently being implemented in an orderly manner.

CHAIRMAN'S LETTER

Despite so many challenges, we are still enthusiastic and passionate about mining, a traditional industry with a long history, and we hope to bring new ideas to it as we grow. We are proud to provide raw materials that are necessary to technological progress, industrial upgrade and better life quality. We are optimistic about the long-term supply and demand fundamentals of our product portfolio and are confident in the future of the resources industry. As a cyclical industry, mining is capital-intensive and can be easily affected by politics and policies. It requires patience, persistence and a long-term vision to run a mining business well. It is a pity that the annual report only shows our performance in the last year and our outlook for the next year. What we should actually do is to exchange insights into one or even more business cycles with our investors. Fortunately, our majority shareholder CFC Group highly recognizes our vision and ambitions and offers its wisdom and strong support to long-term initiatives such as development of corporate values and business strategies. The lock-up period for our institutional investors participating in our financing in 2017 expired in late July 2018, and we were happy that we did not see any large-scale sell-down by these investors. We hope that we can have more shareholders that have a passion for the resources industry, recognize our vision, and are willing to be our long-term partner. As a commercial organization, we are committed to creating value for all shareholders, whether by dividend distribution or by higher returns on equity.

For the mining industry, products are considered homogeneous and their prices depend on supply and demand in the market. Therefore, mining companies should focus on acquiring high-quality resources through M&A or successful exploration projects, which requires some element of opportunity and luck. They should also continuously optimize management to reduce cost and gain a competitive edge, which depends on their own endeavours. But Rome is not built in a day. With vision and ambition, we should first focus on organizational and cultural building together with recruiting and cultivating talents, setting up performance incentive mechanisms, placing employees in the positions where they can reach their full potential, and bringing the coordination and cooperation between different teams into full play. As a young and fast-growing international mining company, CMOC has a lot to do to build an integrated, powerful and inclusive culture and values system, as our team expands rapidly and we face cultural differences between China and Western countries, as well as regional differences.

As for organizational structure and management patterns, we choose to create our own path combining both Chinese and Western characteristics, hoping to draw on the advantages of Western style management while giving full play to Chinese nation's hardworking spirit and determination to forge ahead. No matter what pattern we choose, we do know that the essence of management never changes: under the premise of compliance with laws and regulations, everything should revolve around operational efficiency and effectiveness. Last April, CMOC decided to set up a management headquarters with full lines of functions to gradually merge its former overseas management centre in Phoenix, the US, with a view to directly managing its overseas operations through an integration of Chinese and Western management philosophy.

I would like to extend my special appreciation to the managers and business leaders, either from China or overseas countries, who have joined the Group's headquarters and overseas offices over the past year. Our company is still in the initial stage of development, and we are still exploring along the way. As integration is ongoing with constant changes, our team members from different countries need to learn how to better cooperate with each other, so as to tackle various new challenges and new tasks. Working in such a demanding environment requires more efforts. But I believe that the company's long-term vision and big dream resonate with the passion and enthusiasm deep down inside our heart, and that is what brings us together to jointly create something amazing. We are looking forward to having more talented professionals to join us.

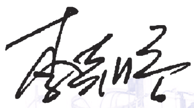
We have formulated and implemented the corporate culture of "meritocracy, cost control, continuous improvement, and achievement sharing". "Meritocracy" indicates our employment standard and system – we appoint people on grounds of personal abilities instead of their family backgrounds, educational backgrounds, working experience, or relationship with the management, and they must share our common values. We think highly of those who pursue excellence and efficiency and those who can deliver good results. We hope everyone in our team can develop a sense of entrepreneurship and leadership and be responsible and creative. "Cost control" and "continuous improvement" indicates our understanding of the essence and core competitiveness in the mining industry, our emphasis on technology reform and innovation and process optimization and recreation, and our open mind and determination to make continuous efforts. In terms of "achievement sharing", we emphasize the importance of growth and achievements as the foundation of sharing, and our value of praising effective contribution rather than fruitless hard work. These principles not only apply to our employees, but also to all our shareholders. Nevertheless, it is always easier said than done. This corporate culture will only bring positive effects when put into practice with performance assessment. This year, we are going to carry out more measures in this aspect.

In our pursuit of ambitious growth, we should also remain disciplined at all times. Last year, we announced our planned acquisition of IXM, the third biggest base metals trading company in the world. We are expected to complete the transaction in the middle of this year. From the perspective of long-term strategy, trading will be an important component of our business if we want to be a significant player in the international mining industry. The global flow of metal products is facing more challenges, and services such as sales, procurement and logistics will generate added value. The market information brought by trading business in all links of the industry chain will help us acquire a deeper understanding of the supply and demand relationship as well as the price trends. In trading business, many sources of supply come directly from the mines, such as producing mines, mines under construction, and development projects. They are often accompanied by project financing or offtake financing, and we need to carry out professional technical evaluation on the mining project and provide continuous follow-up and guidance. The acquisition of IXM will enable us to create synergy, access more global metal mining projects, and acquire more alternative investment opportunities. We should have great vision and be far-sighted while making continuous effort.

With the recovery of commodity prices, especially in view of the strong performance of bulk commodities, our global industry peers are getting back to their strong balance sheet and are returning their shareholders with increased cash dividends or share buy-back leveraging the strong cashflow generated. Despite the fact that the global geopolitics and economy are still full of uncertainty and commodity prices are seeing intensified volatility in the short term, market players in the metals industry are expecting an increase in the price of metals in the long run, making the rare investment or transaction opportunities in the market seem expensive. Timing is of essence; what we now need is more patience. We will spend more time exploring and promoting the "organic growth" of our company, as our current resource combination has huge potential but relatively lower risks. We believe that competition and cooperation in the future will be mutually inclusive, and we should always keep an open mind and cherish the partnership with our peers.

Last year, we welcomed new members to the Board of Directors. I would like to take this opportunity and extend my sincere thanks to our four outgoing directors – Mr. Bai Yanchun, Mr. Xu Shan, Mr. Cheng Gordon, and Mr. Ma Hui, for their hard work and dedication to the Company. At the same time, I want to express my warm welcome to the four new directors – Mr. Guo Yimin, Mr. Wang Gerry Yougui, Mr. Li Shuhua, and Ms. Yan Ye. We have also updated the structure of the committees under the Board of Directors. The Strategic Committee has been changed into the Strategic and Sustainability Committee, the Audit Committee has been changed into the Audit and Risk Committee, and the Nomination Committee has been changed into the Nomination and Governance Committee. Accordingly, we have expanded and adjusted the scope and content of each committee's responsibilities to further enhance the corporate governance. At the beginning of last year, we prepared and released our first Environmental, Social and Governance (ESG) Report that covered all our Chinese and overseas operations. In last August, the report was granted a BBB rating by MSCI, the highest rating ever granted to a Chinese company or an international company among the largest metals and mining industry peers by then.

Finally, I would like to extend my gratitude to our shareholders, local governments and communities, clients, financial institutions and partners for their gracious trust and support. I also want to thank all the CMOC employees in China and overseas countries for their hard work.



Chairman

Beijing, the PRC
27 March 2019

FINANCIAL HIGHLIGHTS

I. SUMMARISED FINANCIAL INFORMATION

Unit: RMB'000

Major accounting information	**2018**	2017 *(restated)*	Increase or decrease compared to last year *(%)*	2016
Operating revenue	**25,962,863**	24,147,558	7.52	6,949,571
Net profit attributable to shareholders of the listed company	**4,635,584**	2,727,796	69.94	998,041
Net profit after deduction of non-recurring profits or losses attributable to shareholders of the listed company	**4,560,179**	3,125,344	45.91	907,668
Net cash flow from operating activities	**9,434,534**	8,428,812	11.93	2,914,826
EBITDA	**12,615,392**	11,462,407	10.06	3,027,150
Net assets attributable to the shareholders of the listed company	**40,948,874**	38,132,684	7.39	18,738,058
Total assets	**101,216,117**	97,812,745	3.48	87,924,361
Gearing ratio	**51.00%**	53.08%	Decreased by 2.08 percentage points	60.95%
Net interest-bearing debt ratio	**9.9%**	10.4%	Decreased by 0.55 percentage point	25.4%

II. MAJOR FINANCIAL INDICATORS

Items	**For the year ended 31 December** **2018**	2017	Increase or decrease compared to last year *(%)*	For the year ended 31 December 2016
Basic earnings per share ("**EPS**") *(RMB per share)*	**0.215**	0.14	53.57	0.06
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)*	**0.211**	0.16	31.88	0.05
Weighted average return on net assets *(%)*	**11.72**	9.89	Increased by 1.83 percentage points	5.52
Weighted average return on net assets after deduction of non-recurring profits or losses *(%)*	**11.54**	11.25	Increased by 0.29 percentage point	5.03

III. MAJOR FINANCIAL DATA FOR 2018 BY QUARTER

Unit: RMB'000

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	7,432,137	6,627,659	6,024,018	5,879,049
Net profit attributable to shareholders of listed companies	1,550,002	1,572,508	1,014,331	498,743
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed companies	1,557,957	1,616,572	958,894	426,755
Net cash flow from operating activities	2,571,732	2,839,977	2,783,700	1,239,125

IV. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: RMB'000

Non-recurring profit or loss items	Amount for 2018	Notes (if appropriate)	Amount for 2017	Amount for 2016
Profit or loss on disposal of non-current assets	**-31,122**	/	-17,492	5,771
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	**14,510**	Including subsidies for low-grade scheelite project of RMB7,005 thousand	23,796	25,749
Profit or loss on debt restructuring	**0**	/	-48	-500
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	**/**	/	-393,240	213,392
Profit and loss of changes in fair value arising from holding of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities and investment gains from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other credit investments, except for effective hedging activities associated with normal business operations of the Company	**199,002**	Including change in fair value of other non-current assets of RMB154,754 thousand, disposal of other non-current assets incomes of RMB46,592 thousand, change in fair value of contingent consideration for copper-cobalt arising from M&A of RMB69,466 thousand, and losses arising from changes in fair value of forward foreign exchange contract of RMB75,311 thousand.	/	/
Other non-operating income or expenses other than the above items	**-10,154**	/	-5,151	-22,955
Negative goodwill generated by business combination not involving enterprises under common control	**0**	/	0	430,908
Transaction costs arising from M&A	**0**	/	0	-236,140
Loss on impairment of available-for-sale financial assets	**0**	/	0	-291,758

Non-recurring profit or loss items	Amount for 2018	Notes (if appropriate)	Amount for 2017	Amount for 2016
Loss on impairment of long-term assets	**-31,615**	Comprising impairment loss on construction in progress		-1,194
Donation expenditure	**-59,933**	/	0	0
Effects of minority interests	**8,774**	/	-102	4
Income tax effects	**-14,057**	/	-5,310	-32,906
Total	**75,405**		-397,548	90,372

V. CONSOLIDATED FINANCIAL STATEMENTS

(I) Consolidated Balance Sheet

Items	As at 31 December 2018 *RMB thousand*	As at 1 January 2018 (restated) *RMB thousand*	Change
Current assets:			
Cash and bank balances	**26,647,644**	26,508,760	0.52%
Notes receivable and Accounts receivable	**3,259,167**	3,880,288	-16.01%
Prepayments	**151,004**	110,584	36.55%
Other receivables	**1,040,049**	1,446,627	-28.11%
Inventories	**6,615,915**	5,705,500	15.96%
Other current assets	**1,450,605**	1,382,004	4.96%
Total current assets	**39,164,384**	39,033,763	0.33%
Non-current assets:			
Long-term equity investment	**2,522,865**	1,136,373	122.01%
Other investments in equity instruments	**448,174**	483,554	-7.32%
Other non-current financial assets	**3,906,622**	2,746,900	42.22%
Non-current derivative financial assets	**3,179**	-	100.00%
Fixed assets	**23,620,518**	24,234,932	-2.54%
Construction in progress	**1,893,822**	950,111	99.33%
Long-term inventory	**5,122,434**	4,352,010	17.70%
Intangible assets	**20,931,052**	21,536,182	-2.81%
Goodwill	**674,887**	833,594	-19.04%
Long-term prepaid expenses	**129,023**	116,189	11.05%
Deferred tax assets	**525,598**	311,683	68.63%
Other non-current assets	**2,273,559**	2,077,454	9.44%
Total non-current assets	**62,051,733**	58,778,983	5.57%
Total assets	**101,216,117**	97,812,746	3.48%

Items	As at 31 December 2018 *RMB thousand*	As at 1 January 2018 (restated) *RMB thousand*	Change
Current liabilities:			
Short-term borrowings	**4,588,153**	1,478,132	210.40%
Held for trading financing liabilities	**4,250,711**	3,592,187	18.33%
Derivative financial liabilities	**75,423**	–	100.00%
Notes payable and accounts payable	**1,148,073**	1,000,436	14.76%
Contract liabilities	**200,667**	127,796	57.02%
Employee benefits payable	**517,344**	445,406	16.15%
Taxes payable	**1,110,201**	1,137,796	-2.43%
Other payables	**1,027,782**	852,465	20.57%
Non-current liabilities due within one year	**2,929,839**	4,797,816	-38.93%
Other current liabilities	**130,542**	71,073	83.67%
Total current liabilities	**15,978,737**	13,503,108	18.33%
Non-current liabilities:			
Non-current derivative financial liabilities	**23,312**	–	100.00%
Long-term borrowings	**20,196,855**	22,033,889	-8.34%
Bonds payable	**2,000,000**	2,000,000	–
Long-term employee benefits payable	**129,065**	64,382	100.47%
Provision	**1,908,084**	2,049,904	-6.92%
Deferred income	**66,675**	72,890	-8.53%
Deferred tax liabilities	**8,021,118**	8,603,594	-6.77%
Other non-current liabilities	**3,294,336**	3,600,344	-8.50%
Total non-current liabilities	**35,639,445**	38,425,004	-7.25%
Total liabilities	**51,618,182**	51,928,112	-0.60%
Shareholders' equity:			
Paid-in capital (Share capital)	**4,319,848**	4,319,848	–
Capital reserve	**27,582,795**	27,582,795	–
Other comprehensive income	**-799,327**	-626,164	27.65%
Special reserve	**3,038**	7,726	-60.68%
Surplus reserve	**1,160,396**	968,191	19.85%
Retained earnings	**8,682,123**	5,880,288	47.65%
Total equity attributable to shareholders of the parent company	**40,948,874**	38,132,684	7.39%
Non-controlling interests	**8,649,062**	7,751,951	11.57%
Total shareholders' equity	**49,597,935**	45,884,635	8.09%
Total liabilities and shareholders' equity	**101,216,117**	97,812,745	3.48%

(II) Consolidated Income Statement

Items		For the year ended 31 December 2018 *RMB thousand*	2017 (restated) *RMB thousand*	Change
I.	**Total operating revenue**	**25,962,863**	24,147,558	7.52%
	Including: Operating revenue	**25,962,863**	24,147,558	7.52%
	Less: Operating costs	**16,180,247**	15,211,941	6.37%
	Taxes and levies	**1,018,793**	344,328	195.88%
	Selling expenses	**96,822**	214,841	-54.93%
	Administrative expenses	**933,346**	1,057,300	-11.72%
	Research and development expenses	**254,356**	101,794	149.87%
	Financial expenses	**643,046**	1,416,974	-54.62%
	Including: Interest expense	**1,450,739**	1,276,221	13.67%
	Interest income	**-1,037,941**	-765,373	35.61%
	Asset impairment losses	**66,583**	56,602	17.63%
	Credit impairment losses	**17,793**	–	–
	Add: Gains from changes in fair values (loss is filled in column with "-")	**122,408**	-471,766	-125.95%
	Investment income (loss is expressed with "-")	**202,270**	108,699	86.08%
	Including: Income from investment in joint ventures and associates	**69,111**	30,174	129.04%
	Income (loss) from disposal of assets	**-31,122**	-17,492	77.92%
	Other incomes	**12,550**	13,859	-9.45%
II.	**Operating profit (loss expressed with "-")**	**7,057,984**	5,377,079	31.26%
	Add: Non-operating income	**2,578**	39,046	-93.40%
	Less: Non-operating expenses	**70,705**	34,308	106.09%
III.	**Total profit (total loss expressed with "-")**	**6,989,857**	5,381,817	29.88%
	Less: Income tax expenses	**1,839,816**	1,786,201	3.00%
IV.	**Net profit (net loss expressed with "-")**	**5,150,042**	3,595,615	43.23%
	(1) Classified by business continuity:			
	1. Net profit from continuing operations (loss is expressed with "-")	**5,150,042**	3,595,615	43.23%
	2. Net profit from discontinued operations (loss is expressed with "-")	**–**	–	–
	(2) Classified by ownership:			
	1. Profit or loss attributable to non-controlling shareholders	**514,458**	867,819	-40.72%
	2. Net profit attributable to owners of the parent company	**4,635,584**	2,727,796	69.94%

Items		For the year ended 31 December 2018 RMB thousand	2017 (restated) RMB thousand	Change
V.	**Other comprehensive income, net of tax**	**209,754**	-1,024,043	120.48%
	Other comprehensive income attributable to owners of the parent company, net of tax	**-173,162**	-521,672	66.81%
	(1) Other comprehensive income that cannot be reclassified into profit or loss in subsequent periods	**-26,301**	–	–
	1. Changes in fair value of other equity instruments investment	**-26,301**	–	–
	(2) Other comprehensive income that can be reclassified into profit or loss in subsequent periods	**-146,861**	-521,672	71.85%
	1. Fair value change on gains or losses from available-for-sale financial assets	**–**	372,379	–
	2. Share of other comprehensive income under equity-method	**-20,822**	–	–
	3. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedge)	**-17,113**	–	–
	4. Foreign exchange differences from translation of statements	**-108,926**	-894,050	87.82%
	Other comprehensive income, net of tax attributable to minority shareholders	**382,916**	-502,371	176.22%
VI.	**Total comprehensive income**	**5,359,795**	2,571,573	108.42%
	Total comprehensive income attributable to owners of the parent company	**4,462,422**	2,206,124	102.27%
	Total comprehensive income attributable to minority shareholders	**897,374**	365,448	145.55%
VII.	**Earnings per share**			
	(1) Basic earnings per share (RMB)	**0.215**	0.14	53.57%
	(2) Diluted earnings per share (RMB)	**N/A**	N/A	N/A

Note: The Group has implemented the Notice of the Revised Format of Financial Statements for General Business Enterprise for the Year of 2018 (Cai Kuai [2018] No.15) released on 15 June 2018 by the Ministry of Finance for the preparation of the financial statements of the Group since 2018, revised the presentation of certain items of the income statement, extracted the research and development expenses from administrative expenses for separate presentation and adjusted the comparative figures of the prior year.

(III) Consolidated Statement of Cash Flow

Items		For the year ended 31 December 2018 RMB thousand	2017 RMB thousand	Change
I.	**Cash flows from operating activities:**			
	Cash received from sales of goods and rendering services	**29,243,395**	24,594,250	18.90%
	Other cash received related to operating activities	**1,136,281**	654,815	73.53%
	Sub-total of cash inflows from operating activities	**30,379,675**	25,249,065	20.32%
	Cash paid for purchasing goods and receiving labour services	**13,838,635**	11,736,234	17.91%
	Cash paid to employees and paid for employees	**2,058,338**	1,770,189	16.28%
	Taxes and fees paid	**3,876,806**	2,040,127	90.03%
	Other cash paid related to operating activities	**1,171,364**	1,273,702	-8.03%
	Sub-total of cash outflow from operating activities	**20,945,142**	16,820,253	24.52%
	Net cash flow from operating activities	**9,434,534**	8,428,812	11.93%
II.	**Cash flows from investing activities:**			
	Cash received from disposal or withdrawal of investments	**6,076,816**	2,002,813	203.41%
	Cash received from investment income	**207,157**	93,331	121.96%
	Net cash received from disposals of fixed assets, intangible assets and other long-term assets	**43,630**	26,990	61.65%
	Sub-total of cash inflows from investment activities	**6,327,603**	2,123,134	198.03%
	Cash paid for acquiring or construction of fixed assets, intangible assets and other long-term assets	**2,807,367**	1,066,476	163.24%
	Cash paid for investment	**4,852,213**	4,834,288	0.37%
	Other cash paid related to investment activities	**1,065,210**	331,597	221.24%
	Sub-total of cash outflow from investment activities	**8,724,791**	6,232,360	39.99%
	Net cash flows from investment activities	**-2,397,188**	-4,109,226	-41.66%
III.	**Cash flows from financing activities:**			
	Cash received from capital contributions	**–**	17,858,633	-100.00%
	Cash received from borrowings	**8,571,932**	10,560,506	-18.83%
	Other cash received related to financing activities	**3,013,969**	1,485,196	102.93%
	Sub-total of cash inflows from financing activities	**11,585,901**	29,904,335	-61.26%
	Cash paid for debt repayment	**9,999,664**	11,038,951	-9.41%
	Cash paid for distribution of dividends, profits and interest payment	**2,646,126**	2,147,305	23.23%
	Including: Dividends paid by subsidiaries to non-controlling shareholders	**–**	347,520	-100.00%
	Other cash paid related to financing activities	**2,786,560**	9,346,043	-70.18%
	Sub-total of cash outflow from financing activities	**15,432,351**	22,532,299	-31.51%
	Net cash flow from financing activities	**-3,846,449**	7,372,036	-152.18%
IV.	**Effect of exchange rate changes on cash and cash equivalents**	**268,389**	-330,411	-181.23%
V.	**Net increase (decrease) in cash and cash equivalents**	**3,459,285**	11,361,210	-69.55%
	Add: Balance of cash and cash equivalents at the beginning of year	**19,781,418**	8,420,208	134.93%
VI.	**Balance of cash and cash equivalents at the end of year**	**23,240,703**	19,781,418	17.49%

For the year ended 31 December 2018, 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, the Northparkes copper/gold mine ("**NPM**") of the Company in Australia also has sales of gold as a by-product. Accordingly, the fluctuation of the prices in gold would also have an impact on the results of the Company.

MARKET PRICES OF MAJOR PRODUCTS OF THE COMPANY FOR THE YEAR OF 2018

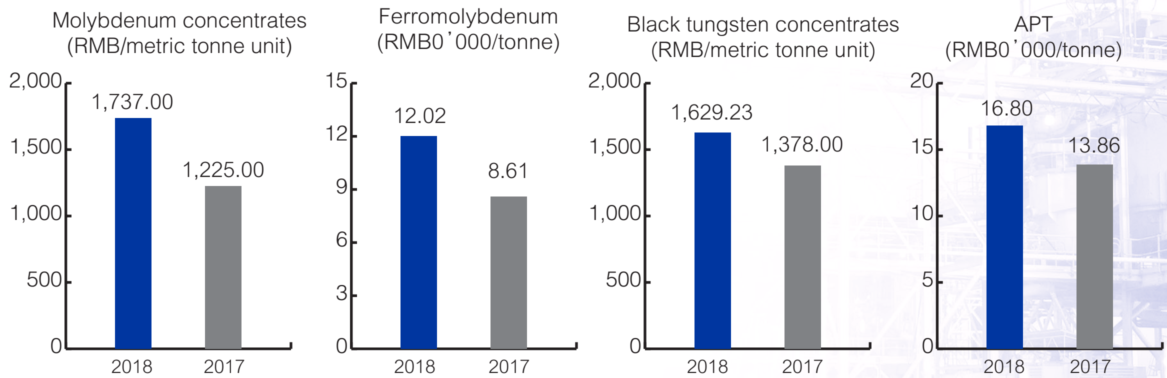
		Domestic market price of the relevant products of the Company		
Products		**2018**	2017	**Increase/ decrease on a year-on-year basis** *(%)*
Molybdenum	Molybdenum concentrates *(RMB/metric tonne unit)*	**1,737.00**	1,225.00	41.80
	Ferromolybdenum *(RMB0'000/tonne)*	**12.02**	8.61	39.61
Tungsten	Black tungsten concentrates *(RMB/metric tonne unit)*	**1,629.23**	1,378.00	18.21
	APT *(RMB0'000/tonne)*	**16.80**	13.86	21.21

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

		International market price of the relevant products of the Company		
Products		**2018**	2017	**Increase/ decrease on a year-on-year basis** *(%)*
Molybdenum	Molybdenum oxide *(USD/pound)*	**11.96**	8.21	45.68
Copper	Copper cathode *(USD/tonne)*	**6,525.68**	6,190.00	5.42
Cobalt	Cobalt metal *(USD/pound)*	**36.68**	27.06	35.55
Phosphate	MAP *(USD/tonne)*	**435.00**	367.00	18.53

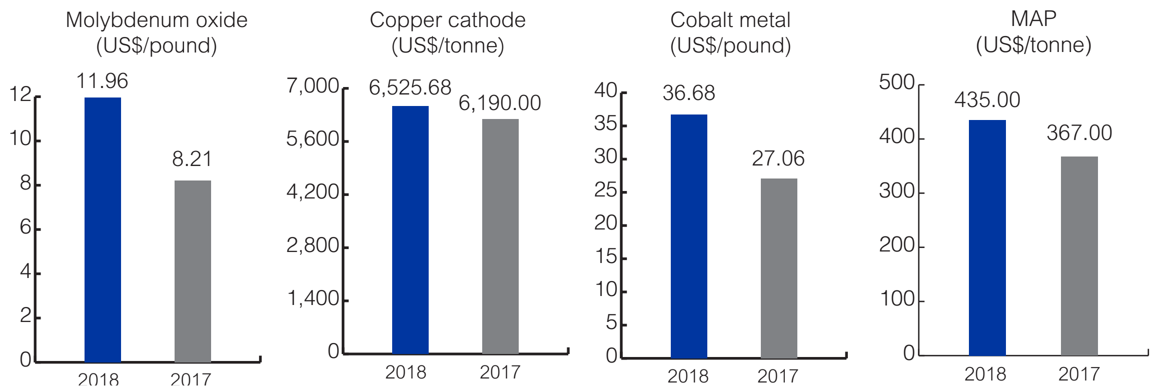
Note: The above prices of copper cathode are from LME Cash Ask Close Price, and the prices of metal cobalt are from (Fastmarkets) MB Low Grade Cobalt Price. The price of phosphate fertilizer is the average price of Brazil MAP calculated by CRU.

DOMESTIC MARKET PRICE OF RELEVANT PRODUCTS OF THE COMPANY



MARKET REVIEW AND PROSPECTS

INTERNATIONAL MARKET PRICE OF RELEVANT PRODUCTS OF THE COMPANY



MARKET REVIEW ON EACH METAL SEGMENT IN 2018

(1) Copper market

The Company sells both copper concentrate and copper cathode to the international markets. Driven by emerging markets including China, global demand for copper achieved a steady growth in 2018, around 3% increase on a year-on-year basis, according to the estimation made by Wood Mackenzie, in its Long-term Copper Outlook Q3 2018. Due to the demand growth and in anticipation of potential supply disruptions caused by labour negotiations, copper price maintained their positive momentum in 2018.

As China accounts for approximately 50% of global refined copper consumption, the change in demand of the Chinese market is crucial to the supply and demand of copper in the world. China continued the investment in primary smelting capacity, with TC/RC (treatment and refining charges for processing concentrates) declining to the lowest level in the last five years, while the demand for copper concentrates was robust. In the first half of 2018, the overall sentiment was strong in copper markets, with LME copper price reaching a high of USD7,348/tonne in early June.

In the second half of 2018, however, several factors including the upgrade of the Sino-US trade war, Chinese economy's slowdown and the potential rise on US dollar interest rate brought about the uncertainty of the global economic growth and negatively impacted the market sentiment. The copper prices began to decrease, with LME cash settlement price at the end of 2018 at USD5,965/tonne (USD2.71/lb.), 17% lower than the beginning of the year.

(2) Cobalt market

The Company is the second largest cobalt producer in the world and a major raw material supplier. After the LME cash settlement price hit a record high of USD44.45/lb in April 2018, the price of cobalt fell sharply due to strong competition in the cobalt chemicals sector as a result of an increase in the smelting capacity in China, and an oversupply in the primary market for cobalt concentrates and intermediate products. The LME cash cobalt price finished the year at USD25.17/lb. In 2018, the Metal Bulletin standard grade benchmark, which moved comparably to the LME, reached a peak of USD43.70/lb at the end of April, and receded to a closing price of USD26.50/lb at the end of 2018, representing a decline of 39% from the peak price. Demand for cobalt is expected to remain strong in the future due to the strong demand in EV market.

(3) Molybdenum market

The major molybdenum product of the Company is ferromolybdenum, which is sold mainly in the domestic market in China. Although the steel sector has been affected by the supply-side reform and normalized environmental supervisions in 2018, annual output of stainless steel increased by 7.3% to 27.65 million tonnes, and the profitability of steel enterprises reached a new high record in recent years. As the molybdenum supply continued to shrink while downstream demand continued expansion, overseas molybdenum market also presented a fluctuating upward trend. In 2018, domestic molybdenum market was first seen rising but then repressed, evidencing a fluctuating upward trend. Affected by a retracted production volume of molybdenum mines for maintenance and steel plants stocking up before the Lunar New Year, domestic molybdenum market carried on its upward trend from 2017 at the beginning of the first quarter. In late March, although market supply of molybdenum concentrate tightened, total amount of tender of steel plants also diminished, resulting that molybdenum smelting enterprises faced severe pressure and the ferromolybdenum market evidenced a fluctuating downward trend. In the second quarter, the amount of tender for steel plants remained at a high level, but the supply of molybdenum concentrate continued to increase during the same period. In the third quarter, there was a serious imbalance between supply and demand as a result of factors such as environmental supervision and high temperature monsoon season, output of major domestic mines declined significantly with unstable output quality caused by the shutdown for maintenance of large-scale mines, the price of domestic molybdenum products increased rapidly in the third quarter, and the price of ferromolybdenum reached its peak price of about RMB140,000/tonne in the last five years in mid-November. Afterwards, the market curbed and the demand was sluggish, while the market supply increased, the market price of molybdenum products dropped to around RMB110,000/tonne at the end of the year.

In 2018, the average price of molybdenum concentrate was RMB1,737/metric tonne unit, representing a year-on-year increase of 41.80%. The lowest price was RMB1,450/metric tonne unit, and the highest price was RMB2,010/metric tonne unit. The average price of ferromolybdenum was RMB120,200/tonne, representing a year-on-year increase of 39.61%. The lowest price was RMB100,000/tonne, and the highest price was RMB143,000/tonne.

The average MW price of molybdenum oxide in 2018 was USD11.96/pound of molybdenum, representing a year-on-year increase of 45.68%. The lowest price was USD10.50/pound of molybdenum, and the highest price was USD13.10/pound of molybdenum.

(4) Tungsten market

Major tungsten products of the Company are tungsten concentrate and ammonium paratungstate (APT), which are sold mainly in the domestic market in China. In 2018, operation rate of the mines slightly declined, as affected by domestic environmental protection requirement and high mining cost. Due to a tightened supply of concentrates after the Lunar New Year, market price of tungsten raised in the first quarter. In the second quarter, due to the expected increase in tariffs caused by Sino-US trade friction, demand for tungsten products from international market increased, and the price of the entire tungsten industry chain began to rise gradually. In the third quarter, following the end of China's environmental supervision, incongruity between supply and demand began to ease, and the domestic tungsten market price declined rapidly. Due to the sluggish domestic short-term demand, the tungsten market had not seen apparent recovery in the fourth quarter despite recovery of a portion of the international market demand at the end of the third quarter.

In 2018, the average domestic price of 65% black tungsten concentrates was RMB105,900/tonne, representing a year-on-year increase of 18.21%. The lowest price was RMB95,000/tonne, and the highest price was RMB113,000/tonne. The average price of APT was RMB168,000/tonne, representing a year-on-year increase of 21.21%. The lowest price was RMB150,000/tonne, and the highest price was RMB182,000/tonne.

According to the data of Metal Bulletin, the average price of APT in the European market in 2018 was USD312.76/metric tonne unit, representing a year-on-year increase of 28.55%. The lowest price was USD270/metric tonne unit, and the highest price was USD354/metric tonne unit.

(5) Niobium market

The Company is the second largest producer of ferroniobium in the world. The steel industry is the largest consumer of niobium, with ferroniobium accounting for 90% of the total demand. In 2018, the global ferroniobium demand remained strong, driving Brazilian export volumes up by 17% as compared to the same period last year. Of which, the most significant increase in ferroniobium trade volumes occurred in China, which created a record high of import volume, increasing by nearly 50% as compared with that of 2017. Demand for ferroniobium increased significantly as the steel manufacturing industry remained strong during the year, the global steel production increased by 5% on a year-on-year basis, led by China which increased by approximately 7% and by the U.S. which increased by approximately 6% on a year-on-year basis. Moreover, the changes to the rebar standards in China also increased the demand for both niobium and vanadium and promoted the substitution of niobium containing steel grades for vanadium containing steel grades to a certain extent due to the high price of vanadium.

(6) Phosphates market

Brazil is one of the world's main producers and exporters of agricultural products, including soybeans, corn, sugarcane, coffee, orange, 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 capacity. Mono-ammonium phosphate ("**MAP**") and single superphosphate ("**SSP**") are the main high- and low-concentrated phosphate fertilizer products in the Brazilian market, respectively.

In 2018, Brazilian grain production reached 238 million tonnes, representing a growth of 4.6% over that of 2017. Such increase in grain production led to an increase in fertilizer demand in Brazil. Brazilian phosphate demand remained healthy despite a less favorable barter ratio (the ratio of fertilizer cost relative to crop commodity prices), driven by a combination of currency devaluation (increasing Brazilian farmers profitability) and a premium paid to Brazilian soybeans in international market (as consequence of US-China trade war). According to market analyst, phosphate (MAP + GTSP + DAP + SSP) demand in Brazil reached 12.4 million tonnes in 2018, higher than the 12 million tonnes in 2017. Imports remained robust and are the major source of phosphate supply to Brazilian market.

In 2018, some major Brazilian exporters were imposed export limitation to the international market, which underpinned a price recovery for phosphate products of Brazil to around USD460/tonne (MAP CFR) levels in September, representing an increase of approximately 26.72% as compared with USD363/tonne in the same period of 2017. The average MAP CFR pricing in 2018 was USD435/tonne, representing an increase of approximately 18.53% as compared with USD367/tonne in 2017.

MARKET PROSPECTS FOR EACH METAL SEGMENT FOR 2019

(1) Copper market

Demand for copper is expected to rise modestly during 2019 while lower supply-side growth forecasts should support pricing. Commodities analyst Wood Mackenzie estimates that total global refined consumption will increase by 2.5% in 2019. This global growth estimation, against a supply growth forecast of just 0.3% (including disruptions) is forecast to lead to a gap of approximately 300,000 tonnes in the market and reduce global stocks below average normal levels of consumption. Wood Mackenzie forecasts an average annual price of USD7,496/t ($3.40/lb) in 2019, albeit risks grow to this upside forecast originated from the trade dispute between China and the U.S..

(2) Cobalt market

It is expected that the prices may decline in the first half of 2019 as supplies of metal and upstream cobalt products continue to outweigh demand. Raw material in the form of cobalt concentrates and intermediate cobalt hydroxide feed continue to be a weight on the market as new supply is forecast in 2019. Metals analyst CRU forecasts a small surplus in cobalt supply over the next several years moving into under supply over the mid-term following the increase in growth rate of demand for cobalt in electric vehicle industry. Consensus price forecasts suggest cobalt prices should range between USD20 – USD30/lb.

(3) Molybdenum market

It is expected the 2019 domestic economy will maintain a steady developing trend, investment in "shoring up of weakness" for railways, highways and infrastructure will be continuously augmented, the intended large-scale tax cuts in China will energize the real economy, attracting additional investment increments, stimulating the overall demand for steel. With regard to the demand-side, additional design capacity for domestic stainless steel is expected to reach approximately 5.50 million tonnes, if expected full production was reached, newly-added capacity would then represent 20% of production volume for the year 2018. With regard to the supply-side, the molybdenum market price rebound will bring about a small increase in production, and some of the discontinued mines are expected to be reopened. The market supply volume will increase by about 20,000 tonnes, which is an expected increase of about 9.7%. Overall, increase in domestic demand looks promising, while the supply side will benefit from reforms on the supply-side and environmental inspections. The molybdenum market will gradually improve.

In the international market, emerging economies are expected to continue steady growth, it is expected that market demand will maintain moderate growth. As for international molybdenum supply, since copper grade from mines such as Sierra Gorda has been gradually declining and slowdown in economic growth slows the acceleration in copper demand, production volume of major copper mines in South America is expected to reduce slightly, indirectly affecting the supply volume of by-product molybdenum, market supply and demand are expected to achieve tight balance.

(4) Tungsten market

In 2019, subsequent to constant implementation of policies in environmental protection administration and resource tax law, as well as declining grades of tungsten ore resources, mining cost of tungsten ores has seen rigid surge, while the overall production of domestic tungsten concentrate is steadily decreasing. This will gradually balance the slight excess of supply in 2019, gradually stabilizing the tungsten primary products price. From the perspective of domestic economic development, under the stimulus of tax-cut measures, China has vigorously promoted the upgrading of high-tech industries and equipment manufacturing. With the growth of emerging strategic industries and investment in the construction of infrastructure, it is expected that the demand for tungsten will have a rapid growth. The overall market of the tungsten will have an accelerated upward trend.

(5) Niobium market

The World Steel Association's latest Short-Range Outlook forecasts world steel production to decrease to a growth rate of just over 1% during 2019. Chinese steel production is expected to remain the same due to the expectations of fewer stimulus measures, continued economic transformation and stricter environmental protection standards. Elsewhere, US steel production is expected to rise just 1% as auto manufacturing and construction activity mark slower growth against better performance in the machinery and equipment manufacturing sectors. After contracting during 2018, the EU steel sector should rebound, expanding near 2% with a better business confidence and greater construction activity. These expectations for decelerating steel production may translate to a moderation in ferroniobium demand; however, substitution due to higher vanadium requirements and ferrovanadium prices could resume and help offset any check in ferroniobium demand.

(6) Phosphates market in Brazil

Global phosphates demand is expected to remain robust in 2019 as the barter ratio is predicted to improve with slightly higher grain prices and slightly lower fertilizer prices. Brazil's relatively weak currency is also expected to maintain profitability of farmers and therefore, fertilizer demand is also expected to be strong during 2019. In terms of pricing, the international market is expected to remain stable with slight pressure from additional supply coming from Saudi Arabia and Morocco. Benchmark MAP CFR Brazil is expected to remain above USD400/tonne in 2019.

BUSINESS REVIEW AND PROSPECTS

2018 BUSINESS REVIEW ON ALL METAL SECTORS

1. Copper and cobalt sector

In 2018, TFM Copper and Cobalt Mine achieved a production volume of 168,309 tonnes of copper metal with C1 cash cost of negative USD0.31 per pound, and it achieved a production volume of 18,747 tonnes of cobalt metal.

2. Molybdenum and tungsten sector

In 2018, the Company achieved a production volume of molybdenum metal of 15,380 tonnes, with the unit cash production cost being RMB64,467/tonne, and achieved a production volume of tungsten metal of 11,697 tonnes (excluding Luoyang Yulu Mining Co., Ltd.), with the unit cash production cost being RMB21,937/tonne.

3. Niobium and phosphate sector

In 2018, the business conducted in Brazil achieved a production volume of phosphate fertilizer (high concentration fertilizer and low concentration fertilizer) of 1,116,342 tonnes and niobium metal of 8,957 tonnes.

4. Copper and gold sector

In 2018, where calculated based on 80% of equity interests, NPM copper and gold mine achieved a production volume of copper metal of 31,931 tonnes, with C1 cash cost of USD1.08 per pound, and it achieved a production volume of 25,324 ounces for gold.

2018 OPERATION REVIEW

Along with the continued recovery in the economy of developed countries led by the U.S., the 2017 supply-side reforms and industrial structure adjustment of China, being a country with the colossal demand it has to a great extent brought about a new round of reallocation towards the supply-and-demand of the metal market, the demand and supply patterns encountered a relatively large change. The average price of commodities (led by copper) and minor metals (led by molybdenum, tungsten, cobalt and niobium) represented a year-on-year improvement. The overall operating results of the Company continue to improve:

1. Expanding industry chain, developing synergies, and reinforcing its right of speech and influence in the industry

During the year 2018, the Company signed the agreement to acquire 100% equity interest of IXM B.V ("**IXM**"). IXM has been engaged in the procurement, mix, export, transportation and trade of copper, zinc, lead concentrate, blister copper and refined basic metals. The products are mainly sold to Asia and Europe. The acquisition of IXM will help the Company improve its international competitiveness, and its position and influence in the global resources market. IXM's advanced metal procurement, mix, transportation and trade service system will help the Company expand its business scope, develop new growth engines and follow the supply-demand adjustments in the industry, therefore extending the industry chain and creating synergies for existing businesses. At present, the project has been filed with the commence departments of the PRC, the National Development and Reform Commission, reviewed and approved by certain antitrust authorities. The acquisition is being steadily promoted.

2. Optimizing governance structure of the Company and improving operation and management efficiency

2018 was a year of management improvement. The optimization and re-establishment of the governance structure of the Company and the improvement of the operation efficiency and capability laid the foundation for consolidating the industry competitiveness of the Company. During the year of 2018, the Company completed the change and adjustment of the Board of Directors, Supervisory Committee and senior management team, building a more pragmatic, efficient and internationalized governance and management team. Guided by the corporate strategic development objective, it adjusted and re-defined duties and functions of the committees under the Board of Directors to strengthen the governance foundation of the Company in sustainable development, corporate governance and risk management. Guided by the 16-character corporate culture of "meritocracy, cost control, continuous improvements and to share the achievements", the Company made continuous efforts to promote global management and healthy development.

3. Promoting the integration and development of technology, process and management in its business sectors and enhancing the industry competitiveness based on the technology innovation

The Company strengthened the integration and exchange of each operation sectors in the aspects of talents, technology and management, realizing synergetic business development through integration, and sharing technology and overcoming bottleneck in exchange. During 2018, the Company has implemented a series of technology and process reformation projects to achieve the long-term improvement of operation efficiency and continuing cost optimization. For instance, the molybdenum grinding system optimization project in the PRC improved grinding efficiency and offset the impact of grade decrease, and the Company intended to promote this technology's application in the molybdenum beneficiation business. The APT expansion project was successfully put into operation. Through the cobalt dryer system and the copper and cobalt blending optimization project, the TFM copper and cobalt mine realized cost reduction and maximum benefits. The business in Brazil took advantage of technical means to improve the recovery rate of niobium and promoted the feasibility study of polymetallic recovery; NPM in Australia implemented E26 mine development and expansion plans, effectively curbing grade decrease and reducing production costs.

4. Practicing the concept of sustainable development and constantly improving safety and environmental management

The Company strives for constant enhancement and improvement in the field of sustainable development while coordinating operations of production. The Company keeps on reinforcing technological innovations, optimizations and re-establishment of work flows for the purpose of cost reduction. Meanwhile, we make more investment in production safety, environmental protection and the community, achieving sound development in areas of production, safety and environment. Our environmental and sustainability team is composed of experienced domestic and international experts in the mining industry. The Company also formulated the development roadmap for the coming years which clarified the goals and timetables of all levels in the company. Unswervingly undertaking its social responsibility, the Company realizes harmonious and win-win situation of production activities and the environment, safety and its employees, shares the achievements of development with investors, residents in the community and the government, and put the sustainable development concepts of the Company into practice.

5. Continuous enhancement of party building and anti-corruption and providing great support to production and operation

The Company initiated publicity and education of "Two Studies and One Action", and promoted in-depth development of such party building study activity. The Company strictly executed participation and supervision system of major sensitive issues, clearly defined the inspection responsibility of grass-root disciplinary organization, and launched the campaign of "work by heart, serve the grass-root units" promotion year to further raise awareness and concept of working by heart and serving the grass-root units and improve the delicacy management level.

BUSINESS PROSPECTS FOR 2019

Based on future economic and market dynamics, the Company sets the following budgeted targets:

Copper and cobalt business: The budgeted production volume of copper metal is 170,000 tonnes to 200,000 tonnes, and the budgeted production volume of cobalt metal is 16,500 tonnes to 19,000 tonnes;

Molybdenum and tungsten business: The budgeted production volume of molybdenum metal is 14,500 tonnes to 16,000 tonnes, and the budgeted production volume of tungsten metal is 9,000 tonnes to 10,000 tonnes (excluding Luoyang Yulu Mining Co., Ltd);

Copper and gold business (calculated based on 80% of equity interests): The budgeted production volume of NPM copper metal is 30,000 tonnes to 32,000 tonnes, and the budgeted production volume of gold is 25,000 ounces to 28,000 ounces;

Niobium and phosphates business: The budgeted production volume of niobium metal is 9,500 tonnes to 11,000 tonnes, and the budgeted production volume of phosphate fertilizer (high concentration fertilizer and low concentration fertilizer) is 1,000,000 tonnes to 1,150,000 tonnes.

The above budgeted targets are based on the judgement of current economic environment and expected economic development trend. Whether it may realize or not depends on the macro-economic environment, industry development, market circumstance, efforts of the management team of the Company and other factors, which are subject to uncertainties. The Board decided to apply for the authorization at the general meeting of the Company to adjust the above budgeted targets as appropriate based on the market conditions and the business of the Company.

The above budgeted targets do not constitute substantive commitments to investors, and investors shall exercise caution about investment risk.

OVERVIEW

For the year ended 31 December 2018, the net profit of the Group increased from RMB3,595,615 thousand for the year ended 31 December 2017 to RMB5,150,042 thousand, representing an increase of RMB1,554,427 thousand or 43.23%, in which the net profit attributable to the owners of the parent company of the Group for the year ended 31 December 2018 was RMB4,635,584 thousand, representing an increase of RMB1,907,788 thousand or 69.94% from RMB2,727,796 thousand as at 31 December 2017. The increase in profit of the Group was mainly attributable to the year-on-year increase in the market prices of major metal products of the Company such as copper, cobalt, molybdenum and tungsten in 2018, and the year-on-year decrease in financial expenses upon the raise of proceeds from the completion of non-public issuance of A shares by the Company in July 2017.

OPERATING RESULTS

In 2018, the Group achieved an income of RMB25,785,919 thousand with its principal businesses due to the increase in the prices of its major products during the period, which led to a year-on-year increase of RMB1,817,368 thousand in operating revenue. For the year ended 31 December 2018, the gross profit of the Group amounted to RMB9,775,201 thousand, representing a year-on-year increase of RMB869,734 thousand.

The table below sets out the principal business income, cost, gross profit and gross profit margin of our products in 2018:

PRINCIPAL BUSINESSES BY INDUSTRY, PRODUCT AND REGION

Unit: RMB thousand

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	25,785,919	16,010,718	37.91	7.58	6.29	Increased by 0.76 percentage point

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	4,749,130	1,888,847	60.23	25.90	3.82	Increased by 8.46 percentage points
Copper and gold-related products	1,458,264	1,030,876	29.31	-12.35	-10.03	Decreased by 1.83 percentage points
Niobium-related products	4,976,722	3,832,223	23.00	10.49	3.20	Increased by 5.45 percentage points
Copper and cobalt related products	14,373,798	9,172,220	36.19	3.82	10.48	Decreased by 3.84 percentage points
Others	228,004	86,550	62.04	24.23	5.25	Increased by 6.85 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	4,977,135	1,975,398	60.31	25.82	3.88	Increased by 8.38 percentage points
Australia	1,458,264	1,030,876	29.31	-12.35	-10.03	Decreased by 1.83 percentage points
Brazil	4,976,722	3,832,223	23.00	10.49	3.20	Increased by 5.45 percentage points
DRC	14,373,798	9,172,220	36.19	3.82	10.48	Decreased by 3.84 percentage points

PRODUCTION AND SALES VOLUME OF PRINCIPAL PRODUCTS

Principal products	Production volume	Sales volume	Inventory	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: (Tonnes) *(Note 1)*	15,380	18,231	1,862	-8.00	-5.30	-28.93
Tungsten: (Tonnes) *(Note 2)*	11,697	11,159	1,362	-0.40	-7.48	126.25
Copper metal of NPM (Based on 80% of equity interests): (Tonnes)	31,931	31,659	886	-8.54	-9.98	17.98
Copper metal of TFM: (Tonnes)	168,309	171,961	13,280	-21.29	-19.97	-21.57
Cobalt metal: (Tonnes)	18,747	19,390	2,649	14.18	26.52	-19.91
Niobium metal: (Tonnes)	8,957	9,050	1,749	3.26	5.87	-5.05
Phosphate fertilizer (HA+LA): (Tonnes) *(Note 3)*	1,116,342	1,022,874	151,873	-3.14	-10.11	178.86

Note 1: The sales volume includes purchase of molybdenum metal.

Note 2: The production volume refers to the amount of tungsten concentrate metal, and the sales volume and inventory refer to the amount of chemical and smelting products.

Note 3: Phosphate fertilizer refers to the total amount of various phosphorus products.

COMPONENT OF COST OF PRINCIPAL PRODUCTS

Unit: RMB thousand

By Industry

By 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** *(%)*	**Explanation**
Non-ferrous metal mining	Materials	**7,410,043**	**46.81**	5,827,441	38.93	27.16	
	Labour	**1,600,048**	**10.11**	1,707,147	11.40	-6.27	
	Depreciation	**3,696,336**	**23.35**	4,239,607	28.32	-12.81	
	Energy	**765,587**	**4.84**	766,421	5.12	-0.11	
	Manufacturing fees	**2,356,862**	**14.89**	2,429,984	16.23	-3.01	

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** *(%)*	**Explanation**
Molybdenum and tungsten-related products	Materials	**596,810**	**35.07**	614,380	36.17	-2.86	
	Labour	**296,106**	**17.40**	300,897	17.72	-1.59	
	Depreciation	**157,581**	**9.26**	159,343	9.38	-1.11	
	Energy	**227,576**	**13.37**	240,318	14.15	-5.30	
	Manufacturing fees	**423,537**	**24.89**	383,602	22.58	10.41	
Copper and gold-related products	Materials	**166,253**	**16.88**	210,530	18.14	-21.03	
	Labour	**141,875**	**14.41**	177,817	15.32	-20.21	
	Depreciation	**408,549**	**41.49**	516,398	44.50	-20.88	
	Energy	**131,604**	**13.37**	84,956	7.32	54.91	Increase in electric charge
	Manufacturing fees	**136,381**	**13.85**	170,808	14.72	-20.16	
Niobium and phosphate-related products	Materials	**1,190,151**	**31.25**	1,088,813	28.02	9.31	
	Labour	**596,838**	**15.67**	621,221	15.99	-3.92	
	Depreciation	**587,819**	**15.43**	633,280	16.30	-7.18	
	Energy	**205,660**	**5.40**	206,625	5.32	-0.47	
	Manufacturing fees	**1,228,580**	**32.25**	1,335,802	34.38	-8.03	

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 (%)	Explanation
Copper and cobalt-related products	Materials	**5,456,829**	**58.46**	3,913,718	47.58	39.43	Increase in cost of purchase
	Labour	**565,229**	**6.06**	607,213	7.38	-6.91	
	Depreciation	**2,542,387**	**27.24**	2,930,587	35.63	-13.25	
	Energy	**200,747**	**2.15**	234,523	2.85	-14.40	
	Manufacturing fees	**568,363**	**6.09**	539,771	6.56	5.30	

SELLING EXPENSES

For the year ended 31 December 2018, the selling expenses of the Group amounted to RMB96,822 thousand, representing a decrease of RMB118,019 thousand or -54.93% from RMB214,841 thousand for the same period in 2017. It was mainly due to a year-on-year decrease of the Group's market consulting fees. The relevant transportation fees were included in the operating cost in accordance with the new income standards, and the data of the corresponding period of last year was not adjusted.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2018, the administrative expenses of the Group amounted to RMB933,346 thousand, representing a decrease of RMB123,954 thousand or -11.72% from RMB1,057,300 thousand for the same period in 2017. It was mainly due to a year-on-year decrease of the Group's consulting and agency fees.

FINANCE EXPENSES

For the year ended 31 December 2018, the finance expenses of the Group amounted to RMB643,046 thousand, representing a decrease of RMB773,928 thousand or -54.62% from RMB1,416,974 thousand for the same period in 2017, mainly due to the increase in interest revenue and exchange gains of the Group for the period.

FINANCIAL POSITION

As at 31 December 2018, the total assets of the Group amounted to RMB101,216,117 thousand, comprising non-current assets of RMB62,051,733 thousand and current assets of RMB39,164,384 thousand. Equity attributable to shareholders of the parent company as at 31 December 2018 increased by RMB2,816,190 thousand or 7.39% to RMB40,948,874 thousand from RMB38,132,684 thousand as at 31 December 2017.

CURRENT ASSETS

As at 31 December 2018, the current assets of the Group increased by RMB130,621 thousand or 0.33% to RMB39,164,384 thousand from RMB39,033,763 thousand as at 31 December 2017.

NON-CURRENT ASSETS

Non-current assets of the Group increased by RMB3,272,750 thousand or 5.57% from RMB58,778,983 thousand as at 31 December 2017 to RMB62,051,733 thousand as at 31 December 2018.

SCOPE OF RESTRICTED ASSETS

As at the end of 2018, the bank acceptance bond deposits of the Group amounted to RMB882,340 thousand (opening balance for the year: RMB300,000 thousand), the loan guarantee deposits amounted to RMB1,903,364 thousand (opening balance for the year: RMB1,701,421 thousand), the special security deposits for the mine environment restoration and rehabilitation amounted to RMB39,534 thousand (opening balance for the year: RMB24,421 thousand), and other deposits amounted to RMB500 thousand (opening balance for the year: RMB1,500 thousand).

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

CURRENT LIABILITIES

As at 31 December 2018, the current liabilities of the Group increased by RMB2,475,629 thousand or 18.33% to RMB15,978,737 thousand from RMB13,503,108 thousand as at 31 December 2017.

NON-CURRENT LIABILITIES

As at 31 December 2018, the non-current liabilities of the Group decreased by RMB2,785,559 thousand or 7.25% to RMB35,639,445 thousand from RMB38,425,004 thousand as at 31 December 2017.

CAPITAL STRUCTURE

Financial Instruments

The Group's major financial instruments include cash and bank balances, notes and accounts receivable, other receivables, other current assets, other equity instrument investment, other non-current financial assets, non-current derivative financial assets, other non-current assets, held-for-trading financial liabilities, derivative financial liabilities, notes and accounts payable, other payables, borrowings, other current liabilities, non-current liabilities due within one year, bonds payable, and other non-current liabilities, etc. Details of these financial instruments are disclosed in Note (V) of the Auditor's Report set forth in this report.

Short-term Borrowings

Details of the Group's short-term borrowings are disclosed in Note (V). 19 of the Auditor's Report set forth in this report.

Long-term Borrowings

Details of the Group's long-term borrowings are disclosed in Note (V). 30 of the Auditor's Report set forth in this report.

Bonds payable

Details of the Group's bonds payable are disclosed in Note (V). 31 of the Auditor's Report set forth in this report.

EXPLANATION TO THE BALANCE SHEET ITEMS

Unit: RMB thousand

Items	Balance as at the end of the Current period	Balance as at the end of the Current period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year(restated)	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the Current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Interests receivable	**226,187**	**0.22**	656,703	0.67	-65.56	Recovery of the due deposit interest during the period
Long-term equity investments	**2,522,865**	**2.49**	1,136,373	1.16	122.01	Increase in investment in natural resources funds during the period
Other non-current financial assets	**3,906,622**	**3.86**	2,746,900	2.81	42.22	Increase in the equity investments of unlisted companies and medium and long-term wealth management products during the period
Construction in progress	**1,893,822**	**1.87**	950,111	0.97	99.33	Increase in building construction and production process improvement projects during the period
Deferred tax assets	**525,598**	**0.52**	311,683	0.32	68.63	Influence on overseas business from changes in exchange rate during the period
Short-term borrowings	**4,588,153**	**4.53**	1,478,132	1.51	210.40	Increase in loans due to business needs during the period
Non-current liabilities due within one year	**2,929,839**	**2.89**	4,797,816	4.91	-38.93	Repayment of long-term loans due within a year during the period

CONTINGENCY

(1) Outstanding lawsuits

The Group's business in China

On 30 January 2013, the Group received relevant documents from the Luoyang City Intermediate People's Court, Henan Province, notifying that Luanchuan County Yangshuao West Lead Mine ("**Yangshuao**") filed a litigation against a branch of a subsidiary of the Group, Third Mineral Processing Company, for the tailings pond constructed by the branch within its range of mining area. Due to the increase of height of tailings dam, the tailings pond intruded upward and underground water level rose, which caused damages to its mining facilities and equipment and failure of mining project, failure in mining proven Pb-Zn orebody and economic losses to the plaintiff. To this end, the plaintiff requested Third Mineral Processing Company cease infringement and compensate the plaintiff for direct economic losses, approximately RMB18 million and relevant losses in acquirable interests. According to the result of judicial authentication, appraised value of mining rights of Yangshuao involved in this litigation was RMB1.724 million. Currently relevant litigation is still in trial. The Group considered that it was unable to determine the existence of the infringement alleged by Yangshuao according to existing conditions and evidences submitted. To this end, it was deemed as that this litigation would not cast significant effect on the financial position of the Group. Aforementioned claim amount was not accrued in the financial statements as at 31 December 2018.

Copper and cobalt businesses of the Group in the DRC

At the end of 2015, Tenke Fungurume Mining S.A. ("**TFM**") negotiated with Société Nationale d' Electricité of DRC ("**SNEL**") for addressing the effectiveness, power supply quality and power supply capacity of current power supply. According to the revised terms to electric power agreement included in the settlement plan, TFM agreed to, since January 2016, pay the tariff of USD0.0569/kWh (tariff was USD0.0350/kWh in the past), and pay USD10 million as settlement compensation, so as to acquire more continuous power supply from SNEL. As at the date of this report, both parties have not signed any formal agreement and negotiation is still in progress. For contingent liabilities regarding this item, TFM has accrued an expenditure of USD10 million in the previous year.

Copper and cobalt salesmen of the Group in the DRC may incur some legal proceedings, claims and liability appeals in their daily operations. The management considered that based on the existing available information, the results of such contingencies would not cast material adverse impact on the financial position, business results or cash flow of relevant business.

Niobium-phosphate business of the Group in Brazil

The Niobium-phosphate business of the Group in Brazil may face various litigations in daily operation activities. According to the available information and professional advices of external legal experts, the management determined the possibility of losing in relevant litigations and thus outflow of economic benefits; outflow of economic benefits was deemed as a contingency due to a low possibility; the results of such contingencies would not cast material adverse impact on the financial position, business results or cash flow of relevant business.

Guarantees

As at 31 December 2018, 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 AUD32.92 million (equivalent to RMB159.22 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 2018, no major guarantee responsibility occurred.

GEARING RATIO

Gearing ratio (total liabilities divided by total assets) of the Group decreased to 51.00% as at 31 December 2018 from 53.09% as at 31 December 2017. The decrease in the gearing ratio was mainly due to the contribution from the net profit attributable to owners of the parent Company during the year 2018.

CASH FLOW

As at 31 December 2018, cash and cash equivalents of the Group increased by RMB3,459,285 thousand or 17.49% to RMB23,240,703 thousand from RMB19,781,418 thousand as at 31 December 2017.

For the year ended 31 December 2018, net cash inflow generated from operating activities was RMB9,434,534 thousand; net cash outflow from investment activities was RMB2,397,188 thousand; and net cash outflow generated from financing activities was RMB3,846,449 thousand.

The following table sets forth our cash flow position:

Unit: RMB thousand

Item	Amount of Current Period	Amount of the same period last year	Change (%)	Explanation
Other cash received related to operating activities	**1,136,281**	654,815	73.53	Deposits interests received in the current period increased over the same period last year.
Taxes and fees paid	**3,876,806**	2,040,127	90.03	Revenue and profit for the period increased over the same period last year, with a corresponding increase in taxes and fees paid.
Cash receipts from disposal or withdrawal of Investments	**6,076,816**	2,002,813	203.41	Structured deposits due at maturing and wealth management products received in the current period increased over the same period last year.
Cash receipts from investment income	**207,157**	93,331	121.96	Dividends from associates and income from wealth management products received in the current period increased over the same period last year.
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets	**2,807,367**	1,066,476	163.24	Payment for acquisition or construction of projects under construction in the current period increased over the same period last year.
Other cash paid related to investment activities	**1,065,210**	331,597	221.24	Amount lent to the third parties in the current period increased over the same period last year.
Cash received from absorbing investment	**–**	17,858,633	-100.00	Non-public issuance of A shares was completed in the third quarter of 2017, and capital increase business was not conducted in the current period.
Other cash received related to financing activities	**3,013,969**	1,485,196	102.93	Gold lease and notes financing businesses conducted in the current period increased over the same period last year.
Other cash paid related to financing activities	**2,786,560**	9,346,043	-70.18	Acquisition consideration payable to minority shareholders, which was consolidated, was paid in the same period last year, and such business was not conducted during the current period.

RESOURCES AND RESERVES

1. BASIC INFORMATION OF SELF-PRODUCED MINES

As at 31 December 2018, the ore resources and reserves of the Company were as follows:

Name of mine	Main category	Resources *(million tonnes)*	Grade	Recoverable reserve *(million tonnes)*	Grade	Annual production *(million tonnes)*[4]	Remaining exploitable years of resources[1]	Validity period of the exploration right/License
Sandaozhuang Molybdenum and Tungsten Mine	Molybdenum	468.33	0.100%	244.76	0.104%	20.18	12	2 years
Sandaozhuang Molybdenum and Tungsten Mine	Tungsten	468.33	0.092%	224.76	0.122%	/	12	/
Shangfanggou Molybdenum Mine[2][5]	Molybdenum	463	0.139%	41.22	0.181%	0	45	15 years
Xinjiang Molybdenum Mine[3][5]	Molybdenum	441	0.115%	141.58	0.139%	0	38	26 years
NPM copper and gold mine in Australia	Copper	605.0	0.55%	140.27	0.55%	6.48	22	10–18 years
NPM copper and gold mine in Australia	Gold	605.0	0.19(g/t)	140.27	0.21(g/t)	/	22	/
TFM in the DRC	Copper	824.6	2.95%	177.7	2.4%	5.31	34	7–16 years
TFM in the DRC	Cobalt	824.6	0.29%	177.7	0.33%	/	34	/
Brazil Mine area I	Niobium	144.2	1.08%	48.3	0.99%	2.27	21	Until completion of exploration in the mine
Brazil Mine area II	Niobium	458.7	0.22%	209.1	0.34%	/	37	Until completion of exploration in the mine
Brazil Mine area II	Phosphate	458.7	11.22%	209.1	12.23%	5.64	37	Until completion of exploration in the mine

Notes:

(1) Calculation of remaining exploitable years of resources: calculated by dividing the recoverable reserve in the mine under exploration at the end of 2018 by the actual production scale (annual production volume) in 2018. Update on the reserve and changes in the actual production scale (due to technology, equipment, etc.) will affect the changes in the remaining exploitable years of resources of the Company. The remaining exploitable term of resources of Shangfanggou and Xinjiang Molybdenum Mine is the term of design and service.

(2) The Shangfanggou molybdenum mine is owned by Luoyang Fuchuan Mining Co., Ltd., a joint venture of the Company. Its shareholding structure as at the date of this report 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).

(3) Resources and reserves of mines are measured under the standard of the Joint Ore Reserves Committee (聯合礦山儲量委員會) ("**Joint Ore Reserves Committee**"), except for those of Xinjiang Molybdenum Mine that are measured under the PRC standard. The above ore resources include reserve and both have been confirmed by internal expert of the Company.

(4) The annual production volume above were the actual ore consumption (processing volume) during 2018, excluding comprehensive utilization amount of tailings.

(5) During 2018, no mining activities were conducted in Xinjiang Mine and Shangfanggou Mine.

2. EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

(I) Exploration

TFM Mine in the DRC:

During 2018, the main exploration activity of the Company was around the Dipeta Syncline and the Fungurume 88 deposits to develop the sulfide resource for underground mining. Some limited greenfield exploration was also conducted in the Mambilima Dome, Union Miniere Sept and Kamakonde areas. The Pumpi and Shinkusu deposits were drilled at the same time for exploration and infill programs. Total diamond drilling for the second half of 2018 was 74,038m of core drilling (58,962m of exploration and 20,744m of 15,076m of infill). The annual total of core drilling is 145,673m (114,394m of exploration and 31,279m of infill). The Kwatebala shaft was fully rehabilitated and sinking toward the -200m level has started from the -130m level.

Niobium and Phosphate Mine in Brazil:

Regarding brownfield activities to support Long Term mine planning, the Company performed drilling in the Boa Vista Mine, drilling and geophysics surveys in Chapadão Mine. The 2018 drilling campaign in the Boa Vista Mine were started in September and finished in December with 3 diamond drill holes in the southern portion of the mine, totalizing 2,420.20 meters using 2 drill rigs. In the Chapadão Mine drilling campaign, the Company performed 68 diamond drill holes totalizing 7,776.35 meters using 2 drill rigs in the Fundo de Mina, Depósito de Esteril Antigo and FFG-04 areas. In terms of geophysics studies in Chapadão Mine, the Company surveyed 6 lines totalizing 16.44 kilometers of electro-resistivity method in the FFG-04 and MCG-01 Areas to identify rock/soil contacts, main fractures and hard material bodies signature, and performed density measurements using gamma-gamma method in 8 drill holes totalizing 927.00 meters in FFG-04 Area.

Regarding greenfield activities to support Mineral Research, the Company submitted reports to Agencia National de Mineracao ("ANM") (Brazilian National Mining Agency), and conducted geophysics surveys and visit of new opportunities/projects. In terms of Mineral Rights, the Company delivered two Partial Report for ANM areas 860.205/2015 (DGF-007) and 861.461/2015 (FFG007/B) to ask 3 more years of mineral research in these areas near to CMOC Brazil Operations in Goias State. The geophysical activities performed in Britânia target included data acquisition of 30.95 kilometers of terrestrial magnetometry method. About new opportunities/projects, five new areas were visited to check development potential for: niobium, tantalum, rare earth elements, vanadium and titanium grades.

Mines in the PRC:

No exploration activities were conducted in Sandaozhuang molybdenum/ tungsten mine, Shangtanggou molybdenum/ iron mine and Xinjiang molybdenum mine during 2018.

NPM Copper and Gold Mine in Australia:

Surface and Underground drill programs were completed in the second half of 2018 focused on the mining lease ML1247, with some Aircore drilling completed in December 2018, on EL5801. A total of 12,635m were completed during the second half of 2018 consisting of 5,078m of Surface Diamond core (DD), 4,483m of UG diamond core (DD), 1,888m of reserve circulation (RC) and 1,186m of Aircore (AC). Drilling focused on near mine targets MJH, Nerrad and Hendrix, with the AC drilling on early stage exploration at Mascot and Beechmore.

(II) Development

TFM in the DRC

Mine Development focused on work for the KT2 (tailings expansion) project, continuation of dewatering drilling, and completion of haul road construction and clearing and grubbing required for opening the Pumpi region and for continuation of mining in Mambilima and Kansalawili. Contract bids have been received for most 2019 earthwork; the Company will enter into contracts as soon as possible for continuation of work.

Brazil Niobium and Phosphates Mine

Regarding grade control activities to support mining plan, in the Boa Vista Mine, the Company conducted 899 drill holes with Reverse Circulation (RC), with a total of 26,315 meters drilled. In the Chapadão Mine, the Company performed 25 drill holes with Reverse Circulation (RC), with a total of 750 meters drilled. In terms of infrastructure, in the Boa Vista site a new crushing station was built in September 2018. None infrastructure was built in the Chapadão site.

Mines in the PRC

During 2018, the Company did not have any development activities in Sandaozhuang Mine, Shangfanggou Mine and Xinjiang Mine.

NPM Copper and Gold Mine in Australia

Development of the E26 SLC third level (9,700mRL) was completed in May 2018, while development of the fourth level (9,670mRL) commenced in March 2018 and continued throughout the year. Development rates higher than planned were achieved through the year (completion of this level has been realized in January), allowing the development team to transit to E26L1N. For the full year 26,147m of drilling was completed consisting of 9,887m Surface DD, 4,483m UG DD, 6,430m RC, 5,347m AC.

3. EXPLORATION, DEVELOPMENT AND MINING EXPENSES OF THE COMPANY

For the year ended 31 December 2018, the summary of the expenditures of exploration, development and mining activities of the Company is as follows:

(1) Domestic segment mining expenses: The mining expenses of Sandaozhuang Mine amounted to RMB465.42 million; (Note: ore processing is not included)

(2) Overseas segment mining expenses (in USD Million) are stated as follows:

Project	Exploration	Development	Mining
Niobium Mine	0.52	1.62	20.74
Phosphates Mine	1.47	53.44	15.87
TFM Copper and Cobalt Mine	37.00	38.00	269.00
NPM	4.10	9.22	36.70
Total	43.09	102.28	342.31

1. MATERIAL EVENTS

(I) Acquisition of 100% equity interests of IXM

On 4 December 2018, CMOC Limited ("**CMOC Limited**"), a wholly-owned subsidiary of the Company, and New Silk Road Commodities Limited ("**NSR**"), a wholly-owned subsidiary of NCCL Natural Resources Investment Fund LP, entered into a share purchase agreement. Pursuant to such agreement, CMOC Limited agreed to purchase the 100% equity interests of New Silk Road Commodities SA, which in turn holds the 100% equity interests of IXM (formerly known as Louis Dreyfus Company Metals B.V), from NSR with a consideration of USD495 million plus an agreed final net profits.

As at the date of this report, the above transaction has received filing approvals from the China's National Development and Reform Committee (NDRC) and Ministry of Commence (MOC) and has also received anti-monopoly approvals from Korea, Turkey, Brazil, the PRC and the U.S., but are still subject to approvals by the general meeting, anti-trust review of the European Union and the relevant regulatory authorities, and upon satisfaction of certain conditions precedent. Please refer to the relevant announcements published by the Company for the relevant details.

(II) Acquisition of 24% minority equity interests in TFM

On 14 April 2017, the Company convened the 2017 first extraordinary general meeting to consider and approve the "Resolution in relation to Seeking a Mandate from the Shareholders to Authorise the Board with Full Discretion to Deal with the Investment Cooperation between the Company, BHR Newwood Investment Management Limited ("**BHR**") and its Shareholders or the Shareholders of its Shareholders at the Tenke Fungurume Mining Area" (《關於提請股東大會授權董事會全權處理公司與BHR Newwood Investment Management Limited(以下簡稱"BHR")及其股東或上層投資人就Tenke Fungurume礦區投資進行的合作事宜的議案》). The general meeting of the Company authorized the Board with full discretion to deal with the investment cooperation at the Tenke Fungurume mining area.

On 18 January 2019, CMOC Limited and BHR entered into a share purchase agreement. Pursuant to the agreement, CMOC Limited purchased 100% equity interests in BHR Newwood DRC Holdings Ltd. from BHR, with a consideration of USD1,135,993,578.71. After the transaction is completed, CMOC Limited will hold 100% equity interests of TF Holdings Limited through BHR Newwood DRC Holdings Ltd. and CMOC International DRC Holdings Ltd., an indirect wholly-owned subsidiary of the Company, and will further control a total of 80% equity interests in TFM, which owns the Tenke Fungurume Mining Complex.

As at the date of this report, the above transactions were approved by MOC. Please refer to the relevant announcements published by the Company for the relevant details.

(III) Issuance of US Dollar denominated bonds

Pursuant to "the proposal in respect of seeking authorization from the shareholders' meeting of the Company to the board of directors of the Company for issue of debt financing instruments" considered and approved by the 2017 annual general meeting, the first extraordinary general meeting of the fifth session of the Board of the Company has determined to approve CMOC Capital Limited (being a wholly-owned subsidiary) to issue oversea bonds to qualified foreign institutional investor.

As at 1 February 2019, the Company issued USD0.3 billion bonds; the annual interest rate being 5.48%; interest is paid semi-annually; the bond maturity date is 1 February 2022. The issuance of US dollar bonds was listed on The Stock Exchange of Hong Kong Limited on 4 February 2019.

Please refer to the relevant announcements published by the Company for relevant details.

(IV) Large-scale tax cuts in the PRC

According to the Notice of Policies in Relation to the Deepening of Value-added Tax Reforms issued by Ministry of Finance of the People's Republic of China, State Administration of Taxation and General Administration of Customs on 21 March 2019, since 1 April 2019, the tax rate of 16% and 10% originally applicable to general value-added tax ("**VAT**") taxpayers' value-added tax taxable sale or import of goods shall be adjusted to 13% and 9%, respectively.

Current VAT on major domestic products of the Company is 16%, as an upstream industry in the manufacturing sector, the Company will enjoy fully the tax-cut dividends.

2. HONOURS

(1) In December 2018, the project "Flotation Interface Assembly Technology and Application of Strategic Mineral Resources of Tungsten, Fluorine Phosphorus and Calcium Minerals" (「鎢氟磷含鈣戰略礦物資源浮選界面組裝技術及應用」), collaborated by the Company, Central South University and other units, was awarded the "National Science Progress Award (Second Class)".

(2) In December 2018, the Company won the award of "2018 Industry-University-Research Collaboration Innovation and Promotion of China (Second Prize)" (二零一八年中國產學研合作創新成果獎二等獎) with its integrated safety alarm system of precise gauging on quakes for disasters in surface and underground rocks.

(3) In December 2018, the Company won the "Second Prize for Science and Technology Achievement in China's Non-Ferrous Metal Industry(中國有色金屬工業科學技術二等獎)" with its 21 standards such as "GB/T4325–2013 Measures for Quality Assessment of Molybdenum".

(4) In 2018, it won "Intelligent Workshop in Henan Province (河南省智能車間)", "Manufacturing Innovation Center in Henan Province (河南省製造業創新中心)" and "Excellent Innovation Leading Enterprise in Henan Province (河南省優秀創新龍頭企業)".

(5) In June 2018, the Company won the Best Mining Company Award for the Year (年度最佳礦業公司) from the Brazilian Mining.

3. DOMESTIC AND OVERSEAS INDUSTRY POLICIES

(1) Within the PRC

Indicators for control over the aggregate mining volume of tungsten mines

On 23 July 2018, the Ministry of Natural Resources and the Ministry of Industry and Information Technology jointly issued the "Notice on Indicators for Controlling the Aggregate Mining Volume of Rare Earth Mines and Tungsten Mines for the Year 2018" (《關於下達2018年度稀土礦鎢礦開採總量控制指標的通知》) (hereinafter referred to as the "**Notice**"). In order to protect and reasonably develop the advantageous mining resources, pursuant to the relevant requirements regarding mining activities of certain protective minerals, the aggregate mining volume of rare earth mines and tungsten mines continued to be under control in 2018. Pursuant to the Notice, the indicator for controlling the aggregate mining volume of tungsten concentrates (containing 65% tungsten trioxide) was 100,000 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 has been levied from 1 January 2018.

Tax items of environmental protection tax: mainly include 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 equivalent amount of pollution 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.

Value-added tax

Since 1 May 2018, pursuant to the requirements of Circular on Adjusting Value-added Tax Rates Docket No. 32 [2018] Cai Shui (《財政部稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)):

I. The tax rate of 17% and 11% originally applicable to taxpayer's value-added tax taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

II. The deduction rate of 11% originally applicable to taxpayer's purchase of agricultural products shall be adjusted to 10%.

Others

The Standard for Green Mine Construction of the Non-ferrous Metal Industry (《有色金屬行業綠色礦山建設規範》) (D2/T0320–2018) has been put into implementation since 1 October 2018. Such standard was formulated for the mining industry to strengthen self-discipline, take the initiative to shoulder corporate responsibilities such as conservation and utilizing resources to achieve energy conservation, emission reduction, environmental reconstruction, land rehabilitation and promotion of local economic development, and increase contribution to the protection and governance of the eco-environment of mines.

(2) Overseas

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

The Democratic Republic of the Congo (DRC) promulgated the Law No. 18/001 (hereinafter referred to as the "**New Mining Code**") on 28 March 2018 after multiple major modifications on the prior Mining Code No. 007/2002 (hereinafter referred to as the "**Mining Code**") issued on 11 July 2002. The applicable regulations of the New Mining Code, namely the 2018 Mining Regulations (hereinafter referred to as the "**Mining Regulations**"), were adopted and promulgated by the Council of Ministers of the DRC government on 8 June 2018.

The New Mining Code made significant adjustments on the following tax policies:

Resources royalties (resources tax): the tax rate increased from 2% to 3.5%, while the tax rate of strategic resources increased to 10%. Cobalt was regarded as strategic resources in November 2018. The tax rate is 10 %;

Super profit tax: when there is a particularly high growth in commodity prices, which exceeds 25% of the price in the feasibility report, super profit tax will be levied on profit growth. The tax rate on excess profit is 50%. At present, the Company hasn't received any relevant notice on definition and levy method of super profit tax by issued by DRC.

In addition, the New Mining Code made major adjustments to foreign investment in mining industry including entry of mining industry, equity transfer, foreign exchange administration, collection of tax and import and export, etc. The major changes are set out as below:

Foreign exchange policies: the proportion of remittance of the Company's export income to domestic DRC during the outstanding payment period of loans in relation to the investment shall increase from 40% to 60%. Meanwhile, after the settlement of loans in relation to the investment, the export income shall be 100% remitted to DRC, and shall only be used for domestic expenses of DRC;

Equity transfer: the direct or indirect change in control of shares or equity of the Company with mining rights shall obtain prior national approval, and the transfer of stocks or shares of the Company with mining rights shall be levied upon based on the premium.

The tax policies adjusted by DRC according to the New Mining Code and Mining Regulations will increase the tax cost of the Company and have negative impact on the future profit of the Company. Since the New Mining Code and Mining Regulations were evidently in conflict with the existing valid Amended and Restated Mining Convention signed between the former TFM and the DRC government (hereinafter referred to as the "**Mining Convention**") and Agreement of Government of the People's Republic of China and the Government of the Democratic Republic of the Congo on Promotion and Protection of Investment (hereinafter referred to as the "**PRC-DRC Agreement**"), the Company will pay close attention to updates on circumstances for mining industry development in the DRC, seek solutions to protect rights of the Company to the greatest extent under the Mining Convention and the PRC-DRC Agreement through positive communication with the host government and meanwhile try to build a mutually beneficial and win-win harmonious relationship with host government.

Niobium and phosphates in Brazil

In Brazil, the operations (mines and plants) are regulated by the National Mining Agency ("**Agência Nacional de Mineração**"/"**ANM**") together with labour, environmental and heritage agencies. All regulators, which report to the municipal, state and federal governments, the public prosecutor's office, and 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 phosphates 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.

Copper & gold related products in Australia

Mining in the State of New South Wales ("**NSW**") is mainly regulated by the Mining Act 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 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 2013 and NSW Work Health and Safety (Mines and Petroleum Sites) Regulation 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.

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 electrolytic copper, copper concentrates, cobalt hydroxide, ferromolybdenum, tungsten concentrates, ferroniobium, phosphate fertilizer and other related products. Its operating results are largely subject to fluctuations in the market prices thereof. The NPM copper and gold mine of the Company also offers 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 2018 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 a sharp decrease, the operating results of the Company will fluctuate significantly.

Given the relatively significant fluctuations in the prices of copper products and the existence of products in transit, rolling settlement and other factors, the 2016 Annual General Meeting of the Company authorized the Board of Directors to take actions in a timely manner during 2017 and 2019 on the hedging of copper and gold products in line with market conditions, production plans and pursuant to the required procedures of the "Hedging Management System" of the Company, capped at the total annual production volume planned 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 and 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 reserve of resources 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, and invested substantial resources to form a relatively complete system of production safety management, risk prevention and supervision, established a sound management system for safe production and continuously push forward the safety standardization management. However, safety incidents cannot be totally avoided. As an enterprise for mineral resource development, large amounts of waste rocks and tailings are produced in the production process. Inefficient management of slag discharge fields and tailing storage facilities may result in disaster in certain area. 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 by formulating and improving safety system, 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 safety risk through the formulation and drills of natural disaster emergency plans such as "rainy season" emergency plan and issue of the "Corporate Governance Standard for Tailings and Mineral Residue Management" and other measures applicable to global businesses.

4. EXPOSURE TO RISKS RELATED TO INTEREST RATES

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

The Company has adopted interest rate swaps to hedge against interest rate fluctuations on certain USD-denominated loans, with the view to minimizing the impact of interest rate hikes resulting from higher United States interest rates. During 2018, the Company hedged the interest rate risk arising from loans of mergers and acquisitions with an amount of USD1.1 billion through particular interest rate swap.

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 USD, 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 USD; the niobium and phosphates businesses of the Group in Brazil are mainly denominated and settled in USD and BRL; and the copper and cobalt business of the Group in the DRC is mainly denominated and settled in USD 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 USD, the operational activities of subsidiaries (whose functional currency is USD) Australia which are settled in AUD, the operational activities of subsidiaries (whose functional currency is USD) in Brazil which are settled in BRL (Brazil) and the operating activities of subsidiaries (whose functional currency is USD) in the DRC which 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 Company. The Company has paid close attention to the effect of the changes in exchange rates, and made use of financial instruments, such as forward foreign exchange contracts to hedge against foreign exchange rate risk in due course. The Company currently has had certain hedging arrangements for the exchange rate risk of BRL133.91 million and EUR160 million relating to daily operation.

6. EXPOSURE TO RISKS RELATED TO POLICY

The primary operation of the Company is distributed in countries and regions including China, DRC, Brazil and Australia. As there is major discrepancy in state politics and economy development level among different countries and there are major risks relating to policy implementation and adjustments in developing countries and underdeveloped countries, such as state macroeconomic control policies, foreign exchange administration policies, industry policies and tax policies in operating countries, which may have a certain impact on the operation of the Company.

In 2018, the DRC government introduced the new law for mining industry and its implementation regulations, involving substantial changes on equity funds, financial tax policies and foreign exchange management policies. Even though the DRC government is willing to continue carrying out discussion and negotiation in respect of the above matters, failure of reaching consensus through negotiation will still incur significant impact on the operation of the Company in the future.

The Company maintains close communication with government authorities in each of its business operating areas and pays attention to changes in political and economic circumstances in relevant countries so as to improve its ability in preventing and responding to policy risks.

7. EXPOSURE TO RISKS RELATED TO POLITICS

TFM, 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 underlines positive relations with local government, communities and social organizations. As the political ties between China and the DRC stabilize and draw ever closer, outbound investments into the DRC have been encouraged by the China government and have become a trend. To further reduce potential economic losses of the Company incurred by relevant risks in operations, the Company has purchased overseas equity investment insurance for the DRC project from China Export & Credit Insurance Corporation. The insured investment includes: paid-up capital, retained profit and investment for equity acquisition. The insured risks include: foreign exchange restrictions, confiscation, war and political riots.

8. 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 across different countries are likely to pose material challenges to asset operation and management in Brazil and the DRC. 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.

The Company actively introduces a team of professionals with extensive industry operation experience and international management capabilities, organizes a new team of senior management personnel with rich industry experience and international management level, and reconstructs domestic and overseas business structure of management and control in order to achieve efficient governance of the Company's global business and reduce operational risks.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Group's report for the year ended 31 December 2018.

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 2018 to 31 December 2018, 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 and the Remuneration Committee were unable to attend the annual general meeting of the Company held on 25 May 2018 due to other business commitments. The attendance of the vice chairman of the Nomination Committee, the chairman of the Strategic Committee and the Supervisory Committee and the chief financial officer and some senior management 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 2018, the Board held 10 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 issuance of corporate bonds 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.

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 85 and the independent non-executive Directors are expressly identified in all corporate communications pursuant to the Hong Kong Listing Rules.

As at the date of this report, 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

Guo Yimin (elected at the 2019 first extraordinary general meeting on 28 March 2019)
Yuan Honglin
Cheng Yunlei

Independent Non-Executive Directors

Wang Gerry Yougui (elected at the 2018 first extraordinary general meeting on 3 August 2018)
Yan Ye (elected at the 2018 first extraordinary general meeting on 3 August 2018)
Li Shuhua (elected at the 2018 first extraordinary general meeting on 3 August 2018)

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 2018, 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 (including non-executive Directors) 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 was extended to be retired and re-elected at the 2018 first extraordinary general meeting of the Company. On 3 August 2018, the Company convened the 2018 first extraordinary general meeting to elect the next session of the Board. Mr. Li Chaochun and Mr. Li Faben served as executive Directors. Mr. Ma Hui, Mr. Yuan Honglin and Mr. Cheng Yunlei served as the non-executive Directors. Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua served as the independent non-executive Directors to form the fifth session of the Board. On 21 December 2018, Mr. Ma Hui, non-executive Director and vice chairman, resigned from his relevant positions in the Company due to adjustment of his work arrangements. On 26 December 2018, the first extraordinary general meeting of the fifth session of the Board of the Company considered and approved the resolution to nominate of Mr. Guo Yimin as a non-executive Director of the fifth session of the Board of the Company. The resolution has been considered and approved at the 2019 first extraordinary general meeting on 28 March 2019.

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. The Board proposed a special resolution at the annual general meeting held in 2015 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 and Governance 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 and Governance 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 2018, 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. According to the details provided, the summary of the continuing professional development for Directors in 2018 is as follows:

	Scope		
Name of Directors	**Legal and Corporate Governance**	**Business of the Group**	**Role, Function and Duty of Directors**
Executive Directors			
Mr. Li Chaochun	✔	✔	✔
Mr. Li Faben	✔	✔	✔
Non-executive Directors			
Mr. Yuan Honglin	✔	✔	✔
Mr. Cheng Yunlei	✔	✔	✔
Mr. Ma Hui (1)	✔	✔	✔
Independent Non-Executive Directors			
Mr. Wang Gerry Yougui (2)	✔	✔	✔
Ms. Yan Ye (2)	✔	✔	✔
Mr. Li Shuhua (2)	✔	✔	✔
Mr. Bai Yanchun (3)	✔	✔	✔
Mr. Xu Shan(3)	✔	✔	✔
Mr. Cheng Gordon (3)	✔	✔	✔

Notes:

(1) Mr. Ma Hui resigned as non-executive Director and vice chairman on 21 December 2018.

(2) Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua were appointed as independent non-executive Directors on 3 August 2018.

(3) Mr. Bai Yanchun, Mr. Xu Shan and Mr. Cheng Gordon retired from independent non-executive Directors on 3 August 2018.

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 Detailed Working 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

For the year ended 31 December 2018, the Company convened a total of 10 Board meetings. The attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit and Risk Committee, Nomination and Governance Committee and Strategic and Sustainability Committee and general meetings are set out below:

	Number of Attendance in person/Number of Meetings						
Name of Directors	**Board Meeting**	**Remuneration Committee Meeting**	**Audit and Risk Committee Meeting**	**Nomination and Governance Committee Meeting**	**Strategic and Sustainability Committee Meeting**	**Annual General Meeting (1)**	**Extraordinary General Meeting and Class Meeting (2)**
Mr. Li Chaochun	10/10	N/A	N/A	5/5	3/3	1/1	1/1
Mr. Li Faben	10/10	N/A	N/A	N/A	3/3	1/1	1/1
Mr. Ma Hui (3)	7/7	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Yuan Honglin	10/10	3/3	5/5	N/A	3/3	0/1	1/1
Mr. Cheng Yunlei	10/10	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Wang Gerry Yougui (4)	6/6	1/1	N/A	2/2	2/2	N/A	N/A
Ms. Yan Ye (4)	6/6	N/A	3/3	2/2	N/A	N/A	N/A
Mr. Li Shuhua (4)	6/6	1/1	3/3	2/2	N/A	N/A	N/A
Mr. Bai Yanchun (5)	4/4	2/2	N/A	3/3	1/1	0/1	0/1
Mr. Xu Shan (5)	4/4	N/A	2/2	3/3	N/A	0/1	0/1
Mr. Cheng Gordon (5)	4/4	2/2	2/2	3/3	N/A	0/1	0/1

Notes:

(1) The Annual General Meeting was held on 25 May 2018.

(2) For the year ended 31 December 2018, the Company convened the 2018 First Extraordinary General Meeting on 3 August 2018.

(3) On 21 December 2018, non-executive Director and vice chairman, Mr. Ma Hui has resigned from his respective positions in the Company due to adjustment of his work arrangements.

(4) On 3 August 2018, the Company convened the 2018 First Extraordinary General Meeting, Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua were appointed as independent non-executive Directors.

(5) On 3 August 2018, the Company convened the 2018 First Extraordinary General Meeting, at which, Mr. Bai Yanchun, Mr. Xu Shan and Mr. Cheng Gordon retired upon expiry of their term.

JOINT COMPANY SECRETARIES

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 during the year ended 31 December 2018. Her primary contact person in the Company was Mr. Yue Yuanbin, the secretary to the Board.

On 4 August 2018, the Company convened the first meeting of the fifth session of the Board in which a resolution was approved to appoint Mr. Yue Yuanbin, the secretary to the Board, as joint company secretary (together with Ms. Ho as joint company secretary) with effect from the day on which such appointment was considered and approved by the Board until the date of convening of the 2020 annual general meeting to be held in 2021. Mr. Yue Yuanbin reports to Mr. Li Chaochun, the Chairman of the Company.

Both of the joint company secretaries have confirmed that each of them has undertaken no less than 15 hours of relevant professional training within the year.

SECURITIES TRANSACTIONS MADE BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors and Supervisors 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 and Supervisors. 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 2018. 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 and Risk Committee, Nomination and Governance Committee, Strategic and Sustainability 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, Supervisors and senior management of the Company for the year ended 31 December 2018 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

After having made all reasonable enquiries, except for the information disclosed in this annual report, the Company is not aware of any other information of the Directors and Supervisors 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 the date of this report, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Wang Gerry Yougui and Mr. Li Shuhua and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Wang Gerry Yougui acting 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 Detailed Working 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 aim 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 three meetings for the year ended 31 December 2018, and the matters considered therein included confirmation of the adjustment of remuneration of the Directors and Supervisors, proposed to determine remuneration of senior management. The attendance records are set out under "Directors' Attendance Records" on page 42.

AUDIT AND RISK COMMITTEE

The Board resolved to change the name of the Audit Committee to Audit and Risk Committee on 4 August 2018, and has updated its Terms of Reference and Detailed Working Rules to better reflect its functions.

The Terms of Reference and Detailed Working Rules of the Audit and Risk 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 and Risk 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 and Risk Committee has reviewed the effectiveness of the external audit and internal controls, evaluated risks, and provided comments and advice to the Board. As at the date of this report, the Audit and Risk Committee comprises two independent non-executive Directors, namely Mr. Li Shuhua and Ms. Yan Ye, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Li Shuhua acting as the chairman of the Committee. The Audit and Risk Committee has reviewed with the management and external auditors, the audited consolidated results of the Group for the year ended 31 December 2018, 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 and Risk Committee are set out in its Terms of Reference and Detailed Working Rules, including the following:

(I) With respect to audit and financial supervision

- provide proposals to the Board of Directors on the appointment, re-appointment and removal of the external auditors, advise on the terms of remuneration and appointment of the external auditors, and deal with matters related to the resignation or dismissal of the external auditors;

- review and supervise the independence and objectivity of the external auditors and give opinions in this regard;

- review and monitor the effectiveness of the audit procedures in accordance with applicable standards, discuss with the external auditors about the nature and scope of the audit and the relevant reporting obligations before the audit commences and express opinions in this regard;

- review the financial and accounting policies and practices of the Company, review the drafts of the annual reports, monitor the integrity of financial statements and annual report and accounts, half-year report and quarterly reports of the Company, and review significant financial reporting judgements contained therein and provide opinions in this regard;

- examine on a yearly basis the adequacy of the resources, the qualifications and experience of employees in connection with the Company's financial accounting, financial reporting risk management and internal control functions, as well as the adequacy of the training courses received by employees and the related budgets;

- review arrangements under which employees may raise concerns about the possible inappropriate financial reporting, risk management, internal control or other matters under the condition of confidentiality.

(II) With respect to risk management and internal control

- review the Company's financial control, and the risk management and internal control systems of the Company;

- discuss the risk management and internal control systems with the management to ensure that the management has discharged its duty to establish an effective system and to settle the procedural issues of serious internal control deficiencies;

- consider any findings of major investigations of risk management and internal control matters and the management's response; and

- evaluate and enhance the risk management procedures and ensure the current and future rationality, effectiveness and feasibility thereof.

The Audit and Risk 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.

The Audit and Risk Committee held five meetings for year ended 31 December 2018 and reviewed matters including annual results for the year ended 31 December 2017, the results for the first quarter ended 31 March 2018, the results for the interim period ended 30 June 2018 and the results for the third quarter ended 30 September 2018. The Audit and Risk 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, the proposed amendments to the Detailed Working Rules and the re-appointment of the external auditors. The attendance records are set out under "Directors' Attendance Records" on page 42.

For the year ended 31 December 2018, the Audit and Risk Committee also met the external auditors twice without the presence of the executive Directors.

NOMINATION AND GOVERNANCE COMMITTEE

The Board resolved to change the name of the Nomination Committee to Nomination and Governance Committee on 4 August 2018, and has updated its Terms of Reference and Detailed Working Rules to better reflect its functions.

As at the date of this report, the Nomination and Governance Committee comprises four Directors, including three independent non-executive Directors, namely Mr. Wang Gerry Yougui, Mr. Li Shuhua and Ms. Yan Ye, and one executive Director Mr. Li Chaochun. Mr. Wang Gerry Yougui and Mr. Li Chaochun act as the chairman and the vice chairman of the Nomination and Governance Committee respectively, and the independent non-executive Directors account for more than a half of members of the Nomination and Governance Committee.

The roles and functions of the Nomination and Governance Committee are set out in the Detailed Working Rules, and it is mainly responsible for (i) with respect to nomination: make suggestions to the Board as to the scale, structure, composition and any proposed change of the Board in light of the business activities, size of assets and shareholding structure of the Company, including reviewing the structure, number, composition and diversity of the members' background of the Board (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) at least once a year or as needed; make recommendations to the Board on any proposed change to the Directors and the senior management; study the standards and procedures for the selection and appointment of Directors and senior management, and make recommendations to the Board; search and look for in a wide range of fields the candidates for qualified Directors and senior management, and examine and provide recommendations to the Board on this regard. The Board shall fully consider the Nomination and Governance Committee's recommendations on the nomination of the candidates for directors and senior management; make recommendations to the current Board on the candidates for Directors of the next session of the Board of Directors at the re-election of the Board of Directors; assess the independence of independent non-executive Directors and any elected independent non-executive Directors; make recommendations to the Board of Directors on the candidates for new Directors and senior management at the time when the term of office of the Directors and the senior management expires or they are unable to perform their duties for reasons; assess the performance of the Directors and the senior management and, when necessary, provide advice or make recommendations on the replacement of the Directors and the senior management on the assessment results; and review consecutively the needs for leadership and training development plans of the Company to ensure that the Company may continue to operate efficiently and maintain international competitiveness, and to monitor the training and development of Directors. (ii) With respect to corporate governance: review and approve the Company's vision, strategies, framework, principles and policies regarding corporate governance, and make recommendations to the Board of Directors; and to supervise the implementation of the corporate governance policies formulated by the Board of Directors and make relevant recommendations; review and consider the Company's corporate governance policies and daily operations to ensure compliance with legal and regulatory provisions, and make recommendations to the Board of Directors; review and consider the Code of Conduct and Compliance Manual (if any) on corporate governance applicable to the Company's Directors and employees; review and consider whether the Company complies with Appendix 14 (Corporate Governance Code) to the Hong Kong Listing Rules, the relevant disclosure provisions of the Corporate Governance Report and other relevant rules; review and assess the annual Corporate Governance Report for consideration and approval by the Board; examine, supervise and respond to the emerging corporate governance and, where appropriate, make recommendations to the Board of Directors to continuously improve the Company's corporate governance performance; and to support the plans for corporate governance outside the Company (both local and overseas), where appropriate, to facilitate the continuous development of corporate governance; review and supervise the assessment procedures of the Board of Directors (including its committees and individual members), assess the Board of Directors on a regular basis, and submit assessment reports to the Board of Directors for consideration and approval; review and supervise the implementation of the shareholder communication policies to ensure its effective implementation and, where appropriate, make recommendations to the Board of Directors on strengthening the relationship between shareholders and the Company; and review and supervise the training and continuous professional development of the Directors, Supervisors and the senior management, etc.

BOARD DIVERSITY POLICY

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

The Nomination and Governance 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 and Governance 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 and Governance 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 and Governance Committee will consider the balance of talents, skills, experience, independence and knowledge on the Board and its diversity representation.

The Nomination and Governance Committee will discuss and agree on annually numerous measurable objectives, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time for implementing diversity on the Board and recommend them to the Board. The Company believes that the current Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy aiming at setting out the criteria and process in the nomination and appointment of Directors of the Company and ensuring the Board has a balance of skills, experiences and diversity of perspectives appropriate to the Company's business as well as the Board continuity and appropriate leadership of the Board.

In assessing the suitability of a proposed candidate, the Nomination and Governance Committee would consider a number of factors including:

- character and integrity;
- qualifications, including cultural and educational background, professional qualifications, skills, knowledge and experience related to the Company's business and strategy, and the diversity of factors referred to in the board diversity policy;
- the independence of a candidate proposed to be appointed as an independent non-executive Director, in particular by reference to the independence requirements under the Hong Kong Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of diversified aspects, including professional qualifications, skills, professional experience, tenure of service, independence, race, gender and age;
- commitment in respect of available time and relevant contribution to discharge duties as a member of the Board and/or Board committees;
- the Company's business activities, asset size and shareholding structure, as well as the Company's corporate strategy; and
- such other perspectives that are appropriate to the Company's business and the succession planning and where applicable, may be adopted and/or amended by the Board and/or the Nomination and Governance Committee from time to time for nomination of Directors and the succession planning.

The director nomination policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. In relation to the appointment of a new Director, the Nomination and Governance Committee will request the candidate to provide his/her biographical information and other information deemed necessary. The Nomination and Governance Committee will review and take reasonable steps to verify the information obtained from the candidate and seek clarification, where required. The Nomination and Governance Committee may, at its discretion, invite any candidate to meet with the Nomination and Governance Committee members to assist them in their consideration of the proposed nomination or recommendation. The Nomination and Governance Committee will then submit its nomination proposal to the Board for consideration and approval and then make recommendation to the shareholders of the Company for approval.

The Nomination and Governance Committee will conduct regular review on the structure, size and composition of the Board and the director nomination policy, and where appropriate, make recommendations on changes to the Board for consideration and approval to complement the Company's corporate strategy and business needs to ensure its effectiveness.

The Nomination and Governance Committee held five meetings for the year ended 31 December 2018; matters considered included review of the re-appointed candidates for Directors, Supervisors and senior management, adjustments to the members of each committee under the Board, assessment of the independence of independent non-executive Directors, formulation of a policy for nominating Directors and the proposed amendments to the Detailed Working Rules. The attendance records are set out under "Directors' Attendance Records" on page 42.

STRATEGIC AND SUSTAINABILITY COMMITTEE

The Board resolved to change the name of the Strategic Committee to Strategic and Sustainability Committee on 4 August 2018, and has updated its Terms of Reference and Detailed Working Rules to better reflect its functions.

The Strategic and Sustainability Committee is responsible for formulating the overall sustainable development plans and investment decision-making procedures of the Group. As at the date of this report, members of the Strategic and Sustainability Committee comprise two executive Directors, namely Mr. Li Chaochun and Mr. Li Faben, and one independent non-executive Director, Mr. Wang Gerry Yougui, and one non-executive Director, Mr. Yuan Honglin, with Mr. Li Chaochun acting as the chairman of the Committee.

For the year ended 31 December 2018, the Strategic and Sustainability Committee held three meetings; matters considered included the evaluation of potential acquisition project and advice the Board on this regard, assessment of the culture, management framework, affairs, risk management, capacity building and other matters in the fields of environment, social responsibility and sustainability of the Company, and the proposed amendments to the Detailed Working Rules. The attendance records are set out under "Directors' Attendance Records" on page 42.

CORPORATE GOVERNANCE FUNCTIONS

The Nomination and Governance Committee is responsible for performing the functions of corporate governance.

During the year ended 31 December 2018, the Nomination and Governance 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

During the year ended 31 December 2018, 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 2018, the Supervisory Committee held five 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 2021 and are subject to retirement and re-election.

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 employee representative shall be elected democratically by the employees of the Company. On 20 March 2018, Ms. Wang Zhengyan was elected as the employee representative Supervisor of the Company at the employee representatives' meeting. On 3 August 2018, two shareholder representatives, Ms. Kou Youmin and Mr. Zhang Zhenhao, were elected at 2018 first extraordinary general meeting of the Company, together with Ms. Wang Zhengyan, to jointly form the fifth session of the Supervisory Committee of the Company.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Statements

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2018.

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 87 to page 90.

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 and Risk Committee, and has reviewed the effectiveness of such systems during 2018. 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.

During 2018, the Audit and Risk 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 2018 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 2018 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. During the reporting period, the Company completed internal control self-assessment report for 2018. 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 systems of the Group are 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 2018 of the Company had been published on the websites of the SSE, the Stock Exchange and the Company on 29 March 2019.

The company has established an internal audit system. 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.

DEALING WITH AND PUBLISHING 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 2018, the remuneration paid to the auditors of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) is set out below:

Type of service	**Remuneration paid /to be paid** *RMB'000*
Annual audit service	6,000
Internal control audit	4,800

Note: Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) provides auditing of financial statements of the parent company and the consolidated financial statements and reviews on the effectiveness of internal control for the Company. In 2018, financial auditing for the Company's overseas businesses was conducted by Deloitte Touche Tohmatsu, Deloitte & Touch LLP and Deloitte Touche Tohmatsu Auditors Independent, auditing fee of overseas businesses for the year amounted to approximately USD1.2737 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 and Risk Committee, Remuneration Committee, Nomination and Governance Committee and Strategic and Sustainability Committee shall attend the forthcoming annual general meeting to answer questions of the shareholders.

The Company will convene the annual general meeting ("**AGM**") on 14 June 2019 and the notice of the forthcoming AGM of the Company will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Hong Kong Listing Rules and Articles of Association.

During the year ended 31 December 2018, in accordance with the latest provisions of relevant laws, regulations, normative documents and the Article of Association, the Company formulated and revised systems such as the Articles of Association, Detailed Working Rules of the Investment Committee, Detailed Working Rules of the Audit and Risk Committee, Detailed Working Rules of the Strategic and Sustainability Committee and Detailed Working Rules of the Nomination and Governance Committee; and also formulated internal control rules such as the Internal Reporting System for Major Issues (《重大事項內部報告制度》) , so as to enhance the level of internal control and management.

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.

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 6860 3993
Facsimile No.:(+86) 379 6865 8017

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: 603993@cmoc.com, fax: (+86) 379 6865 8017, 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 6860 3993 for any assistance.

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

CONSTITUTIONAL DOCUMENTS

The Company approved the amendments to the Articles of Association at the AGM held on 25 May 2018. The latest Articles of Association of the Company are available on the websites of the SSE, the Stock Exchange and the Company.

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

The Directors of the Company are pleased to present their 2018 annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2018.

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 and processing industry primarily engages in the mining and beneficiation, smelting, deep processing, etc. of copper, cobalt, molybdenum, tungsten, niobium and phosphates, with a relatively complete and integrated industry chain. The Company is one of the leading copper producers in the world, and 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 as well as the second largest phosphate fertilizer producer in Brazil.

The vision of the Company is to become a respected international resources company. Adhering to the corporate culture of "meritocracy, cost control, continuous improvement and achievement sharing" while solidifying and entrenching the highly competitive cost structure in the industry, the Company continues to manage and optimize the balance sheet, properly arranges the financing structure and reduces cost of funds; ensures the stable operation of our overseas businesses and explores and gives play to the synergistic effects of businesses by virtue of the comprehensive competitive advantages of the Company in terms of the scale, industry chain, technology, funds, market and management and its diversified financing platform; focusing on adjustment of structure and shift of the way of growth, the Company also actively promotes resource acquisitions and prioritizes mergers and acquisitions on investments in quality and mature resource projects located in politically stable areas and with good cash flows, so as to speed up the Company's development through "combination of industry and financing".

(II) Business Model of the Company

The Company adopts a business model of centralized operation and division of management. Besides, the Company has been striving to seek for investment on the projects of high quality resources in a global scale.

1. Procurement model

The Company adopts a tendering system for the procurement of materials in large quantities and size, and for materials below the standards for tendering, the Company adopts 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, blasting equipment used in mining 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 reserves of mines and the service life and on the basis of the market research.

3. Sales model

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

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

(2) 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;

(3) Niobium products are ferroniobium. 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. Meanwhile, domestic marketing team in the PRC has been advertising sales of niobium to domestic niobium clients;

(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

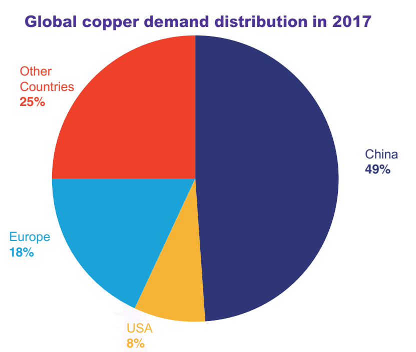
1. Copper industry

The Company is a leading copper producer in the world and sells copper products to the international market. According to the data from Wood Mackenzie, global production volume of copper metal for the year 2018 was approximately 23.59 million tonnes, representing a year-on-year increase of 2.4%, production volume of copper metal by the Company for the year 2018 was approximately 200.2 thousand tonnes, representing 0.8% of the global production volume.

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.

In 2018, stimulated by tax reduction, U.S. has seen substantial economic growth, which is especially distinguishable in the manufacturing sector, propelling steady growth of demand for metal; although growth rate of China's economy maintains at a relatively high level. However, under the premises of supply-side reforms and macroeconomic control from deleveraging in China, construction safety expenses of real properties and investment in infrastructures have both decreased, while accompanied by the impact of the Sino-US trade war, price of copper oscillated at high levels, and dropped under pressure. However, in the long term, demand for basic metals generated by emerging economies led by China, India and countries along the "Belt and Road Initiative" remain strong. In addition, as aging of global copper mines led to deteriorating grades, a rising cost of mining has supported copper price, which may rise steadily while oscillating at high levels for a period of time in the future. Distinguished non-ferrous metal enterprises with reserves of advantageous mining resources and high operational efficiency will gradually demonstrate greater risks aversion and profitability.

Global copper demand distribution in 2017



Data source: Wind \Bloomberg\Shen Wan Hongyuan Research

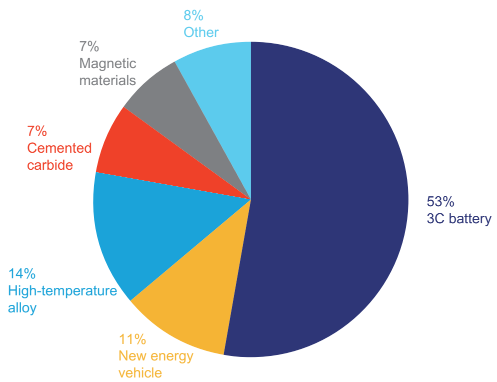
2. *Cobalt industry*

The Company is the world's second largest producer of cobalt and sells cobalt hydroxide to the international market. Pursuant to the data from Commodity Research Unit (CRU), global production volume of cobalt metal for the year 2018 was approximately 131.1 thousand tonnes, representing a year-on-year increase of 11%, production volume of cobalt metal by the Company for the year 2018 was approximately 18.7 thousand tonnes, representing 14.26% of the global production volume.

In respect of resources reserve, according to the "Mineral Commodity Summaries" published by USGS, global cobalt reserve as of the end of 2018 was approximately 7.063 million tonnes (contained metal in concentrate, same as below). Among them, the DRC and Australia owns approximately 49% and 17% of the total global cobalt resources respectively.

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 significant strategic metal with the consumption increasing year by year. Cobalt is one of the most common metal materials for lithium battery anodes. Currently, about 60% of total cobalt consumption is from battery materials (CRU). In general, supported by technical advancement and favorable policies in recent years, and affected by the expected high growth of the ternary batteries market brought by the new energy vehicle field, the cobalt market has been heating up with price speculation, leading to the sharp decline for a short term after the rapid increase in cobalt price.

The downstream distribution of global cobalt demand in 2017



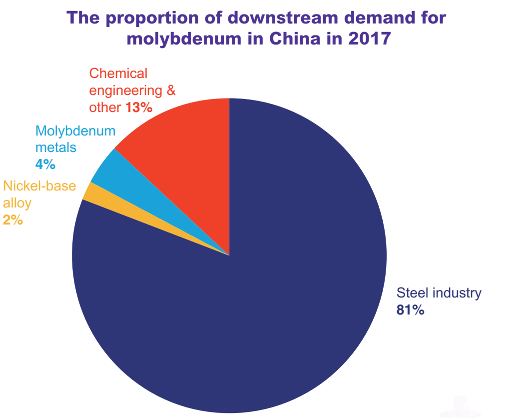
Data source: China industry information Website\Shen Wan Hongyuan Research

3. *Molybdenum industry*

The Company is one of the top-five molybdenum producers in the world. Molybdenum products are mainly sold to domestic markets in the PRC. In accordance with the data from China Non-ferrous Metals Industry Association Molybdenum Branch, production volume of molybdenum metal in China for the year 2018 was approximately 92.8 thousand tonnes, representing a year-on-year increase of 8.46%, production volume of molybdenum metal by the Company for the year 2018 was approximately 15.4 thousand tonnes, representing 16.59% of the production volume in China.

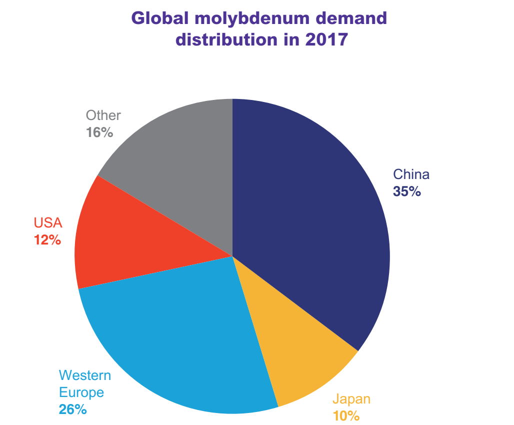
In 2016, under the dual influences of the supply-side reform of molybdenum company and conservative mining policies of the industry introduced by China, gross supply volume of molybdenum was effectively brought under control, domestic mining enterprises with high cost and low efficiency were shut down or urged to cut production. On top of that, tightening and normalized environmental inspection phased out the overcapacity on the supply side. Since 2017, the supply-side reform of the steel industry has been implemented and certain domestic steel plants have been upgrading their industrial structures, thus, the focus of production is shifting from ordinary steel to special steel; as such, demand of molybdenum showed steady and sound increase benefitting from the internal structure adjustment of stainless steel products. While there was still room for improvement of the proportion of special steel and gold-containing steel in the domestic market, the demand for molybdenum was still expected to maintain moderate growth. Accompanied by the rebound of profitability of iron and steel enterprises, the price of molybdenum products showed relatively substantial increase.

The downstream distribution of molybdenum demand in China in 2017



Data source: Wind, An Tai, CRU, Shen Wan Hongyuan Research

Global molybdenum demand distribution in 2017



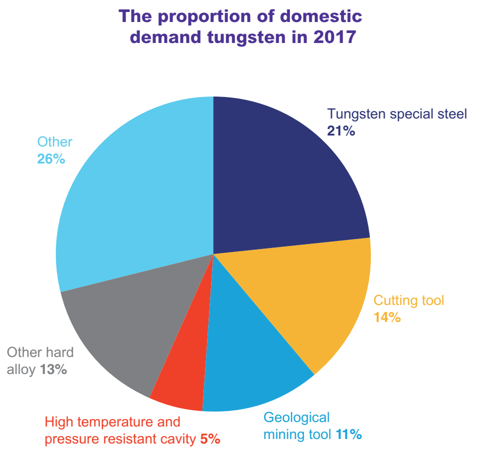
Data source: An Tai, CRU, Shen wan Hongyuan Research

4. Tungsten industry

The Company is the largest scheelite producer in the world and sells tungsten products to the domestic market in the PRC. In accordance with the data published by China Tungsten Industry Association, production volume of tungsten metal in China for the year 2018 was approximately 81.9 thousand tonnes, representing a year-on-year decrease of 3.73%, production volume of tungsten metal by the Company for the year 2018 was approximately 11.7 thousand tonnes, representing 14.29% of the production volume in China.

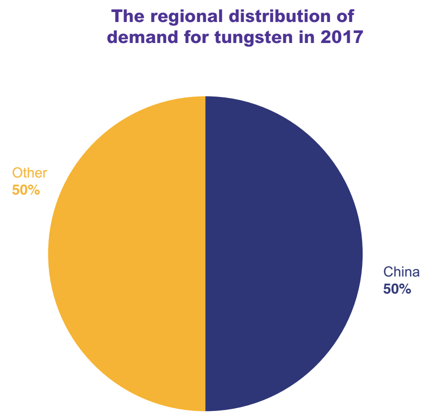
The Sandaozhuang Mine which is currently under mining is the largest uni-tungsten mine under operation in the world. China, as the largest producer of tungsten in the world, contributes to over 80% of the global supply. In recent years, the tungsten industry, in which the Company operates, has long been in the overcapacity with greater supply than demand and difficulty in destocking, and the tungsten market is hovering at low levels 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 of the market. From 2017 to 2018, part of tungsten mines have been out of production due to tightening environmental and security inspection, superimposed domestic tungsten concentrate production is subject to quota management, and production remains relatively stable. There is no new capacity in foreign tungsten concentrates, and supply remains relatively stable. The demand for hard gold which is closely in line with manufacturing industry in the demand sector is still growing, which will continue to drive demand for tungsten. In general, tungsten supply is stable, demand is growing slightly, and tungsten prices are expected to maintain a healthy upward trend.

The downstream distribution of China tungsten demand in 2017



Data source: China Tungsten Industry Association, Shen Wan Hongyuan Research

Tungsten demand distribution of China in 2017



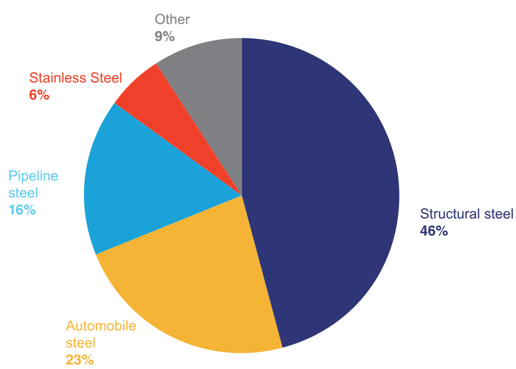
Data source: Development Planning of Tungsten Industry, Shen Wan Hongyuan Research

5. *Niobium industry*

The Company is the world's second largest producer of niobium, and sells niobium products to the international market. In accordance with the data from Roskill Market Outlook, global production volume of niobium metal for the year 2018 was approximately 60.5 thousand tonnes, representing a year-on-year increase of 5%, production volume of niobium metal by the Company for the year 2018 was approximately 9 thousand tonnes, representing 14.88% of the global market.

The market of niobium is highly concentrated in the world. CBMM, occupying approximately 75% 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 its 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 2018, with the continuous recovery of the steel industry, the demand for niobium continued to increase, and the price of niobium was strongly supported.

The downstream distribution of global niobium demand in 2017



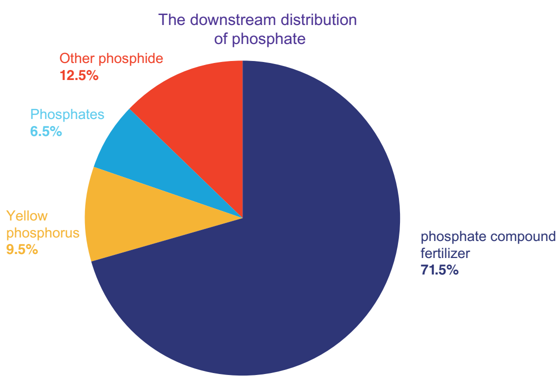
Data source: Roskill (2017), Shen Wan Hongyuan Research

6. *Phosphate industry in Brazil*

The Company is the world's second largest phosphate fertilizer producer in Brazil, selling phosphate fertilizer products to the Brazilian market. Brazil is one of the major producers and exporters of agricultural products in the world and the fourth largest fertilizer consumer in the world, and its annual consumption is far beyond its domestic output. MAP and Single superphosphate 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 phosphates mine and chemical plants owned by the Company are located in the agricultural center of Brazil, with obvious geographical advantages, making the Company one of the producers with the lowest production costs in these important areas.

global phosphate demand in 2017



Data source: China industry information network, Shen Wan Hongyuan Research

REPORT OF THE BOARD OF DIRECTORS

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 2018 and discussion on business development in the future which are described on the section headed "Business Review and Prospects" on page 18 to page 19 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 35 to page 37. Analysis using financial key performance indicators is described in the section headed "Management Discussion and Analysis" on page 20 to page 27 of this annual report. The above discussion forms 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 high-quality services 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 2018 Environmental, Social and Governance Report of China Molybdenum Co., Ltd, i.e. the 2018 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 2018 Environmental, Social and Governance Report of China Molybdenum Co., Ltd., and the 2018 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) 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 during the reporting period. 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 54 to page 77 of the Report of the Board of Directors in the annual report.

CORE COMPETITIVENESS

(1) The Company possesses unique and scarce resource portfolio which effectively resist and reduce the impact of periodic fluctuation

Currently, the Company possesses a unique and scarce product portfolio including copper, molybdenum, tungsten, cobalt, niobium, phosphate and gold, and has industry-leading advantages for each resource variety. The resource varieties cover the basic, rare and precious metals, and enters into the market of agricultural applications with phosphorus resources. Copper represents an important metal for consumption purpose, enjoying a broad prospect of application. Cobalt, as one of the major materials for new energy batteries currently, is very scarce for strategic purpose because of its low reserve in land resources. 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. Phosphorus is mainly applied in agricultural field. Brazil, where the Company's business is operated, is bestowed with the vastest potential cultivable land in the world and represents the fourth 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. Product portfolio with unique and diversified natures enables the Company to effectively resist periodic fluctuation risks in resource sectors, enhance the ability to resist risks and fully enjoy the enormous benefits brought by the periodic changes in prices from various resources.

(2) The Company has a vast reserve of distinctive resources

The Company is the second largest cobalt producer and the leading copper producer in the world. The TFM Copper and 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, with a mining area that covers nearly 1,600 sq. km. As at 31 December 2018, the mining area contains 824.6 million tonnes of proven ore resources, with an average copper grade of 2.95%; an average cobalt grade of 0.29%. The Company operates a NPM copper and gold mine in Australia, which is the fourth largest operating copper and gold mine in Australia. As at 31 December 2018, proven ore resources reached 605.0 million tonnes, with an average copper grade of 0.55%; and an average gold grade of 0.19 (g/t).

The Company is the second largest niobium producer in the world and the second phosphate fertilizer producer in Brazil. The Company's niobium/phosphate mining area in Brazil has rich reserves and bright prospect for exploration, with rich and high quality niobium resources and the highest grade P_2O_5 resources in Brazil. As at 31 December 2018, there were 458.7 million tonnes of proven phosphate ore resources, with an average grade of 11.22%; and 602.9 million tonnes of niobium ore resources with an average grade of 0.43%.

The Company is the largest tungsten producer and one of the top-five molybdenum producers in the world. The Company's domestic resources in China include: the Luanchuan Sandaozhuang molybdenum/tungsten mine currently in operation, a native molybdenum/tungsten mine large in scale, being a part of Luanchuan molybdenum mining field, the largest native molybdenum mining field in the world, and the largest scheelite operation tungsten mine of single unit. Reserve resources include: the Luanchuan Shangfanggou molybdenum mine in close proximity to the Sandaozhuang molybdenum mine, which is owned by Luoyang Fuchuan Mining Co., Ltd., a joint venture of the Company, and the mining rights of the molybdenum mine located in Donggebi, Hami, Xinjiang, which is possessed by a subsidiary of the Company. As at 31 December 2018, domestic molybdenum ore resources owned by the Company aggregated to an amount of 1,372.33 million tonnes, with an average grade of 0.118%; and the average grade of the by-products of Sandaozhuang Molybdenum and Tungsten Mine in Luanchuan was 0.092%, accompanied by considerable copper, rhenium and fluorspar resources. Meanwhile, Shangfanggou molybdenum mine associated with substantial amount of iron ore resources.

All projects owned by the Company have particularly favorable prospect of resource exploration.

(3) The Company possesses leading production technology and extremely strong cost competitiveness

Most mines owned by the Company are the mines with a portfolio of recoverable resources and the Company therefore proactively pushes forward the comprehensive recovery and utilization of resources. Within the PRC, the Sandaozhuang molybdenum/tungsten mine, a mine currently exploited and operated by the Company, recovers the by-product scheelite out of the molybdenum tailings, making the Company one of the global largest tungsten producers. The successful industrialized recovery of by-products copper and rhenium has created a new profit growth point for the Company. The comprehensive recovery of by-products fluorite upon small scale industrialized production is being steadily promoted. Abroad, the TFM copper and cobalt mine operated in the Congo (DRC) recovers cobalt from copper tailings, with the high-efficient hydrometallurgy recycling and utilization technology of copper and cobalt resources, with the second-largest output of cobalt in the world. Besides, partial niobium output of the niobium business (with the second-largest niobium output in the world) operated by the Company in Brazil is from the comprehensive recovery of the tailings of processed phosphorus ore, with high-efficient recovery and comprehensive utilization technology of advanced low-grade niobium resources, phosphate resource processing and utilization and high value-added product development and production technology advantages. There are still a variety of recyclable metals in mines located in Brazil which are yet to be researched and utilized by the Company. In the future, experience in production techniques and technology research and development can be shared by comprehensive recovery operation at home and aboard, so as to broaden the prospects of development.

All of the mines (except for NPM) exploited and operated by the Company have adopted the effective open-pit mining. The Company strengthened the efficiency of ore mining and transport through automation procedures to achieve lower mining costs. 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. Besides, the cash costs of all business sectors achieved by the Company stand at an internationally leading position in the industry, and enjoy relatively strong competitive edge in the industry.

(4) Continue to build a healthy balance sheet and value shareholder returns

Current operations of the Company are all mature projects in production with stable and strong profitability, and each business segment has strong cash generation capability. The Company adopts sound financial policies and is committed to continuing to build a healthy balance sheet. As at the end of the reporting period, carrying currency capital of the Company amounted to RMB26.6 billion, gearing ratio of the Company was 51%, net interest-bearing debt ratio was 9.9%, assets and liabilities structure has been improved steadily; with higher than 54% of cash dividends over the last five years, with stable dividend distribution policies and favourable dividend yield.

(5) The Company has advanced technical capabilities in the industry and industry-leading innovative technologies

The Company has a strong technological research and development team. The Company successfully implemented industrialization of its various scientific research results, leading industrial technology improvement and promoting the competitiveness of the Company. The Company continuously invest in technological research, successfully passed the re-examination of high-tech enterprises of China in 2017 for the second time. In January 2018, "Intelligent Production Equipment and Key Technologies of Sandaozhuang Open-pit Mine" of the Company won the First Prize for Science and Technology Advancement granted by Non-ferrous Metals Society of China and China Non-ferrous Metals Industry Association, it has also been ranked as one of the annual major events of China's mining technological equipment in 2017 (2017 年度中國礦業技術裝備大事). "The integrated digital mining production management system in open pit mine" and "Technology and industrialization of recycling of low graded scheelite from molybdenum flotation tailings" obtained the award nomination in the "4th China Grand Award for Industry". In April 2018, the Brazil Mine of the Company won the 2017 Mining Company Award (2017年度礦業公司獎*) from the Brazilian Mining (《巴西礦業》). In May 2018, the Company was ranked 43rd among Forbes' 100 most innovative companies in the world in 2018. In December 2018, the project "Flotation Interface Assembly Technology and Application of Strategic Mineral Resources of Tungsten, Fluorine and Phosphorus and Calcium Minerals" (《鎢氟磷含鈣戰略礦物資源浮選界面組裝技術及應用》), collaborated by the Company, and Central South University and other units, was awarded the National Science Progress Award (Second Class).

(6) The Company has an excellent and stable shareholder structure as well as a forward-looking industrial research team

The Company, as a pioneer and role model for the state-owned enterprises reform in China, had completed the mixed ownership reform of state-owned enterprises in 2014. Currently, a stable shareholder structure has been formed, which includes private holding, state holding and the investment allocation from large scale investment institutions, strategic and industrial investors. Shareholders of all parties collectively foster the development of the Company and exercise shareholders' rights in accordance with the combination of industry development and Company's strategies. Proactive shareholder policies and stable equity structure are more beneficial to the Company in achieving a favorable development so as to steadily carry out the achievement of the strategic goals. The Company has a distinguished and forward-looking industrial research team. While committed to resources development in the upper stream, the Company utilized the market information advantage of China in resources consuming (as being the largest market in the world), deeply integrated into the cutting-edge of resources consuming end and precisely analyzed the development opportunity of the industry in order to foster the implementation of the international strategies of the Company based on industrial analysis.

(7) Actively implements talent strategy and improves management standards of the Company

The Company focuses on development strategies and globalized business management and control needs, while proactively introducing professional and international management talents, the Company also proactively implements talent training strategies and expands the recruitment and training channels for international talents based on the talent base of the China headquarters. The Company strengthens talent flow and technical exchanges in between each business segment, sets up preliminary talent teams in various professions and fields, improves business management and control capabilities as well as development levels, at the same time lay the talent foundation for the implementation of the Company's long-term development strategies.

DIVIDEND

1. Cash dividend distribution policy

In accordance with Shareholders' Return Plan in the Next Three Years (2016–2018),

(1) 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 as set out in the 2016 annual report. 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: 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;

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) 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) 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 25 May 2018, the profit distribution plan for 2017 was considered and approved at the 2017 AGM of the Company. The profit distribution was based on the Company's total share capital of 21,599,240,583 shares before the implementation of the plan. The cash dividend per share was RMB0.076 (tax inclusive), and the total cash dividends of RMB1,641,542,284.31 (tax inclusive) was distributed. The dividend distribution was completed during the reporting period.

3. Implementation of dividend policy for the year

Year of dividend distribution	Number of bonus shares for every 10 shares *(share)*	Amount of dividend for every 10 shares *(RMB)* *(tax inclusive)*	Amount increased for every 10 shares *(share)*	Amount of cash dividend *(RMB'000)* *(tax inclusive)*	Net profit attributable to shareholders of ordinary shares of listed companies in the consolidated statement for the year of dividend distribution *(RMB'000)*	Percentage of net profit attributable to shareholders of ordinary shares of listed companies in the consolidated statement *(%)*
2018	0	1.10	0	2,375,916.46	4,635,583.95	51.25
2017	0	0.76	0	1,641,542.28	2,727,796.17	60.18
2016	0	0.35	0	591,051.95	998,040.58	59.22

4. Proposal of dividend distribution

The Board of Directors proposed to distribute a final cash dividend of RMB1.1 (tax inclusive) per ten shares for the year ended 31 December 2018 to all shareholders on the basis of a total of 21,599,240,583 shares as at 31 December 2018, totaling RMB2,375.92 million (tax inclusive), accounting for 51.25% of the net profit attributable to the listed shareholder for the year. The proposal has been considered and approved at the fourth meeting of the fifth session of the Board of Directors, and is subject to the approval by Shareholders 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 AGM to shareholders as soon as practicable.

In accordance with the “Enterprise Income Tax Law of the People’s Republic of China” (《中華人民共和國企業所得稅法》) and the “Rules for the Implementation of Enterprise Income Tax Law of the People’s Republic of China” (《中華人民共和國企業所得稅法實施條例》), both implemented on 1 January 2008 and the “Notice on Issues in Relation to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Enterprises to Overseas Non-resident Enterprise Holders of H Shares” (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated on 6 November 2008, the Company is obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise Shareholders at a tax rate of 10%, when the Company distributes annual dividend to non-resident enterprise Shareholders whose names appear on the H shares register of members on the reference date. As such, any H Shares registered in the name of non-individual Shareholder, including shares registered in the name of HKSCC Nominees Limited, and other nominees, trustees, or other organizations and group, shall be deemed to be H Shares held by non-resident enterprise Shareholder(s), and the PRC enterprise income tax shall be withheld from any dividends payable thereon. Non-resident enterprise Shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements), upon receipt of any dividends.

In accordance with the “Notice on Certain Issues Concerning the Policies of Individual Income Tax” (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the PRC Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. Furthermore, the competent tax authority of the Company confirmed that the relevant requirements under the “Notice on Certain Issues Concerning the Policies of Individual Income Tax” (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) are applicable to the Company, the Company will not be required to withhold and pay any individual income tax on behalf of individual Shareholders when the Company distributes the final dividend to individual Shareholders whose names appear on the H shares register of members.

Pursuant to the “Notice on Relevant Taxation Policies Concerning the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market” (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) promulgated on 17 November 2014:

- For mainland individual investors who invest in the H shares via the Shanghai-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in the distribution of the Final Dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax credit relating to the withholding tax already paid abroad. For mainland securities investment funds that invest in the H Shares via the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax in the distribution of the final dividend pursuant to the foregoing provisions; and

- For mainland corporate investors that invest in the H shares via the Shanghai-Hong Kong Stock Connect, the Company will not withhold the income tax in the distribution of the final dividend and the mainland corporate investors shall file the tax returns on their own.

Shareholders of H shares are recommended to consult their tax advisors regarding the relevant tax laws and regulations in the PRC, Hong Kong and other countries on the dividend payment by the Company and on the taxation implications of holding and dealing in the H shares.

FINANCIAL INFORMATION SUMMARY

The announced results, assets, and liabilities and minority interests of the Group for the last five financial years are summarized as below:

Unit: RMB'000

Items	2018	2017 (restated)	2016	2015	2014
Operating revenue	**25,962,863**	24,147,558	6,949,571	4,196,840	6,662,382
Total profit	**6,989,857**	5,381,817	1,190,141	682,818	2,148,060
Income tax expenses	**1,839,816**	1,786,201	170,903	-20,290	347,858
Net profit	**5,150,042**	3,595,615	1,019,238	703,108	1,800,202
Net profit attributable to owners of the parent Company	**4,635,584**	2,727,796	998,041	761,160	1,824,255
Profit or loss attributable to minority shareholders	**514,458**	867,819	21,198	-58,052	-24,054
Total assets	**101,216,117**	97,812,746	88,146,839	30,880,528	28,054,876
Total liabilities	**51,618,182**	51,928,112	53,809,912	13,063,837	12,910,343
Total equity attributable to shareholders of the parent Company	**40,948,874**	38,132,684	18,738,058	17,353,481	14,633,574
Minority interests	**8,649,062**	7,751,951	15,598,869	463,210	510,960

The summary does not constitute part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes to the property, plant and equipment of the Company and the Group during the year are set out in note (V).12 and note (XIV).10 to the consolidated financial statements.

SHARE CAPITAL AND SHAREHOLDERS

1. Share Capital

Details of changes in the share capital of the Company during the year are set out in note (V).36 to the consolidated financial statements.

2. Shareholding structure of substantial shareholders

As at 31 December 2018, the shareholders of the Company amounted to 327,874, of which shareholders of H shares amounted to 8,907, and shareholders of A shares amounted to 318,967. 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 *(10,000 shares)*	Closing number of shares held *(10,000 shares)*	Proportion *(%)*
Cathay Fortune Corporation ("**CFC**")	A share and H share	0	533,322.00	24.69
Luoyang Mining Group Co., Ltd. ("**LMG**")	A share	0	532,978.04	24.68
HKSCC NOMINEES LIMITED	H share	743	358,659.38	16.61
CCB Principal Asset Management – ICBC – Shaanxi International Trust – Shaanxi International Trust • Jinyu No.6 targeted investment trust plan of assembled funds	A share	0	77,748.69	3.60
China State-owned Enterprise Structure Adjustment Fund Co., Ltd.	A share	0	73,970.68	3.42
Minsheng Royal Fund－Bank of Ningbo－Jiaxing Minliu Investment Partnership (limited partnership)	A share	0	47,172.77	2.18
Beixin Ruifeng Fund – China Merchants Bank – CR Trust – CR Trust • Jingrui No.7 single fund trust	A share	0	47,120.42	2.18
Manulife Teda Fund – CMBC – Changan International Trust – Changan Trust – Minsheng targeted investment No.1 single fund trust	A share	-13,232	33,888.66	1.57
Beixin Ruifeng Fund－Bank of Nanjing－Changan International Trust－Changan Trust • Ruihua SAIC targeted investment trust plan of assembled funds	A share	-25,589	22,473.60	1.04
National Social Security Fund Package No. 102	A share	0	14,398.66	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 3,586.5938 million H shares in the Company as a nominee, representing 16.61% 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. Substantial Shareholders' interests in shares

To the best knowledge of all Directors and Supervisors, as at 31 December 2018, 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 or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Capacity	Class of Share	Approximate percentage of shareholding in relevant class of shares
LMG	5,329,780,425	Beneficial owner	A share	30.17%
Luoyang Guohong Investment Group Co., Ltd.	5,329,780,425	Interest in controlled corporation	A share	30.17%
CFC	5,030,220,000	Beneficial owner	A share	28.47%
	303,000,000(L)	Interest in controlled corporation	H share	7.7%
Cathay Fortune Investment Limited ("**Cathay Hong Kong**") (1)	303,000,000(L)	Beneficial owner	H share	7.7%
Yu Yong (2), (3)	5,030,220,000	Interest in controlled corporation	A share	28.47%
	303,000,000(L)	Interest in controlled corporation	H share	7.7%
BlackRock, Inc. (4)	320,779,982 (L)	Interest in controlled corporation	H share	8.16%
	16,806,000 (S)	Interest in controlled corporation	H share	0.43%

Notes:

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

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

(3) 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.

(4) 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 Capital Holdings, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à r.l., BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, 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 Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Group Limited-Luxembourg Branch, 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, BlackRock Life Limited, BlackRock UK Holdco Limited and BlackRock Asset Management (Schweiz) AG, being the controlled corporations, directly or indirectly hold the shares of the Company.

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

Save as disclosed above, as at 31 December 2018, 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, (V).30 and note (XIV).15 to the consolidated financial statements.

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution for the year ended 31 December 2018, calculated in accordance with the PRC rules and regulations, was RMB8,682,123 thousand.

CHARITABLE DONATIONS

In 2018, the external donation expenses of the Group amounted to RMB59,932,740.00.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, 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 5.79% of our total purchase value.

The total purchases from our five largest suppliers was approximately 18.42% of our total purchase value.

Sales

The total sales to our largest customer was approximately 21.09% of our total sales value.

The total sales to our five largest customers was approximately 51.90% of our total sales value.

During the year, 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 the year and up to the date of this annual report are:

Executive Directors

Mr. Li Chaochun
Mr. Li Faben

Non-Executive Directors

Mr. Guo Yimin (appointed on 28 March 2019)
Mr. Yuan Honglin
Mr. Cheng Yunlei
Mr. Ma Hui (resigned on 21 December 2018)

Independent Non-executive Directors

Mr. Wang Gerry Yougui (appointed on 3 August 2018)
Ms. Yan Ye (appointed on 3 August 2018)
Mr. Li Shuhua (appointed on 3 August 2018)
Mr. Bai Yanchun (retired on 3 August 2018)
Mr. Xu Shan (retired on 3 August 2018)
Mr. Cheng Gordon (retired on 3 August 2018)

Supervisors

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

Senior Management

Mr. Yue Yuanbin (re-appointed as secretary to the Board on 4 August 2018, and appointed as joint company secretary)
Ms. Wu Yiming (appointed as deputy general manager on 4 August 2018)
Mr. Wang Chun (appointed as deputy general manager on 4 August 2018)

Pursuant to the Articles of Association, the term of office of all Directors and Supervisors is three years (expiry date of the tenure being the date of the AGM to be held in 2021), and may stand for re-election upon expiry of the term.

The Company has received an annual confirmation from each of Mr. Wang Gerry Yougui, Mr. Li Shuhua and Ms. Yan Ye, all being the independent non-executive Directors, in respect of their independence and is of the opinion that they remained independent as at the date of this report pursuant to Rule 3.13 of the Hong Kong Listing Rules.

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 81 to 84 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.

The remuneration of the senior management for the year ended 31 December 2018 fell within the following bands *(Note)*:

Remuneration bands	**Number of Individual(s) Year 2018**
Above RMB1,500,000	2

Note: Directors and Supervisors of the Company and Mr. Yue Yuanbin were excluded; Ms. Ho Siu Pik, the joint 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 2018, the Group had approximately 10,900 full-time employees, classified as follows by functions and departments:

Department	Employees	Proportion (%)
Management & administration	1,571	14.41
Quality control, research and development	1,540	14.13
Production	6,777	62.17
Finance, sales and other support	1,012	9.29
Total	10,900	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 subsidiaries of the Company domiciled in China participate in the social insurance contribution plans introduced by China's local governments. In accordance with the laws and regulations regarding the national and local labour and social welfares in China, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident fund, etc. Pursuant to current applicable local regulations in China, the percentages of certain insurances are as follows: the pension insurance, medical 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%, 0.2% to 0.95% 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. Such pension contribution plans are defined contribution plans, under which, the Company may not utilize any forfeited contributions in order to make fewer contributions than the current amounts. The overseas employees are enrolled in 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'000*	Operating revenue *RMB'000*	Net assets *RMB'000*	Net profit *RMB'000*
CMOC Mining Pty Limited	Copper and gold related products	USD346 million	5,696,398	1,474,194	2,830,616	211,976
CMOC DRC Limited	Copper and cobalt related products	HK$1	46,499,806	14,373,798	12,411,852	1,758,612
Luxembourg SPV	Niobium and phosphates related products	USD20,000	13,901,648	4,816,601	4,170,621	514,375

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All Directors and Supervisors of the Company have each entered into a service contract with the Company for a term of not more than three years until the annual general meeting of the Company to be held in 2021.

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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors and Supervisors or entities connected to the Directors and Supervisors had material interests, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting or entered into 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, and the substantial acquisition of subsidiaries, associates and joint ventures by the Company are set out in note (V).8.9 and 10, note (1).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 2018.

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 2019. 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 annual compensation limit per insurance item is up to USD100,000,000 per annum, at the total annual costs of premium not more than USD350,000 per annum.

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

As at 31 December 2018, 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
Total	4,766,192	0.022

On 20 July 2018, the Company issued an announcement and disclosed the shareholding reduction scheme of some of the Directors, Supervisors and senior management. Li Chaochun, the current 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 not dispose any of their respective shares in the Company since the disclosure of their respective first proposed disposal in October 2017 and undertook not to dispose any of their respective shares in the Company from the date of the Announcement until 31 December 2018.

As of the disclosure date of this report, none of the undertaker has reduced his/her holdings in the Company's shares.

Save as disclosed above, so far as was known to the Directors, as at 31 December 2018, 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 2018, 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 has not conducted any non-exempt connected transaction under Chapter 14A of the Hong Kong Listing Rules. Since 1 January 2019 to the date of this annual report, the details of conducted non-exempt connected transaction under Chapter 14A of the Hong Kong Listing Rules are as follows:

2019 Connected Transaction

On 18 January 2019, CMOC Limited and BHR entered into the Share Purchase Agreement. Under the agreement, CMOC Limited purchased 100% equity interests in BHR Newwood DRC Holdings Ltd. from BHR with an amount of USD1,135,993,578.71. Before the above transaction, the Company and BHR held 70% and 30% equity interests in TF Holdings Limited (the "**TFHL**"), respectively; as such, BHR was a connected person of the Company at the subsidiary level. The transaction therefore constituted a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Upon the completion of the transaction, CMOC Limited will hold 100% equity interests of TFHL through BHR Newwood DRC Holdings Ltd. and CMOC International DRC Holdings Ltd., an indirect wholly-owned subsidiary of the Company, and further control a total of 80% equity interests in Tenke Fungurume Mining S.A., which owns the Tenke Fungurume Mining Complex. The above transaction will enhance the Group's control and supervision over daily management and the mining operation of the Tenke Fungurume Mining Complex as well as boost the profitability and risk-resisting capability of the Group.

Details of the above connected transaction are set out in the announcements of the Company dated 18 January 2019.

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 the Company in our businesses and granted the Company 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 the reporting period.

No contracts of significance had been entered into by the controlling shareholder of the Company or any of its subsidiaries for provision of services to the Company or any of its subsidiaries in the reporting period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

In 2018, none of the Directors or their respective associates 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 2018. 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%.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors and Supervisors of the Company or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

During 2018, the Company or its subsidiary has not purchased, sold or redeemed any listed securities or related convertible securities, options, warrants or similar rights of the Company.

EQUITY-LINKED AGREEMENT

In 2018, the Company has not implemented any equity-linked agreement.

SHARE OPTION SCHEME

In 2018, the Company has not implemented any share option scheme.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2018 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. The financial report for the year 2018 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. In the past three years, the Company has never changed the auditor.

The Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP, 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
28 March 2019

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

In 2018, in strict compliance with the requirements of the Company Law, Securities Law, Articles of Association, Rules of Procedure for the Board of Supervisors and relevant laws and regulations, the supervisory committee conducted supervision and inspection over the Company's operation and 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 standardized operation of the Company. For the sake of safeguarding the benefits of the Company and maximizing the interests of all the Shareholders, the supervisory committee performed its supervisory duty earnestly.

On 3 August 2018, the Company completed the re-election of the supervisory committee. As the members of the fourth session of the supervisory committee all selected as the supervisors of the fifth session of the supervisory committee, we maintained the continuity of the work of the supervisory committee. We attended Board meetings in 2018 and considered that the Board, Directors and the senior management diligently and earnestly implemented all resolutions of the Company, without damaging the interests of the shareholders and the Company. The resolutions of the general meetings and the Board were in compliance with the requirements of Company Law, other relevant laws and regulations and the Articles of Association.

I. MEETINGS CONVENED

In 2018, the supervisory committee held five meetings. Apart from holding supervisory committee meetings, the supervisory committee also sat in and attended the meetings of the Company's Board and general meetings 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.

Meetings convened by the supervisory committee in 2018:

	Number of Attendance in person/Number of Meetings		
	Supervisory committee	**Board**	**General meetings**
Ms. Kou Youmin	5/5	10/10	2/2
Mr. Zhang Zhenhao	5/5	10/10	2/2
Ms. Wang Zhengyan	5/5	10/10	1/2

II. COMPLETION OF MAJOR DUTIES

In strict compliance with the requirements of relevant laws and regulations and the Articles of Association, the supervisory committee prudently reviewed the compliant operations, finance and internal control, connected transactions and other issues 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.

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 the reporting period, 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 implementation of the information disclosure systems

In the reporting period, 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.

4. Review of the internal control evaluation report

After the careful review of the 2018 Internal Control Evaluation Report of the Company (《公司二零一八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 2018 Internal Control Evaluation Report of the Company.

5. Supervisions on connected transactions

During the course of conducting resolutions in relation to connected transactions by the Board of the Company, the approval procedures were in compliance with the laws and regulations, and were fair and reasonable without damaging the rights of minority shareholders.

6. The use of funds by related parties and external guarantee

In 2018, there was no non-operational use of the funds by the controlling shareholder; and there was no illegal external guarantee and guarantees provided in favour of the shareholders, controlling subsidiaries and subsidiary enterprises of the shareholders, and non-legal entities or individuals; and in the interests of the Company and the shareholders as a whole.

7. 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. SUMMARY AND EVALUATION

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. 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 2019, the supervisory committee of the Company will be in strict compliance with the requirements of the Company Law, the Articles of Association, the Rules of Procedure for the Board of Supervisors, relevant laws and regulations and departmental rules, earnestly perform the supervisory function, and further enhance its supervision strength on the financial position, major issues, connected transactions and the compliance of the Directors and senior management personnel of the Company, thereby promoting continuous optimization of the internal control, standardization of operation and management of the Company, and safeguarding and guaranteeing the interests of the Company and investors.

By order of the Supervisory Committee
Kou Youmin
Chairperson

Luoyang City, Henan province, the PRC
28 March 2019

DIRECTORS

Executive Directors

Mr. Li Chaochun, born in February 1977, is an executive Director of the Company since January 2007 and chairman of the Board since January 2014. He is also the vice chairman of the Nomination and Governance Committee of the Company since 17 August 2012 and the chairman of our Strategic and Sustainability 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. He 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 of CMOC.

Mr. Li Faben, born in January 1964, 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 and Sustainability 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 CMOC 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. Guo Yimin, born in October 1964, has been the non-executive Director and a senior economist of the Company since March 2019. He graduated from Sichuan University with a bachelor's degree in business administration in December 2005. From July 1983 to February 1995, he worked as planner and chief of planning department in Luoyang Glass Plant. Mr. Guo served as the assistant (deputy director level) of the director of investment committee of CLFG from February 1995 to July 1997, the financial vice-president of CLFG from July 1997 to July 2007, and the general manager of investment department, the assistant of chief financial officer, director, chief accountant of CLFG from July 2007 to August 2014. From August 2014 to November 2018, Mr. Guo served as the general manager of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司). He was also the director and general manager of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) since August 2014, the chairman of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) since April 2015 and the vice chairman of Luoyang refinery Hongda industrial Co., Ltd. (洛陽煉化宏達實業有限責任公司) since September 2016.

Mr. Yuan Honglin, born in November 1967, has been our non-executive Director and a member of the Audit and Risk Committee, Remuneration Committee and Strategic and Sustainability 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.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cheng Yunlei, born in September 1982, 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. He currently serves as the director and general manager of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司), the director of Luoyang Huaze Microcredit Co., Ltd. (洛陽華澤小額貸款有限公司), the general manager of Luoyang Guo'an Trade Co., Ltd. (洛陽國安商貿有限公司) and the director of Henan Guohong Financial Leasing Co., Ltd. (河南國宏融資租賃有限公司).

Independent Non-Executive Directors

Mr. Wang Gerry Yougui, born in May 1962, Hong Kong resident, Canadian citizen, has been the independent non-executive Director of the Company, the chairman of the Nomination and Governance Committee and Remuneration Committee, and a member of the Strategic and Sustainability Committee since August 2018. Mr. Wang received his Bachelor's degree in Navigation from Shanghai Maritime University in 1983 and was awarded his Master's degree in International Economics from the program sponsored by the United Nations Economic and Social Commission in 1986. In 1993, he obtained his Master of Science degree in Business Administration from the University of British Columbia in Canada. Mr. Wang was the Company Secretary & Business Development Deputy Manager at China Merchants Group from 1986 to 1989. He joined Seaspan Canada in 1990 and founded its containership business. In August 2005, Mr. Wang successfully took Seaspan's containership business public, trading on the New York Stock Exchange as SSW. The offering was the largest shipping IPO in North America history. Mr. Wang worked as the Chief Executive Officer and Co-chairman for 12 years, making it the largest company of containership business in the world. Mr. Wang retired from Seaspan at the end of 2017 to turn his focus on developing new business ventures in Asia. Late on Mr. Wang founded the Tiger Gas Group (Tiger Clean Energy). Mr. Wang was named 2016 the Most Influential Person of Shipping in the world. Mr. Wang is serving as a consultant of Hong Kong and China region of the University of Pennsylvania in Asia. He is also an expert in shipping on BLOOMBERG TV & CNBC.

Ms. Yan Ye, born in May 1958, holds a degree of Master of Laws and is a registered lawyer. Ms. Yan has been the independent non-executive Director of the Company, and a member of the Audit and Risk Committee and Nomination and Governance Committee since August 2018. Ms. Yan graduated from the faculty of law in Peking University in 1982 with a bachelor's degree in law specialised in politics and law. She received a master's degree in civil law from the faculty of law of Renmin University of China in 1984. She served as a lecturer and associate professor of the school of law of the Party School of the Central Committee of C.P.C. from 1984 to 1994. She served as a lawyer in Shaanxi Xiehui Law Firm from 1994 to 2003 and served as a lawyer in Shaanxi Win Law Firm from 2003 to 2008 and has served as a lawyer and a partner in Shaanxi Yanfeng Law Firm since 2008. She has concurrently served as an independent director of Zhejiang Chint Electrics Co., Ltd. (浙江正泰電器股份有限公司) (SH: 601877) since May 2013.

Mr. Li Shuhua, born in 1971, has been the independent non-executive Director of the Company, the chairman of the Audit and Risk Committee and a member of the Nomination and Governance Committee and Remuneration Committee since August 2018. He obtained a bachelor's degree in management majoring in auditing from Southwest University in 1993, a master's degree in economics majoring in accounting from Xiamen University in 1996, and a doctor's degree in management majoring in accounting from Shanghai University of Finance and Economics in 1999. During 2002 and 2004, he pursued his postdoctoral research in Finance and Law in Peking University, and obtained a Finance Executive Master of Business Administration (EMBA)'s degree from Shanghai Advanced Institute of Finance during 2013 and 2015. He served consecutively as director-level clerk of general office division, deputy division director of auditing division, deputy division director of general office division, division director of financial budgeting management division and division director of general office division of accounting department in CSRC during 1999 and 2010. During 2010 and 2018, he had worked for China Galaxy Securities Co., Ltd. and acted as Chief Risk Officer/Chief Compliance Officer and member of the Executive Committee. Since February 2018, he has been concurrently serving as a chair professor of practice at Xiamen National Accounting Institute and Renmin University of China.

SUPERVISORS

Ms. Kou Youmin, born in August 1965, 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 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 assistant to general manager and the general manager of supervisory and audit department of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) from January to December 2015; and a deputy general manager of Luoyang Guohong Investment Group Co., Ltd. since December 2015. She currently serves as a supervisor of Luoyang Mining Group Co., Ltd (洛陽礦業集團有限公司).

Mr. Zhang Zhenhao, born in June 1973, obtained the CFA qualification from the CFA Institute. Mr. Zhang 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. 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, born in June 1971, 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 the property management department of China Luoyang Float Glass Group Co., Ltd., 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. From January 2015 to January 2016, she served as the chairperson of the Company's labour union.

JOINT COMPANY SECRETARY

Mr. Yue Yuanbin, born in 1973, has been the secretary to the Board of the Company since March 2017 and a joint company secretary since August 2018. Mr. Yue graduated with a bachelor's degree in engineering from the department of materials engineering of the Shenyang Industrial College in July 1995. He 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, a vice president in the investment banking division of China Fortune Securities and a vice president of NewMargin Ventures.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Ho Siu Pik, is currently a director of the sub-branch 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 Rundong Auto Group Limited (中國潤東汽車集團有限公司) (stock code: 1365), Goodbaby International Holdings Limited (好孩子國際控股有限公司) (stock code: 1086), Grand Talents Group Holdings Limited(廣駿集團控股有限公司)(stock code: 8516) and Summit Ascent Holdings Limited (凱升控股有限公司) (stock code: 102). Ms. Ho is a Chartered Secretary, a chartered Governance professional, 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. Wu Yiming, born in 1975, is an economist. She 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. Ms. Wu entered Baosteel Group (寶鋼集團) in July 1997 and served as senior legal executive, deputy director and director 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 (寶鋼資源) 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 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) (寶鋼資源(國際)). From July 2012 to March 2017, she worked as vice general manager of Baosteel Resources and Baosteel Resources (International). From February 2017 to January 2018, Ms. Wu served as the secretary of the board of Baoshan Iron & Steel Co., Ltd.

Mr. Wang Chun, born in 1968, is a Professor of non-ferrous metals metallurgy. He has been the deputy general manager of the Company since August 2018. Mr. Wang graduated from Central South University of Technology in 1990 with a bachelor degree of science in applied chemistry, then obtained his doctorate degree of science in chemistry from Changchun Institute of Applied Chemistry Chinese Academy of Science in 1996. From September 1999 to March 2000, Mr. Wang was the senior visiting scholar of Michigan Technological University. With over 20 years of experience in non-ferrous metal mining business, Mr. Wang has published 30 essays in foreign and domestic major academic journals, and owns 10 patents of invention in China. From April 1996 to March 2004, he served as head of the hydrometallurgy division (濕法冶金) and the researcher of non-ferrous metals metallurgy of Beijing General Research Institute of Mining & Metallurgy (北京礦冶研究總院). From March 2004 to November 2005, he served as the chief engineer of Tibet Yulong Copper Co., Ltd. (西藏玉龍銅業有限公司). From November 2005 to January 2013, he served as the deputy general manager and chief technological officer of Ramu Nico Management (MCC) Ltd. (瑞木鎳鈷管理(中冶)有限公司). From February 2013 to March 2018, he was the deputy chief engineer of Zijin Mining Group Co., Ltd. (紫金礦業集團有限公司) and the head of Zijin Mining Design and Research Institute of Mining and Metallurgy (紫金礦冶設計研究院).

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-Executive Directors

Guo Yimin
Yuan Honglin
Cheng Yunlei

Independent Non-Executive Directors

Wang Gerry Yougui
Yan Ye
Li Shuhua

SUPERVISORS

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

BOARD COMMITTEES

Remuneration Committee

Wang Gerry Yougui *(Chairman)*
Li Shuhua
Yuan Honglin

Audit and Risk Committee

Li Shuhua *(Chairman)*
Yan Ye
Yuan Honglin

Strategic and Sustainability Committee

Li Chaochun *(Chairman)*
Li Faben
Wang Gerry Yougui
Yuan Honglin

Nomination and Governance Committee

Wang Gerry Yougui *(Chairman)*
Li Chaochun *(Vice Chairman)*
Yan Ye
Li Shuhua

BOARD SECRETARY

Yue Yuanbin

JOINT COMPANY SECRETARY

Yue Yuanbin
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

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SHANGHAI A SHARE REGISTRAR

China Securities Depository and
Clearing Corporation 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

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
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Shanghai, the PRC

WEBSITE

www.chinamoly.com

De Shi Bao (Shen) Zi (19) No. P01736

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 balance sheets as at 31 December 2018, and the consolidated and the Company's income statements, 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 are prepared and present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2018, 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 management's significant 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 phosphorus 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. For the goodwill arising from the acquisition, the management perform impairment test at the end of each year.

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 management's judgements and analyses for the impairment tests of mining rights based on the operations of the related asset groups 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 future cash flow, including but not limited to determination of exploitable reserves and mining progress;

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, 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 control 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 review 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.

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

(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.

(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

Chinese Certified Public Accountant: **Yang Hai Jiao**
(Engagement partner)

Chinese Certified Public Accountant: **Zhao Bin**

Shanghai, China
28 March 2019

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

ASSETS	*Notes*	31 December 2018	31 December 2017
Current assets:			
Cash and bank balances	(V)1	**26,647,644,058.81**	26,508,760,356.69
Notes and accounts receivable	(V)2	**3,259,167,481.51**	3,895,322,636.19
Prepayments	(V)3	**151,004,234.22**	110,584,046.50
Other receivables	(V)4	**1,040,048,708.23**	1,446,627,346.28
Inventories	(V)5	**6,615,914,805.21**	5,705,499,726.29
Other current assets	(V)6	**1,450,605,120.41**	1,382,004,121.85
Total current assets		**39,164,384,408.39**	39,048,798,233.80
Non-current assets:			
Available-for-sale financial assets	(V)7		3,246,899,715.97
Long-term equity investments	(V)8	**2,522,865,277.94**	1,136,372,852.24
Other equity instrument investments	(V)9	**448,174,198.06**	
Other non-current financial assets	(V)10	**3,906,621,612.87**	
Non-current derivative financial assets	(V)11	**3,179,157.60**	
Fixed assets	(V)12	**23,620,517,589.11**	24,234,932,199.51
Construction in progress	(V)13	**1,893,822,308.19**	950,111,239.78
Long-term inventories	(V)5	**5,122,434,298.15**	4,352,009,676.51
Intangible assets	(V)14	**20,931,052,279.34**	21,536,181,739.98
Goodwill	(V)15	**674,886,645.02**	833,594,422.85
Long-term prepaid expenses	(V)16	**129,022,870.55**	116,189,386.27
Deferred tax assets	(V)17	**525,597,815.59**	304,702,912.44
Other non-current assets	(V)18	**2,273,558,775.22**	2,077,453,773.03
Total non-current assets		**62,051,732,827.64**	58,788,447,918.58
Total assets		**101,216,117,236.03**	97,837,246,152.38

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	*Notes*	31 December 2018	31 December 2017
Current liabilities:			
Short-term borrowings	(V)19	**4,588,152,515.23**	1,478,132,364.60
Held-for-trading financial liabilities	(V)20	**4,250,711,352.44**	3,592,187,464.60
Derivative financial liabilities	(V)21	**75,423,332.52**	–
Notes and accounts payable	(V)22	**1,148,073,099.06**	1,000,435,556.74
Receipts in advance	(V)23	**–**	127,796,251.75
Contract liabilities	(V)24	**200,667,461.95**	–
Employee benefits payable	(V)25	**517,344,459.78**	445,405,839.21
Taxes payable	(V)26	**1,110,201,369.36**	1,137,796,210.24
Other payables	(V)27	**1,027,781,797.06**	852,465,067.11
Non-current liabilities due within one year	(V)28	**2,929,839,224.28**	4,797,816,307.62
Other current liabilities	(V)29	**130,541,907.62**	71,073,182.26
Total current liabilities		**15,978,736,519.30**	13,503,108,244.13
Non-current liabilities:			
Non-current derivative financial liabilities	(V)11	**23,312,327.42**	–
Long-term borrowings	(V)30	**20,196,854,832.74**	22,033,888,519.27
Bonds payable	(V)31	**2,000,000,000.00**	2,000,000,000.00
Long-term employee benefits payable	(V)32	**129,064,725.83**	64,382,271.54
Provisions	(V)33	**1,908,084,106.78**	2,049,904,344.03
Deferred income	(V)34	**66,675,249.96**	72,890,478.36
Deferred tax liabilities	(V)17	**8,021,118,162.47**	8,603,594,339.00
Other non-current liabilities	(V)35	**3,294,336,000.00**	3,600,343,678.47
Total non-current liabilities		**35,639,445,405.20**	38,425,003,630.67
Total liabilities		**51,618,181,924.50**	51,928,111,874.80
Shareholders' equity:			
Paid-in capital (Share capital)	(V)36	**4,319,848,116.60**	4,319,848,116.60
Capital reserve	(V)37	**27,582,794,983.23**	27,582,794,983.23
Other comprehensive income	(V)38	**(799,327,420.21)**	(238,817,602.94)
Special reserve	(V)39	**3,038,386.94**	7,725,910.79
Surplus reserve	(V)40	**1,160,396,190.21**	968,190,696.10
Retained profits	(V)41	**8,682,123,314.63**	5,517,441,023.24
Total equity attributable to the shareholders of the parent company		**40,948,873,571.40**	38,157,183,127.02
Minority interests		**8,649,061,740.13**	7,751,951,150.56
Total shareholders' equity		**49,597,935,311.53**	45,909,134,277.58
Total liabilities and shareholders' equity		**101,216,117,236.03**	97,837,246,152.38

The notes are an integral part of these financial statements.

BALANCE SHEET OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

ASSETS	*Notes*	**31 December 2018**	31 December 2017
Current assets:			
Cash and bank balances	(XIV)1	**14,766,503,386.80**	17,487,231,031.72
Notes and accounts receivable	(XIV)2	**1,788,901,187.60**	2,052,976,334.96
Prepayments	(XIV)3	**50,305,999.43**	38,725,727.48
Other receivables	(XIV)4	**4,783,176,527.20**	2,913,035,407.52
Inventories	(XIV)5	**142,318,149.08**	140,107,407.56
Other current assets		**77,471,224.51**	853,374,414.83
Total current assets		**21,608,676,474.62**	23,485,450,324.07
Non-current assets:			
Available-for-sale financial assets	(XIV)6		200,004,928.00
Long-term equity investments	(XIV)7	**23,164,431,184.76**	20,954,027,458.33
Other equity instrument investments	(XIV)8	**194,111,260.26**	
Other non-current financial assets	(XIV)9	**951,571,101.88**	
Non-current derivative financial assets	(V)11	**3,179,157.60**	
Fixed assets	(XIV)10	**1,338,742,434.52**	1,394,454,993.08
Construction in progress		**171,760,810.63**	68,857,653.32
Intangible assets	(XIV)11	**355,554,503.18**	398,962,358.67
Long-term prepaid expenses		**145,047,198.03**	137,619,000.59
Deferred tax assets	(XIV)12	**30,011,327.13**	–
Other non-current assets	(XIV)14	**218,836,266.71**	29,709,022.42
Total non-current assets		**26,573,245,244.70**	23,183,635,414.41
Total assets		**48,181,921,719.32**	46,669,085,738.48

BALANCE SHEET OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	*Notes*	31 December 2018	31 December 2017
Current liabilities:			
Short-term borrowings	(XIV)15	**2,006,257,000.00**	560,000,000.00
Held-for-trading financial liabilities	(XIV)16	**3,700,673,914.84**	3,000,757,420.00
Derivative financial liabilities	(XIV)17	**70,753,781.72**	–
Notes and accounts payable	(XIV)18	**154,109,971.43**	149,731,043.78
Receipts in advance		**–**	11,565,545.47
Contract liabilities		**390,137,050.79**	–
Employee benefits payable		**108,566,407.54**	59,821,416.14
Taxes payable	(XIV)19	**117,362,547.14**	41,389,393.06
Other payables	(XIV)20	**2,179,902,221.07**	1,118,749,985.55
Non-current liabilities due within one year		**696,387,501.74**	946,794,501.74
Other current liabilities	(XIV)21	**174,999,888.99**	235,112,576.27
Total current liabilities		**9,599,150,285.26**	6,123,921,882.01
Non-current liabilities:			
Non-current derivative financial liabilities	(V)11	**23,312,327.42**	–
Long-term borrowings		**–**	2,136,500,000.00
Bonds payable	(V)31	**2,000,000,000.00**	2,000,000,000.00
Deferred income		**18,787,996.10**	17,973,581.90
Deferred tax liabilities	(XIV)12	**–**	45,584,434.70
Provisions	(XIV)22	**47,570,371.67**	47,570,371.67
Other non-current liabilities		**307,006,153.71**	381,956,274.62
Total non-current liabilities		**2,396,676,848.90**	4,629,584,662.89
Total liabilities		**11,995,827,134.16**	10,753,506,544.90
Owners' equity(or Shareholders' equity):			
Paid-in capital (Share capital)	(V)36	**4,319,848,116.60**	4,319,848,116.60
Capital reserve	(V)37	**27,636,530,888.88**	27,636,530,888.88
Other comprehensive income		**(5,005,428.78)**	–
Special reserve		**2,594,582.62**	7,008,359.58
Surplus reserve	(V)40	**1,160,396,190.21**	968,190,696.10
Retained profits		**3,071,730,235.63**	2,984,001,132.42
Total shareholders' equity		**36,186,094,585.16**	35,915,579,193.58
Total liabilities and shareholders' equity		**48,181,921,719.32**	46,669,085,738.48

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

Items	Notes	2018	2017
I. Total operating income	(V)42	**25,962,862,773.77**	24,147,557,764.10
Including: Operating revenue		**25,962,862,773.77**	24,147,557,764.10
Less: Operating costs	(V)42	**16,180,247,120.46**	15,211,941,056.16
Taxes and levies	(V)43	**1,018,793,135.61**	344,327,822.83
Selling expenses	(V)44	**96,821,993.66**	214,841,000.82
Administrative expenses	(V)45	**933,345,539.26**	1,057,300,249.10
R & D expenses		**254,356,012.27**	101,793,771.63
Financial expenses	(V)46	**643,046,128.42**	1,416,973,989.63
Including: Interest expenses		**1,450,739,092.45**	1,276,220,960.69
Interest income		**(1,037,941,410.44)**	(765,373,154.74)
Impairment losses on assets	(V)47	**66,582,688.49**	56,601,549.76
Impairment losses on credit	(V)48	**17,792,652.00**	–
Add: Gains (losses) from changes in fair values (loss is filled in column with "-")	(V)49	**122,407,995.85**	(471,765,881.20)
Investment income (loss is filled in column with "-")	(V)50	**202,269,845.76**	108,699,021.53
Including: Income from investments in associates and joint ventures		**69,110,578.55**	30,173,577.43
Income (loss) from disposal of assets		**(31,121,956.96)**	(17,491,578.26)
Other income	(V)51	**12,550,421.30**	13,858,795.40
II. Operating profit (loss is filled in column with "-")		**7,057,983,809.55**	5,377,078,681.64
Add: Non-operating income	(V)52	**2,578,175.70**	39,046,036.11
Less: Non-operating expenses	(V)53	**70,704,569.62**	34,308,061.30
III. Total profit (the total loss is filled in column with "-")		**6,989,857,415.63**	5,381,816,656.45
Less: Income tax expenses	(V)54	**1,839,815,909.39**	1,786,201,228.63
IV. Net profit (the total loss is filled in column with "-")		**5,150,041,506.24**	3,595,615,427.82
(I) Categorized by the nature of continuing operation			
1. Net profit from continuing operations (loss is filled in column with "-")		**5,150,041,506.24**	3,595,615,427.82
2. Net profit from discontinued operations (loss is filled in column with "-")		**–**	–
(II) Categorized by ownership:			
1. Profit or loss attributable to minority interests		**514,457,553.08**	867,819,258.09
2. Net profit attributable to owners of the parent company		**4,635,583,953.16**	2,727,796,169.73

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

Items	*Notes*	**2018**	2017
V. Other comprehensive income, net of tax	(V)38	**209,753,598.38**	(1,024,042,650.91)
Other comprehensive income attributable to owners of the parent company, net of tax		**(173,162,449.82)**	(521,671,890.87)
(1) Other comprehensive income not to be reclassified subsequently to profit or loss		**(26,301,226.93)**	–
1. Changes in fair value of other equity instrument investments		**(26,301,226.93)**	–
(2) Other comprehensive income to be reclassified subsequently to profit or loss		**(146,861,222.89)**	(521,671,890.87)
1. Gains or losses from changes in the fair value of available-for-sale financial assets		**–**	372,378,548.71
2. Other comprehensive income to be reclassified to profit or loss under equity method		**(20,822,262.48)**	–
3. Reserve of cash flow hedges (Effective portion of profit or loss from cash flow hedges)		**(17,113,194.35)**	–
4. Translation differences of financial statements denominated in foreign currencies		**(108,925,766.06)**	(894,050,439.58)
Other comprehensive income attributable to minority interests, net of tax		**382,916,048.20**	(502,370,760.04)
VI. Total comprehensive income		**5,359,795,104.62**	2,571,572,776.91
Total comprehensive income attributable to owners of the parent company		**4,462,421,503.34**	2,206,124,278.86
Total comprehensive income attributable to minority interests		**897,373,601.28**	365,448,498.05
VII. Earnings per share:	(V)55		
(1) Basic earnings per share		**0.21**	0.14
(2) Diluted earnings per share		**N/A**	N/A

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

Item	*Notes*	2018	2017
I. Operating income	(XIV)23	**3,890,864,252.49**	3,198,004,246.93
Less: Operating costs	(XIV)23	**1,258,578,899.96**	1,251,939,522.99
Taxes and levies	(XIV)24	**342,114,437.52**	270,396,482.17
Selling expenses		**12,345.26**	818,486.90
Administrative expenses	(XIV)25	**364,695,589.04**	268,451,371.00
R & D expenses		**188,795,918.52**	111,039,054.65
Financial expenses	(XIV)26	**(527,911,495.37)**	(75,709,548.84)
Including: Interest expenses		**272,439,763.32**	428,851,133.67
Interest income		**(803,909,376.38)**	(642,661,098.09)
Impairment losses on assets	(XIV)27	**1,945,548.70**	8,352,425.07
Impairment losses on credit	(XIV)28	**7,961,541.08**	–
Add: Other income		**5,176,395.28**	6,335,528.80
Investment income (loss is filled in column with "-")	(XIV)29	**109,613,041.05**	122,660,256.78
Including: Income from investments in associates and joint ventures		**62,379,726.43**	44,256,449.15
Gains (losses) from changes in fair values (loss is filled in column with "-")		**(119,912,602.50)**	(47,462,821.24)
Income (loss) from disposal of assets		**(1,664,197.21)**	634,474.01
II. Operating profit (loss is filled in column with "-")		**2,247,884,104.40**	1,444,883,891.34
Add: Non-operating income	(XIV)30	**1,208,319.54**	9,760,097.80
Less: Non-operating expenses	(XIV)31	**62,672,322.64**	27,033,929.35
III. Total profit (the total loss is filled in column with "-")		**2,186,420,101.30**	1,427,610,059.79
Less: Income tax expenses	(XIV)32	**264,365,160.17**	146,691,850.20
IV. Net profit (the net loss is filled in column with "-")		**1,922,054,941.13**	1,280,918,209.59
1. Net profit from continuing operations (loss is filled in column with "-")		**1,922,054,941.13**	1,280,918,209.59
2. Net profit from discontinued operations (loss is filled in column with "-")		**–**	–
V. Other comprehensive income		**1,984,226.67**	–
(1) Other comprehensive income not to be reclassified subsequently to profit or loss		**1,984,226.67**	–
1. Changes in fair value of other equity instrument investments		**1,984,226.67**	–
VI. Total comprehensive income		**1,924,039,167.80**	1,280,918,209.59

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

Item	*Note(V)*	**2018**	2017
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		**29,243,394,765.11**	24,594,249,547.53
Other cash receipts relating to operating activities	56(1)	**1,136,280,555.91**	654,815,073.95
Sub-total of cash inflows from operating activities		**30,379,675,321.02**	25,249,064,621.48
Cash payments for goods purchased and services received		**13,838,634,782.28**	11,736,234,356.47
Cash payments to and on behalf of employees		**2,058,337,557.31**	1,770,189,163.68
Payments of various types of taxes		**3,876,805,514.67**	2,040,126,797.30
Other cash payments relating to operating activities	56(2)	**1,171,363,876.61**	1,273,702,376.44
Sub-total of cash outflows from operating activities		**20,945,141,730.87**	16,820,252,693.89
Net cash flow from operating activities		**9,434,533,590.15**	8,428,811,927.59
II. Cash flows from investing activities:			
Cash receipts from disposals and recovery of investments	56(3)	**6,076,815,575.34**	2,002,812,919.34
Cash receipts from investment income		**207,156,988.46**	93,330,802.88
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**43,630,402.62**	26,990,397.07
Sub-total of cash inflows from investing activities		**6,327,602,966.42**	2,123,134,119.29
Cash payments for acquisitions or disposals of subsidiaries and other business units		**–**	–
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		**2,807,367,389.57**	1,066,476,069.70
Cash payments to acquire investments	56(4)	**4,852,213,461.04**	4,834,287,613.77
Other cash payments relating to investing activities	56(5)	**1,065,210,116.95**	331,596,665.00
Sub-total of cash outflows from investing activities		**8,724,790,967.56**	6,232,360,348.47
Net cash flow from investing activities		**(2,397,188,001.14)**	(4,109,226,229.18)

Unit: RMB

Item	Note(V)	2018	2017
III. Cash flows from financing activities:			
Cash receipts from capital contributions		**–**	17,858,632,663.30
Cash receipts from borrowings		**8,571,932,316.83**	10,560,506,152.83
Other cash receipts relating to financing activities	56(6)	**3,013,968,920.00**	1,485,196,100.00
Sub-total of cash inflows from financing activities		**11,585,901,236.83**	29,904,334,916.13
Cash repayments of borrowings		**9,999,663,814.94**	11,038,950,687.84
Cash payments for distribution of dividends or profits and settlement of interests		**2,646,126,449.90**	2,147,305,447.60
Including: dividends payments from subsidiary to minority holders		**–**	347,520,438.97
Other cash payments relating to financing activities	56(7)	**2,786,560,371.98**	9,346,042,795.06
Sub-total of cash outflows from financing activities		**15,432,350,636.82**	22,532,298,930.50
Net cash flow from financing activities		**(3,846,449,399.99)**	7,372,035,985.63
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**268,388,806.15**	(330,411,473.47)
V. Net increase (decrease) in cash and cash equivalents		**3,459,284,995.17**	11,361,210,210.57
Add: Opening balance of cash and cash equivalents	57(2)	**19,781,418,278.86**	8,420,208,068.29
VI. Closing balance of cash and cash equivalents	57(2)	**23,240,703,274.03**	19,781,418,278.86

CASH FLOW STATEMENT OF PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

Item	2018	2017
I. Cash flows from operating activities:		
Cash receipts from the sale of goods and the rendering of services	**5,173,039,718.89**	3,378,278,826.88
Other cash receipts relating to operating activities	**1,370,840,899.34**	524,332,323.58
Sub-total of cash inflows from operating activities	**6,543,880,618.23**	3,902,611,150.46
Cash payments for goods purchased and services received	**984,463,629.34**	1,019,216,856.56
Cash payments to and on behalf of employees	**335,262,080.46**	321,928,832.06
Payments of various types of taxes	**1,052,056,440.51**	698,688,805.97
Other cash payments relating to operating activities	**487,242,764.11**	408,033,726.17
Sub-total of cash outflows from operating activities	**2,859,024,914.42**	2,447,868,220.76
Net cash flow from operating activities	**3,684,855,703.81**	1,454,742,929.70
II. Cash flows from investing activities:		
Cash receipts from disposals and recovery of investments	**5,999,365,075.34**	1,456,095,119.34
Cash receipts from investment income	**167,233,314.62**	93,611,741.75
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	**277,411.47**	838,480.85
Other cash receipts relating to investing activities	**2,754,687,696.63**	1,433,343,887.31
Sub-total of cash inflows from investing activities	**8,921,563,498.06**	2,983,889,229.25
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	**205,743,671.14**	124,991,843.81
Cash payments to acquire investments	**5,190,867,591.23**	4,954,206,079.96
Other cash payments relating to investing activities	**5,069,583,416.05**	1,694,996,165.31
Sub-total of cash outflows from investing activities	**10,466,194,678.42**	6,774,194,089.08
Net cash flow from investing activities	**(1,544,631,180.36)**	(3,790,304,859.83)
III. Cash flows from financing activities:		
Cash receipts from capital contributions	**–**	17,858,632,663.30
Cash receipts from borrowings	**4,657,950,200.00**	2,064,190,439.94
Other cash receipts relating to financing activities	**13,820,115,425.53**	12,658,842,906.77
Sub-total of cash inflows from financing activities	**18,478,065,625.53**	32,581,666,010.01
Cash repayments of borrowings	**5,644,130,200.00**	10,124,316,667.67
Cash payments for distribution of dividends or profits and settlement of interests	**1,947,058,038.49**	1,045,829,938.72
Other cash payments relating to financing activities	**12,071,656,156.06**	12,240,020,509.89
Sub-total of cash outflows from financing activities	**19,662,844,394.55**	23,410,167,116.28
Net cash flow from financing activities	**(1,184,778,769.02)**	9,171,498,893.73
IV. Effect of foreign exchange rate changes on cash and cash equivalents	**9,245,509.42**	(6,951,061.21)
V. Net increase (decrease) in cash and cash equivalents	**964,691,263.85**	6,828,985,902.39
Add: Opening balance of cash and cash equivalents	**11,364,847,728.10**	4,535,861,825.71
VI. Closing balance of cash and cash equivalents	**12,329,538,991.95**	11,364,847,728.10

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: 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 profits	Minority interests	Total owners' equity
I. 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**
Add: Changes in accounting policies	–	–	(387,347,367.45)	–	–	362,846,116.65	–	(24,501,250.80)
II. Balance at the beginning of 2018	**4,319,848,116.60**	**27,582,794,983.23**	**(626,164,970.39)**	**7,725,910.79**	**968,190,696.10**	**5,880,287,139.89**	**7,751,951,150.56**	**45,884,633,026.78**
III. Changes for the current year								
(I) Total comprehensive income	–	–	(173,162,449.82)	–	–	4,635,583,953.16	897,373,601.28	5,359,795,104.62
(II) Capital invested and reduced by shareholders								
1. Capital invested by shareholders	–	–	–	–	–	–	–	–
2. Others	–	–	–	–	–	–	–	–
(III) Profit distribution								
1. Transfer to surplus reserve	–	–	–	–	192,205,494.11	(192,205,494.11)	–	–
2. Distributions to shareholders	–	–	–	–	–	(1,641,542,284.31)	–	(1,641,542,284.31)
(IV) Transfers within the owners' equity	–	–	–	–	–	–	–	–
(V) Special reserve								
1. Provision in current year	–	–	–	133,704,462.03	–	–	2,038,263.16	135,742,725.19
2. Amount utilised in the year	–	–	–	(138,391,985.88)	–	–	(2,301,274.87)	(140,693,260.75)
IV. Balance at the end of 2018	**4,319,848,116.60**	**27,582,794,983.23**	**(799,327,420.21)**	**3,038,386.94**	**1,160,396,190.21**	**8,682,123,314.63**	**8,649,061,740.13**	**49,597,935,311.53**

Items	For the previous year							
	Attributable to owners of the parent company							
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	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. Changes for the 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 reduced by shareholders								
1. Capital invested by shareholders	942,408,376.80	16,916,224,286.50	–	–	–	–	–	17,858,632,663.30
2. Others	–	(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 year	–	–	–	(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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: RMB

Items	For the current year Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
I. 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**
Add: Changes in accounting policies	**–**	**–**	**(6,989,655.45)**	**–**	**–**	**(578,059.50)**	**(7,567,714.95)**
II. Balance at the beginning of 2018	**4,319,848,116.60**	**27,636,530,888.88**	**(6,989,655.45)**	**7,008,359.58**	**968,190,696.10**	**2,983,423,072.92**	**35,908,011,478.63**
III. Changes for the current year							
(I) Total comprehensive income	–	–	1,984,226.67	–	–	1,922,054,941.13	1,924,039,167.80
(II) Capital invested and reduced by shareholders							
1. Capital invested by shareholders	–	–	–	–	–	–	–
2. Others	–	–	–	–	–	–	–
(III) Profit distribution							
1. Transfer to surplus reserve	–	–	–	–	192,205,494.11	(192,205,494.11)	–
2. Distributions to shareholders	–	–	–	–	–	(1,641,542,284.31)	(1,641,542,284.31)
(IV) Transfers within the owners' equity							
1. Share capital transferred from capital surplus	–	–	–	–	–	–	–
(V) Special reserve							
1. Provision in current year	–	–	–	116,394,856.21	–	–	116,394,856.21
2. Amount utilised in the year	–	–	–	(120,808,633.17)	–	–	(120,808,633.17)
IV. Balance at the end of 2018	**4,319,848,116.60**	**27,636,530,888.88**	**(5,005,428.78)**	**2,594,582.62**	**1,160,396,190.21**	**3,071,730,235.63**	**36,186,094,585.16**

Items	For the previous year Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	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. Changes for the current year							
(I) Total comprehensive income	–	–	–	–	–	1,280,918,209.59	1,280,918,209.59
(II) Capital invested and reduced by shareholders							
1. Capital invested by shareholders	942,408,376.80	16,916,224,286.50	–	–	–	–	17,858,632,663.30
2. Others	–	–	–	–	–	–	–
(III) Profit distribution							
1. Transfer to 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. Share capital transferred from capital surplus	–	–	–	–	–	–	–
(V) Special reserve							
1. Provision in current year	–	–	–	109,030,943.18	–	–	109,030,943.18
2. Amount utilised in the year	–	–	–	(109,872,119.07)	–	–	(109,872,119.07)
III. Balance at the 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

(I) GENERAL

1. Basic Information About the Company

China Molybdenum Co., Ltd. (the "Company") was incorporated 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, according to the Extraordinary General Meeting resolutions of the Company and the China Securities Regulatory Commission Zheng Jian Guo He Zi [2007] No. 7 Document, it was 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, which were listed on the Hong Kong Stock Exchange on 26 April 2007. After the issuing of H share on the Hong Kong Stock Exchange, the Company's share capital totaled up to 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. After that, the Company's share capital totaled up to 4,876.17 million shares.

On 16 July 2012, according to Zheng Jian Xu Ke [2012] No. 942 "Official Reply for Approving the Initial Public Offering (IPO) 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 par value of RMB0.20 per share. Those shares are listed on the Shanghai Stock Exchange from 9 October 2012. The Company's share capital totaled up to 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 Zheng Jian Xu Ke [2014] No. 1246 "Official Reply for Approving 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 2015, the board of directors adopted the resolution that the Company exercised the redemption option after the closing on 9 July 2015. As of closing on 9 July 2015, convertible bonds with a par value of RMB4,854,442,000 had been converted to equity, representing 99.07% of total convertible bond issued by the Company. After the conversion was completed, total equity of the company was increased to 5,629.07 million shares.

On 28 August 2015, the Company was approved in the second meeting of the fourth session of board of directors 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 16,887.20 million 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 Zhen Jian Xu Ke [2017] No. 918 "Official Reply for Approving Non-public Offering of Shares by China Molybdenum Co., Ltd.". 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), 36 for the details of share capital.

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

(I) GENERAL (CONTINUED)

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

2.1 Acquisition of Niobium and Phosphorus 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 Indústria 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 USD2.65 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.

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 assets.

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%.

(I) GENERAL (CONTINUED)

3. Proposed acquisition of 100% equity of IXM held by NCCL Natural Resources Investment Fund

On 11 May 2018, Natural Resources Elite Investment, 100% held by the wholly-owned subsidiary of the Company, CMOC Ltd invested NCCL Natural Resources Investment Fund ("Natural Resources Investment Fund") 45% held by Luoyang Molybdenum Holding as a limited partner to complete the 100% equity acquisition of IXM B.V (original name: Louis Dreyfus Company Metals B.V., "IXM"). IXM which was a subsidiary of Louis Dreyfus Company B.V. ("LDC") is engaged in base metal and noble metal raw materials and metal trade platform business.

On 4 December 2018, CMOC Ltd entered into an equity purchase agreement with New Silk Road Commodities Limited ("NSR"), the wholly-owned subsidiary of Natural Resources Investment Fund, thereby purchasing 100% issued and unissued shares of New Silk Road Commodities SA ("NSRC"), the wholly-owned subsidiary of NSR at a consideration of USD495 million and the net profit or loss of underlying assets for the period from 1 October 2018 to the closing date. NSRC would hold 100% equity of IXM by reorganization before closing, and the reorganization and closing were expected to complete in 2019.

(II) PREPARATION BASIS OF THE FINANCIAL STATEMENTS

Preparation basis

The Group implements the Accounting Standards for Business Enterprises issued by the Ministry of Finance ("MoF") and the relevant regulations. The Group has adopted the Accounting Standards for Business Enterprises No. 14– Revenue, Accounting Standards for Business Enterprises No. 22– Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No.23–Transfer of Financial Assets, the Accounting Standards for Business Enterprises No.24–Hedging Accounting and the Accounting Standards for Business Enterprises No.37–Presentation of Financial Instruments amended by the MoF in 2017 since 1 January 2018. The impact of the changes in relevant accounting policies are referred to Note (III), 32. 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.

Going concern

The Group performs evaluation on its ability to continue as a going concern for next 12 months from 31 December 2018, 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.

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.

For financial assets with transaction prices as the fair value upon initial recognition and the valuation technique of unobservable inputs employed in the subsequent measurement at the fair value, the technique is adjusted during the valuation to match the initial recognition results determined with the transaction prices.

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:

- Level 1 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.

(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 all material materials, in accordance with ASBE, and present fairly, the consolidated and parent company's financial position as of 31 December 2018, and the consolidated and parent company's 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.

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

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.

5.2 Business combinations involving enterprises not under common control and goodwill

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 Recognition and Measurement of Financial Instruments* and *Accounting Standard for Business Enterprises No. 13 – Contingencies*. Any change or adjustment is included 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 and goodwill (Continued)

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.

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 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 on the consolidated financial statements 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) "13.3.2. 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.

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.

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

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 book balances (other than the amortised cost) of items that are reclassified at fair value through other comprehensive income are recognized 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.

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.

(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 (Continued)

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.

10. Financial Instrument (applicable from 1 January 2018)

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed on a trade date basis, or derecognizes the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts. When conducting initial recognition of the accounts receivable that does not include significant financing components or the financing components in the contract no more than one year are not taken into consideration in accordance with Accounting Standard for Business Enterprises No. 14 – Revenue ("Revenue standard"), the Group makes the initial measurement at the transaction price specified in the revenue standard.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting period.

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 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 assets or financial liabilities (such as repayment in advance, extension, call options or other similar options), without considering future credit losses.

The amortized cost of financial asset or financial liability is the initial recognition amount of the financial asset or the financial liability less the repaid amount of principal plus or less the accumulated amortized amount of the difference between the initial recognition amount and the amount of maturity with the effective interest rate method less the accumulated provisions for the losses (only applicable to the financial assets).

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

10. Financial Instrument (applicable from 1 January 2018) (Continued)

10.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost. The financial assets classified as at amortized cost include cash and bank balances, notes and accounts receivable, other receivables, other current assets, and other non-current assets, etc.

Financial assets that meet the following conditions are classified as at fair value through other comprehensive income ("FVTOCI"): 1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such type of financial assets are other debt investments, in which the other debt investments due within one year (inclusive) since the balance sheet date are presented under non-current assets; the other debt investments with a period within one year (inclusive) since obtaining are presented under other current assets.

Financial assets at FVTPL including financial assets at fair value through profit or loss and those designated as at fair value through profit or loss are all presented under held-for-trading financial assets. Financial assets due over one year since the balance sheet date and expected to be held for over one year are presented under other non-current financial assets.

- Financial assets that do not meet the requirements to be reclassified as financial assets at amortized cost or financial assets at fair value through other comprehensive income (FVTOCI) are classified as financial assets at fair value through profit or loss, all of which are presented under held-for-trading financial assets except the derivative financial assets presented separately.

- Upon initial recognition, in order to eradicate or significantly reduce accounting mismatches, and qualified hybrid contract containing embedded derivatives, the Group can irrevocably designate financial assets as at fair value through profit or loss.

Financial assets that meet one of the following requirements indicate that the purpose for the Group to hold the financial assets is for trading:

- It has been acquired principally for the purpose of selling or buyback in the near term;

- On initial recognition, relevant financial assets are part of a portfolio of the identifiable financial instruments that the Group manages on a collective basis and there is an objective evidence indicating that the Group has an actual pattern of short-term profit-taking recently; or

- Relevant financial assets are classified to derivative instruments, excluding derivatives that meet the definitions of financial guarantee contracts and are designated as effective hedging instruments.

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

10. Financial Instrument (applicable from 1 January 2018) (Continued)

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

10.1.1 Financial assets measured at amortised cost

Financial assets measured at amortized cost are measured subsequently at amortized cost by adopting the effective interest method, with gains or losses arising from the impairment or derecognition recorded to the profit or loss for the period.

Interest income from financial assets at amortized cost and financial assets classified as at fair value through other comprehensive income (FVTOCI) are recognised by the Group based on the effective interest method. Interest income is determined by applying an effective interest rate to the carrying amount of the financial asset except for the following situations:

- For the purchased or originated credit-impaired financial assets, the Group recognizes their interest income based on amortized cost and credit-adjusted effective interest rate of these financial assets since initial recognition.

- For the purchased or originated financial assets not-credit-impaired but subsequently becoming credit-impaired, the Group subsequently recognizes their interest income based on amortized cost and effective interest rate of these financial assets. If no credit exists due to improvement in credit risk of the financial instruments subsequently and such improvement is in relation to an event incurred subsequent to the application of above provisions, the Group will transfer to calculate and determine the interest income by applying an effective interest rate to the carrying amount of the financial asset.

10.1.2 Financial assets classified as at fair value through other comprehensive income ("FVTOCI")

The impairment losses or gains relating to financial assets at fair value through other comprehensive income, the interest income calculated by effective interest method, and the exchange gains or losses shall be included into the profit or loss over the current period, and the other financial assets shall be measured at fair value through other comprehensive income. The amount of the financial assets included into profit or loss of each period shall be regarded as equal as the amount measured at amortized cost through profit or loss over each period. When the financial assets are derecognized, the accumulated income or loss included in the other comprehensive income previously will be reclassified into the profit or loss over the current period from the other comprehensive income.

10.1.3 Financial assets designated as at fair value through other comprehensive income ("FVTOCI")

Subsequent to designation of non-held-for-trading equity investment to FVTOCI, fair value change of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in the non-held-for-trading equity instruments, dividend income is recognised and included in profit or loss for the period when 1) the Group's right to collect dividend has been established; 2) it is probable that economic benefits associated with dividend will flow to the Group; and 3) the amount of dividend can be reliably measured.

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

10. Financial Instrument (applicable from 1 January 2018) (Continued)

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

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

Financial assets at FVTPL are measured subsequently at fair value. Gains or losses from changes in fair value and dividends and interest income relevant to the financial assets are recognised in profit or loss for the current period.

10.2 Impairment of financial assets

Loss allowance of financial instruments classified as at amortized cost, classified as at FVTOCI are recognized on the basis of estimated credit losses ("ECL").

The Group measures loss allowance based on the amount equal to the lifetime ECL for the accounts receivable arising from the transactions under revenue standards but not including significant financial elements or not considering the contract less than one year.

For other financial assets, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except the financial assets classified as FVTOCI. The Group recognizes credit loss allowance for financial assets at FVOCI in other comprehensive income and recognizes loss or gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss for the current period as gain on impairment.

10.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition with available reasonable and supportable forward-looking information.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

(1) Whether external market indicators of credit risk for the same financial instrument or financial instruments with shared expected life have changed significantly. Indicators include: credit spreads, credit default swap price for the borrower, length and extent of time when fair value of financial assets is less than amortized cost, other market information related to the borrower (including price changes in borrower's debt instruments or equity instruments);

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

10. Financial Instrument (Continued)

10.2 Impairment of financial assets (Continued)

10.2.1 Significant increase in credit risk (Continued)

(2) Whether external credit rating of the financial instrument has actually changed significantly or is expected to change significantly;

(3) Whether the debtor's internal credit rating is actually lowered or is expected to be lowered;

(4) Whether expected detrimental changes in business, financial and economic conditions of the debtor which will affect borrower's ability to perform repayment obligation have changed significantly, including significant reduction in the market shares of the debtor, sharp drop of the price of principal products, significant rise of the price of principal raw materials, critical shortage of working capital, and quality reduction of assets, etc.;

(5) Whether the actual or expected results of the debtor's operations have changed significantly, including the circumstance that an evident adverse change happens to the business indicators such as income and profit and is expected difficult to improve in a short term;

(6) Whether supervisory, economic or technical environment for the borrower has significant detrimental changes, including the circumstance whether the technological change, or the relevant policies proposed to introduce by the state or local government have significant adverse impact on the debtor;

(7) Whether the value of collateral for debt mortgage or the guarantee or credit enhancement quality provided by a third party has changed significantly, and these changes are expected to lower the economic motive of the debtor to repay within the time limit as specified by the contract or affect the probability of default;

(8) Whether the economic motive that will lower the borrower's repayment within the time limit as specified by the contract has changed significantly.

(9) Expected changes to loan contract, including the exemption or revision of contractual obligations, the granting of interest-free periods, the jump in interest rates, the requirement for additional collateral or guarantees, or other changes in the contractual framework for financial instruments that may result from the breach of contract.

(10) Whether the debtor's expected performance and repayment activities have changed significantly.

(11) Whether the Group's approach to credit management of financial instruments has changed.

At the balance sheet date, the Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk. If the default risk of financial instrument is relatively low, the borrower has a strong capability in performing its contract cash flow obligation in the short term, and the capability of the borrower to perform its contract cash obligation is not necessarily reduced even if adverse change exists in the economic situation and business environment in a relatively long time, the financial instrument is considered to be exposed to the credit risk at a relatively low level.

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

10. Financial Instrument (Continued)

10.2 Impairment of financial assets (Continued)

10.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(1) Significant financial difficulty of the issuer or the debtor;

(2) A breach of contract by the debtor, such as a default in interest or principal or past due event;

(3) The creditor(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor(s) would not otherwise consider; or

(4) It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

10.2.3 Recognition of expected credit loses

The Group recognises the credit loss of other receivables based on an individual asset basis, and recognises credit loss of related financial instruments for accounts receivable on a collectively basis by using an impairment matrix. The Group classifies financial instruments into different groups based on shared risk characteristics, and the Group adopts the shared risk characteristics including: type of financial instruments, credit risk rating, initial recognition date, residual contractual term, industry of the debtor, geographic location of the debtor, and the value of collateral to the financial assets, etc.

ECL of relevant financial instruments is recognised based on the following methods:

- For a financial asset, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flow to be received.
- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

10.2.4 Write-down of financial assets

The Group shall directly write down the carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-down constitutes a derecognition of relevant financial assets.

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

10. Financial Instrument (Continued)

10.3 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 over 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 over 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 Group measures relevant liabilities by the following methods:

- If the financial assets transferred are measured at amortized cost, and the carrying amounts of relevant liabilities are equivalent to the carrying amounts of the transferred financial assets continuing in involvement less the amortized costs of the retained rights of the Group (if the Group retains associated rights for the transfer of financial assets) plus the amortized costs of the Group's obligations (if the Group bears associated obligations for the transfer of financial assets), relevant liabilities are not designated as financial liabilities at fair value through profit or loss.

- If financial assets transferred are measured at fair value, and the carrying amounts of relevant liabilities are equivalent to the carrying amounts of the transferred financial assets continuing in involvement less the fair value of the retained rights of the Group (if the Group retains associated rights for the transfer of financial assets) plus the Group's obligations (if the Group bears associated obligations for the transfer of financial assets), the fair value of the rights and obligations should be the fair value measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, regarding financial assets classified as carried at amortized cost and fair value through other comprehensive income (FVTOCI), 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 change that has been recognised in other comprehensive income, is recognised in profit or loss for the current period. While regarding non-trading equity instruments designated as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified in retained earnings from other comprehensive income.

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

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognise the transferred financial asset in its entirety. The consideration received from transfer of assets is recognised as a financial liability upon receipt.

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

10. Financial Instrument (Continued)

10.4 Classification of liabilities and equity

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.

10.4.1 Classification and measurement of financial liabilities

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

10.4.1.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL consist of financial liabilities held for trading (Including derivative instrument of financial liabilities) and those designated as at FVTPL, in which financial liabilities at FVTPL are presented as financial liabilities held for trading, except for derivative liabilities that are presented independently.

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 financial guarantee contract or a derivative that is a designated and effective hedging instrument.

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 accounting mismatch; (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 contract containing embedded derivatives.

Held-for-trading financial liabilities 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.

The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and upon the derecognition of such liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognised in other comprehensive income, is transferred to retained earnings. Other gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognised in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

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

10. Financial Instrument (Continued)

10.4 Classification of liabilities and equity (Continued)

10.4.1 Classification and measurement of financial liabilities (Continued)

10.4.1.1 Financial liabilities at FVTPL (Continued)

The Group makes accounting treatment to the financial liabilities arising from contingent consideration recognised by the Group as a purchaser in the business combination involving enterprises not under a common control at fair value through profit or loss.

10.4.1.2 Other financial liabilities

Other financial liabilities outside of the financial guarantee contracts except those arising from transfer of financial assets that does not meet the requirements for derecognition or continuing involvement in the transferred financial asset are classified as at amortized cost and measured subsequently at amortized cost. Gains or losses arising from derecognition or amortization are recorded to profit or loss for the period.

10.4.2 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.

10.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of the liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes of equity. Transaction costs related to equity transactions are deducted from equity.

The Group recognises the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

10.5 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 measured at fair value.

For the hybrid contract comprised of embedded derivatives and master contract, if the master contract belongs to financial assets, the Group shall apply the hybrid contract as a whole to the accounting standards on the classification of financial assets rather than split embedded derivatives from the hybrid contract.

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

10. Financial Instrument (Continued)

10.5 Derivatives and embedded derivatives (Continued)

An embedded derivative is separated from the hybrid instrument as a stand-alone derivative financial instrument, where the master contract included in the hybrid contract does not belong to financial assets and meet the following conditions.

(1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;

(3) the hybrid contract is not measured at fair value through profit or loss over the current period.

Where an embedded derivative is split from a hybrid contract, the Group performs accounting treatment for the master contract of the hybrid contract in accordance with applicable accounting standards. Where the Group is unable to measure the fair value of an embedded derivative reliably in accordance with the terms and conditions of the embedded derivative, the fair value of such embedded derivative is determined as the difference between the fair value of the hybrid contract and that of the master contract. Where the fair value of such embedded derivative on the acquisition date or the subsequent balance sheet dates is still unable to be measured separately, the Group designates the hybrid contract in a whole into the financial instrument at fair value through profit or loss over the current period.

The derivative financial instrument except for the derivatives designated as effective hedging instruments are measured at fair value through profit or loss.

10.5.1 Convertible bonds

Convertible bonds 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 bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds 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)

10.6 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.

11. Inventory

11.1 Classification of inventories

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

11.2 Valuation 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.

11.3 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.

11.4 The inventory system for inventory

The Group uses a perpetual inventory system.

11.5 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.

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

12. 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 nonmonetary 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.

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.

13. Long-term equity investment

13.1 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.

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

13. Long-term equity investment (Continued)

13.2 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.

13.3 Subsequent measurement and recognition of profit or loss

13.3.1 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.

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

13. Long-term equity investment (Continued)

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

13.3.2 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.

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.

13.4 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)

14. Fixed Assets

14.1 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.

14.2 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**	**Depreciation period**	**Residual value rate** *(%)*	**Annual depreciation rate** *(%)*
Land and building	Straight-line method	8–45	0–5	2.1–12.5
Mining projects	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

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	2.1–12.5
Mining projects	Units of production method	Expected life of mines	0	Unit of production
Machineries and other equipment	Straight-line method	8–10	5	9.5–11.9

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

14. Fixed Assets (Continued)

14.2 Depreciation Method (Continued)

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	1.9–5
Mining projects	Units of production method	Expected 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	Residual value rate (%)	Annual depreciation rate (%)
Land ownership	N/A	Permanent	–	–
Mining projects	Units of production method	Expected 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.

14.3 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.

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

15. 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.

16. 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.

17. Biological assets

Biological assets of the Group are consumable biological assets

17.1 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.

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

18. Intangible assets

18.1 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. Amortization method, useful life and estimate residual value rate of all intangible assets are as follows:

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

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

18.2 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.

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

19. 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.

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.

20. Long-term prepaid 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.

21. Employee benefits

21.1 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)

21. Employee benefits (Continued)

21.2 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.

21.3 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.

21.4 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)

22. Provisions

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.

23. Revenue (applicable from 1 January 2018)

The Group recognizes revenue based on the transaction price amortized to the performance obligation when performing obligations as described in the contract, i.e. upon the receipt of controlling rights over related goods or services. Performance obligations refer to commitments of the Group to transfer distinct goods or services to customers as required by the contract. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

The revenue of the Group is mainly from:

(1) Sale of goods:

The Group sells minerals including molybdenum, tungsten, niobium, phosphorus, copper, cobalt and gold, etc. to the customers. Generally, the performance business only includes delivery of goods in the contract concerning sales of goods, so the consideration of sale is recognised according to the fixed price or temporary pricing arrangement as agreed in the sales contract. The Group recognises the revenue at the time point when the control over the relevant goods are passed to the customers.

(2) Income from hotel services:

The Group provides services to the customers through its self-operated hotels and accordingly obtain revenue which is recognised over the period when the customers obtain and consume the relevant services under output method.

(3) Other income

The Group provides auxiliary services including diesel and electric power to the customers and accordingly obtain revenue which is recognised over the period when the customers obtain and consume the relevant services.

The Group recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

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

23. Revenue (applicable from 1 January 2018) (Continued)

(3) Other income (Continued)

It is the performance obligation in a certain time when meeting one of the following conditions. The Group recognizes revenue within a certain period of time in accordance with the performance progress: (1) customers can obtain and exploit economic benefits brought by the Group's performance of obligations; (2) customers have the control over the goods under construction during the process of the Group's performance of obligations; (3) Goods from the process of the Group's performance of obligations are of irreplaceable purposes and the Group is entitled to charge collections for the completed performance of obligations to date within the entire term of contract. Otherwise, the Group recognizes revenue at the time-point when customers obtain the control rights over relevant goods or services.

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Contract assets and contract liabilities under the same contract are presented by net amount.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the receipts in advance are non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low for the customer to satisfy remaining performance obligations.

24. 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

24.1 Criterion and accounting treatment of government grants 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.

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

24. Government grants (Continued)

24.2 Criterion and accounting treatment of government grants 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 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 for the period.

A government grant related to the Group's daily activities is recognized in other income 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.

25. Deferred income tax assets/deferred income tax liabilities

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

25.1 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.

25.2 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.

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

25. Deferred income tax assets/deferred income tax liabilities (Continued)

25.2 Deferred tax assets and deferred tax liabilities (Continued)

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.

25.3 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.

26. 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.

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

26. Stripping costs (Continued)

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.

27. Exploration, assessment and development expenditures

The costs of exploration and assessment are directly recognised 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.

28. 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.

28.1 Accounting treatment of operating leases

28.1.1 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.

28.1.2 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.

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

29. Other significant accounting policies and accounting estimates

29.1 Safety production expenses

In accordance with Cai Qi [2012] No. 16 notice of printing and distributing the Administrative Measures for the Collection and Utilisation of Enterprise 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 Cai Qi [2012] No. 16 notice of printing and distributing Administrative Measures for the Collection and Utilisation of Enterprise 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.

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 deposit” 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 “accumulated 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 deposit”. The amount carried forward should be within the scope that the balance of “special reserve” is written down to zero.

29.2 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and can be distinguished separately in the operation and the preparation of financial statements:

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

– The component is part of a disposal 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.

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

30. Hedge accounting

Some financial instruments are designated as hedging instruments by the Group for the purpose of managing risk exposure caused by rate risk. The Group applies hedging accounting for a hedge that satisfies the prescribed conditions. Hedging activities of the Group include cash flow hedges.

At the inception of the hedge, the Group designates hedging instruments and hedged items formally, and documents the nature of hedging instruments, hedged items and hedged risks as well as the effective assessment methods of hedge (including analysis on the causes for effective hedging and the method to determine the hedging ratio). Besides, the Group assesses whether the hedging relationship conforms to the hedge effectiveness requirements at the inception date of the hedge and the subsequent periods continuously. A hedge is regarded as conforming to the hedge effectiveness requirement if all of the following conditions are met:

- An economic relationship exists between the hedged items and the hedging instruments.
- The effect of credit risk is not dominant in the changes in value arising from the economic relationship between the hedged items and the hedging instruments.
- The hedge ratio of hedging relationship is equal to the ratio between the quantity of actual hedged items of the Group and the actual quantity of hedging instruments to hedge them.

Where the hedging relationship no longer conforms to the hedging effectiveness requirement due to hedge ratio, but the risk management objective for such set of hedging relationship designated by the Group stays unchanged, the Group will rebalance the hedging relationship and adjust the quantity of the hedged items or hedging instruments having existed in the hedging relationship to make the hedge ratio conform to the hedge effectiveness requirement again.

The Group will terminate the application of hedge accounting if one of the following conditions is met:

- the risk management objective is changed so that the hedging relationship no longer meets the risk management objective.
- the hedging instrument expires, or is sold, terminated or exercised.
- an economic relationship no longer exists between the hedged items and the hedging instruments, or the effect of credit risk starts to dominate in the changes in value arising from the economic relationship between the hedged items and the hedging instruments.
- the hedging relationship no longer meets other conditions for hedge accounting.

30.1 Cash flow hedges

The Group recognises the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge in the other comprehensive income as cash flow hedges, and recognises the portion that is determined to be an ineffective hedge in current profit or loss. The cash flow hedging reserve shall be determined to be the lesser of (in absolute amounts) 1) the cumulative gain or loss on the hedging instrument from inception of the hedge; and 2) the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

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

30. Hedge accounting (Continued)

30.1 Cash flow hedges (Continued)

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or the forecast transaction of a non-financial asset or a non-financial liability forms a firm commitment applicable to fair value hedge accounting, the Group will reclassify the cash flow hedging reserve originally recognized in the other comprehensive income into initial carrying amount of the asset or liability. For the cash flow hedges not under the above conditions, the Group will reclassify the cash flow hedging reserve originally recognized in the other comprehensive income into current profit or loss in the same period(s) during which the hedged expected cash flow affects profit or loss. If the cash flow hedging reserve recognized in the other comprehensive income is a loss all or a portion of which will not be recovered in future accounting periods, the Group shall reclassify into profit or loss the amount that is not expected to be recovered.

When the Group terminates the application of hedge accounting to cash flow hedge, if the hedged future cash flow is still expected to happen, the accumulated cash flow hedging reserve should be reserved and an accounting treatment should be made in the above manner; if the hedged future cash flow is expected not to happen, the accumulated cash flow hedging reserve will be reclassified from other comprehensive income into current profit or loss.

31. 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.

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.

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

31. Key assumptions and uncertainties in the accounting estimates (Continued)

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.

Impairment of non-current assets other than financial assets

The Group assesses whether there are any indicators of impairment of 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.

– 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 Phosphorus 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 2018, 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.

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

31. Key assumptions and uncertainties in the accounting estimates (Continued)

Provision for decline in value of inventories

As described in Note (III). 11, 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 Group's working capital is devoted to inventories. The Group ascertains whether obsolete and slow-moving inventories exist by stocktaking on a periodical basis and reviews whether these inventories are impaired. In addition, the management of the Group reviews the impairment of aged inventories according to the inventory aging list on a periodical basis. The review involves comparison of carrying amount of the obsolete and slow-moving inventories and the aged inventory items with the respective net realizable value to determine whether allowance need to be made in respect of any obsolete, slow-moving and aged inventories in the financial statements. Based on the above procedures, the management of the Group believes that adequate provision for obsolete, slow-moving and aged inventories has been made.

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.

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 RMB1,143,597,622.94 at 31 December 2018 (2017: RMB1,463,144,598.20). 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 benefit.

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

31. Key assumptions and uncertainties in the accounting estimates (Continued)

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, 33 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 and valuation procedure

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. The Group will sets up an internal valuation team or employs eligible appraisers from a third party to assess the part of financial instruments in respect of which the Level 1 inputs are not available. The financial department of the Group will cooperate with the valuation team or eligible external appraisers closely to determine suitable valuation technology and inputs of relevant model. For the relevant information relating to the valuation technology and input adopted in determining the fair value of assets and liabilities, refer to Note (IX).

32. Changes in significant accounting policies and accounting estimates

Changes in accounting policies

The Group apply the new financial instrument standards and new revenue standards on 1 January 2018.

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

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

New revenue standards

The Group has adopted the Accounting Standards for Business Enterprises No. 14 – Revenue hereinafter to as "new revenue standards", and the revenue standards before modification are referred to as "previous revenue standards") modified by the MoF in 2017 since 1 January 2018.The new revenue standards have introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). See Note III. 23 for the accounting policies for recognition and measurement of revenue. The new revenue standards require the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the new standards for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable period. For changes in contract incurred before the beginning of adoption of new standards for revenue, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.

(1) In addition to the provisions for disclosures of revenue transactions in a broader way, effects of the implementation of the new revenue standards on the balance sheets at the beginning of the year are as follows:

Unit: RMB

Item	31 December 2017	Reclassification	1 January 2018
Receipts in advance	127,796,251.75	(127,796,251.75)	–
Contract liabilities	–	127,796,251.75	127,796,251.75

Note: As at 1 January 2018, the Group reclassified receipts in advance of RMB127,796,000.00 as contract liabilities.

(2) Compared to the previous revenue standard, effects from the implementation of the new revenue standards on relevant items to the financial statements for the year to balance sheets and income statements are as follows:

Unit: RMB

Item	Closing balance under the new revenue standard	Adjustments	Closing balance under the previous revenue standard
Receipts in advance	–	(200,667,461.95)	200,667,461.95
Contract liabilities	200,667,461.95	200,667,461.95	–

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

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

New revenue standards (Continued)

(2) (Continued)

Unit: RMB

Item	Balance in 2018 under the new revenue standard	Adjustments	Balance in 2018 under the previous revenue standard
Operating expenses	57,407,883.94	57,407,883.94	–
Selling expenses	–	(57,407,883.94)	57,407,883.94

New financial instrument standards

In accordance with the Accounting Standard for Business Enterprises No. 22 – Financial Instrument: Recognition and Measurement, Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 – Hedging Accounting and Accounting Standard for Business Enterprises No. 37 – Financial Instrument: Presentation (hereinafter referred to as "new standards for financial instrument"):

In terms of the classification and measurement of financial assets, it is required by the new standards for financial instrument to classify financial assets into "financial assets measured at amortized cost", "financial assets at fair value through other comprehensive income" and "financial assets at fair value through profit or loss" based on the contract cash flow characteristics and business models of the assets such as the business management. It eliminated the previous classification of loans and accounts receivable, held-to-maturity investments and available-for-sale financial assets. Generally, the equity instrument investment is classified as financial assets at fair value, and enterprises are also allowed to designate non-held-for-trading equity instrument investments as financial assets at fair value through other comprehensive income. But the designation cannot be revoked and the accumulated changes in the fair value previously recorded to the other comprehensive income cannot be recorded to profit or loss for the period upon disposal.

In terms of impairment of financial assets, the new standards for financial instrument on impairment are applicable to financial assets measured at amortized cost and at FVTOCI, lease receivables, accounts receivable, contract assets, specific loan commitments not drawn and financial guarantee contracts. The new standards for financial instrument require adoption of expected credit loss model to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have been significantly increased since initial recognition. If the accounts receivable, contract assets and lease receivables have simplified method, it is allowed to recognize impairment allowance for the expected credit loss during the whole lifetime.

New standards of financial instrument improves the applicability of hedge accounting and combine more closely hedge accounting with enterprise risk management. For the details of the changed accounting policies of the Group, refer to Note (III), 30.

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

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

New financial instrument standards (Continued)

Pursuant to the circular issued by the MoF, for domestically- and overseas-listed enterprises and enterprises listed overseas and adopting International Financial Reporting Standards or Accounting Standards of Business Enterprises to prepare financial statements, they implemented the new standards for financial instrument since 1 January 2018. Therefore, the Group has implemented the above new standards for financial instrument since 1 January 2018 and recognized, measured and reported the Group's financial instrument in accordance with the new standards since that day. Refer to Note (III), 10 for the changed accounting policies.

If the recognition and measurement of financial instrument before 1 January 2018 is inconsistent with the new standards for financial instrument, the Group will make connection and adjustment as required by the new standards. In case of inconsistence between the comparative figures in financial statements in prior period and requirements of the new standards, the Group will not make adjustment. The shortfall between the original carrying amount of the financial instrument and the new carrying amount at the adoption date of the new standards shall be recognized in retained earnings or other comprehensive income at 1 January 2018. Effects on adoption of new standards for financial instrument at 1 January 2018 are as follows:

Unit: RMB

		Effects from the adoption of the new standards for financial instrument					
		Reclassification			Remeasurement		
Item	**The book value presented in accordance with the previous standards for financial instrument 31 December 2017**	**Transfer from financial assets previously classified as loans and receivables** *(Note 1)*	**Transfer from financial assets previously classified as available for sale** *(Note 2)*	**Transfer from financial assets previously designated as FVTPL** *(Note 3)*	**Estimated credit loss** *(Note 4)*	**Measured at fair value from cost** *(Note 2)*	**The book value presented in accordance with the new standards for financial instrument 1 January 2018**
Notes and accounts receivable	3,895,322,636.19	–	–	–	(15,034,993.73)	–	3,880,287,642.46
Including: Measured at amortized cost	2,608,424,887.50	(1,750,691,877.20)	–	–	(14,354,923.73)	–	843,378,086.57
Designated as FVTPL	1,286,897,748.69	–	–	(1,286,897,748.69)	–	–	–
FVTPL	–	–	–	1,286,897,748.69	–	–	1,286,897,748.69
FVTOCI	–	1,750,691,877.20	–	–	(680,070.00)	–	1,750,011,807.20
Available-for-sale financial assets	3,246,899,715.97	–	(3,246,899,715.97)	–	–	–	–
Other equity instrument investments	–	–	500,000,000.00	–	–	(16,446,248.12)	483,553,751.88
Other non-current financial assets	–	–	2,746,899,715.97	–	–	–	2,746,899,715.97
Deferred tax assets	304,702,912.44	–	–	–	3,690,741.43	3,289,249.62	311,682,903.49
Other comprehensive income	(238,817,602.94)	–	(374,190,368.95)	–	–	(13,156,998.50)	(626,164,970.39)
Profit undistributed at the beginning of the period	5,517,441,023.24	–	374,190,368.95	–	(11,344,252.30)	–	5,880,287,139.89

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

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

New financial instrument standards (Continued)

Note1: Transfer from financial assets previously classified as loans and receivables

In managing the liquidity, the Group discounts or endorses part of the notes receivable before their maturity, and derecognises the discounted or endorsed notes receivable when the Group has transferred substantially all the risks and rewards to relevant counterparty. Accordingly, the Group manages such notes receivable using the business model of which the objective is to receive the contractual cash flow but also to sell such financial assets. As at 1 January 2018, notes receivable amounting to RMB1,750,691,877.20 are reclassified to the notes receivable at fair value through other comprehensive income. As at 1 January 2018, there is a significant difference between the notes receivable at fair value and these at amortised cost.

Note 2: Transfer from financial assets previously classified as available for sale

Transfer from available-for-sale financial assets to other equity instruments investment

At 1 January 2018, available-for-sale financial assets of RMB500,000,000.00 which are reclassified to the financial assets designated as at fair value through other comprehensive income and included in other equity instrument investment, are attributable to non-held-for-trading equity instrument, and are not expected to be sold by the Group in the foreseeable future. RMB400,000,000.00 of these available-for-sale financial assets are equity instrument investment that is not quoted in active market and of which the fair value cannot be measured reliably, and was measured at cost in prior periods according to previous standards for financial instrument. At 1 January 2018, measuring the portion of equity investment at fair value results in reduction of RMB16,446,248.12 in the book value of other equity instrument investment, thereby reducing RMB13,156,998.50 of other comprehensive income (changes in fair value of other equity instrument investment) and increasing RMB3,289,249.62 of deferred tax assets.

Transfer from available-for-sale financial assets to other non-current financial assets

At 1 January 2018, available-for-sale financial assets of RMB2,746,899,715.97 are reclassified to financial assets at fair value through profit or loss and included in other non-current financial assets, in which RMB20,869,241.60 of available-for-sale financial assets that are not quoted in active market and of which the fair value cannot be measured reliably, were measured at cost in prior period according to previous standards for financial instrument. The management of the Group believes that such portion of the equity investment at fair value at January 2018 is not significant different from that at cost. The accumulated changes in fair value of available-for-sale financial assets at fair value in prior period which were RMB432,246,640.68, are transferred from other comprehensive income (gains or losses on changes in fair value of available-for-sale financial assets) to retained profits at the beginning of period, and corresponding effects on deferred income tax, amounting to RMB58,056,271.73, are transferred from other comprehensive income to retained profits at the beginning of period.

Note 3: Transfer from financial assets previously classified as at fair value through profit or loss

At 1 January 2018, accounts receivable including temporary pricing arrangements of RMB1,286,897,748.69 are reclassified from financial assets designated as at fair value through profit or loss to those at fair value through profit or loss.

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

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

New financial instrument standards (Continued)

Note 4: Expected credit loss

At 1 January 2018, the Group recognizes provision for credit loss impairment of accounts receivable, others classified as financial assets at amortized cost, notes receivable classified at fair value through other comprehensive income according to the new standards on financial instruments. Specifically, the effects include:

For all the accounts receivable, the Group adopts simplified method to measure the expected credit loss according to the new standards for financial instrument, i.e. the provision is assessed at an amount equivalent to the expected loss for full lifetime, accordingly increasing RMB14,354,923.73 of impairment provision of accounts receivable, and reducing RMB10,766,192.80 of retained profits at the beginning of period at 1 January 2018.

For the notes receivable at fair value through other comprehensive income, the Group adopted three-stage model to measure expected credit loss according to the new standards for financial instrument. Based on whether the credit risk has increased significantly after the initial recognition of relevant items, the provision for credit loss is assessed according to the expected credit loss for 12 months or full lifetime, accordingly increasing RMB680,070.00 of impairment provision of notes receivable, and reducing RMB578,059.50 of retained profits at the beginning of period at 1 January 2018.

At 1 January 2018, the reconciliation of the provision for losses recognised on the items including financial assets at amortised cost, financial assets classified at fair value through other comprehensive income and other items according to previous standards for financial instrument and the provision for credit loss recognised under the new standards for financial instrument is as follows:

Unit: RMB

Item	**Impairment provision recognised under previous standards for financial instrument 31 December 2017**	**Remeasurement of provision for expected loss**	**Provision for loss recognised under new standards for financial instrument 1 January 2018**
Impairment provision of financial assets:			
Bad debt provision for notes and accounts receivable	46,883,047.57	15,034,993.73	61,918,041.30
Bad debt provision for other receivables	29,848,146.56	–	29,848,146.56
Total loss of provisions on financial assets	76,731,194.13	15,034,993.73	91,766,187.86

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

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

New financial instrument standards (Continued)

At 1 January 2018, the summary of effect of the Group's initial implementation of aforesaid new revenue standards and new standards for financial instrument on the Group's assets, liabilities and owners' equity is as follows:

Unit: RMB

Item	31 December 2017	Effect of implementation of new revenue standards	Effect of implementation of new standards for financial instrument	1 January 2018
Notes and accounts receivable	3,895,322,636.19	–	(15,034,993.73)	3,880,287,642.46
Including: classified at amortised cost	2,608,424,887.50	–	(1,765,046,800.93)	843,378,086.57
FVTPL	1,286,897,748.69	–	(1,286,897,748.69)	–
classified at FVTPL	–	–	1,286,897,748.69	1,286,897,748.69
classified at FVTOCI	–	–	1,750,011,807.20	1,750,011,807.20
Available-for-sale financial assets	3,246,899,715.97	–	(3,246,899,715.97)	–
Other equity instrument investment	–	–	483,553,751.88	483,553,751.88
Other non-current financial assets	–	–	2,746,899,715.97	2,746,899,715.97
Deferred tax assets	304,702,912.44		6,979,991.05	311,682,903.49
Receipts in advance	127,796,251.75	(127,796,251.75)	–	–
Contract liabilities	–	127,796,251.75	–	127,796,251.75
Other comprehensive income	(238,817,602.94)	–	(387,347,367.45)	(626,164,970.39)
Retained profits	5,517,441,023.24	–	362,846,116.65	5,880,287,139.89

Presentation of financial statements

The Group started adopting the Notice of the Revised Format of 2018 Financial Statements for General Business Enterprise (Cai Kuai (2018) No. 15, hereinafter referred to as the "Cai Kuai No.15 Document") released by the MoF on 15 June 2018 since the preparation of the consolidated financial statements for the year of 2018. Cai Kuai No.15 Document revised the presenting accounts in the balance sheet and income statement, added line items of "Notes and Accounts Receivable", "Notes and Accounts Payable" and "Research and Development Expenses", revised the presenting contents of the line items of "Other Receivables", "Fixed Assets", "Construction in Progress", "Other Payables", "Long-term Payables" and "Administrative Expenses", removed part of the line items, added line items of "Including: Interest Expenses" and "Interest Income" under "Financial Expenses", and adjusted the presenting location of some accounts in the income statement. The Company has accounted for the above changes in presenting accounts retrospectively, and adjusted comparable data for prior year.

(IV) TAXATION

1. Major categories of taxes and tax rates

Category of tax	Basis of tax assessment	Tax rate
Chinese VAT	The Company is a general taxpayer. Value-added Tax ("VAT") on sales is paid after deducting input VAT on purchases.	*Note 1*
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 others, 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
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
Brazil social contribution tax and goods circulation tax	Brazil local social contribution tax (PIS & CONFINS) and the goods circulation tax (ICMS) are applicable to Niobras and Copebras, of which the tax basis is the balance of income from rendering of goods and services in Brazil less the deductible costs. It is not required to pay social contribution tax and goods circulation tax for export goods.	The social contribution tax is 9.25% of the sales price of goods or services. The goods circulation tax is 4%–18% of the sales price of goods or services. The tax rates imposed by the local states of Brazil are different.
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.
Royalties of mining rights in Congo (DRC)	Sales of related products	*Note 3*
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 4*

(IV) TAXATION (CONTINUED)

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

Note1: In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui (2018) No. 32), the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10% respectively since 1 may 2018.

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%.

Note3: In accordance with the mining act of Congo (DRC), the Group paid royalties of mining rights at 2% previously in respect of the revenue from sales of products relating to copper and cobalt business in Congo (DRC). At 1 July 2018, in accordance with the new mining act of Congo (DRC), such tax rate is increased to 3.5%. At 1 December 2018, the cobalt products are included in state strategic resources of Congo (DRC), thereby increasing the royalties of mining rights to 10% of revenue from the sale of cobalt products.

Note 4: 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., Limited were incorporated in Hong Kong, thus were 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%. For details of the excess profit tax issued by the Congo (DRC) this year, see Note (XI). 2.

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 2018 to 31 December 2018.

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	31 December 2018 Amount in foreign currency	31 December 2018 Exchange rate	31 December 2018 Amount in RMB	31 December 2017 Amount in foreign currency	31 December 2017 Exchange rate	31 December 2017 Amount in RMB
Cash:			**1,471,630.90**			1,045,556.05
Renminbi (refers to "RMB")	**277,816.35**	**1.0000**	**277,816.35**	190,155.07	1.0000	190,155.07
US dollars (refers to "USD")	**107,375.62**	**6.8632**	**736,940.36**	103,312.75	6.5342	675,064.47
Brazilian Reals (refers to "BRL")	**220,931.31**	**1.7712**	**391,322.30**	63,000.00	1.9753	124,443.84
Australian dollars (refers to "AUD")	**74.77**	**4.8441**	**362.19**	3,627.02	5.0967	18,485.75
Congolese francs (refers to "CDF")	**15,368,938.20**	**0.0042**	**64,219.24**	9,130,446.57	0.0041	37,406.92
South African Rand (refers to "ZAR")	**2,030.85**	**0.4779**	**970.46**	–	–	–
Bank balances:			**23,239,231,643.13**			19,780,372,722.81
RMB	**13,525,878,899.19**	**1.0000**	**13,525,878,899.19**	11,811,627,388.03	1.0000	11,811,627,388.03
USD	**1,300,922,655.86**	**6.8627**	**8,927,901,773.09**	1,116,376,289.75	6.5333	7,293,666,906.79
Euro (refers to "EUR")	**10,785,578.05**	**7.9677**	**85,935,983.38**	4,295,407.48	7.8300	33,632,850.65
Hong Kong dollars (refers to "HKD")	**9,995,847.10**	**0.8762**	**8,758,459.37**	12,789,199.49	0.8359	10,690,668.85
Canadian dollars (refers to "CAD")	**1,178,505.21**	**5.0183**	**5,914,038.36**	1,164,364.20	5.1903	6,043,439.72
AUD	**55,207,758.48**	**4.8440**	**267,428,957.58**	8,684,387.49	5.0967	44,261,509.29
Brazilian Reals (refers to "BRL")	**227,800,236.39**	**1.7712**	**403,488,846.49**	291,538,000.00	1.9753	575,866,867.44
Pounds (refers to "GBP")	**369,190.72**	**8.9401**	**3,300,603.82**	508,000.00	8.8153	4,478,168.21
SGD	**5,654.31**	**4.9924**	**28,228.41**	6,000.00	4.8876	29,325.49
CDF	**18,081,414.01**	**0.0042**	**75,590.87**	18,452,376.40	0.0041	75,598.34
ZAR	**22,015,418.51**	**0.4779**	**10,520,262.57**	–	–	–
Other cash and bank balances:			**3,406,940,784.78**			6,727,342,077.83
USD	**141,232,875.41**	**6.8632**	**969,309,470.51**	77,049,795.57	6.5342	503,458,774.21
RMB	**2,437,631,314.27**	**1.0000**	**2,437,631,314.27**	6,223,883,303.62	1.0000	6,223,883,303.62
Total			**26,647,644,058.81**			26,508,760,356.69
Including: Total amount deposited abroad			**5,475,868,110.21**			7,541,449,764.27

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

2. Notes and accounts receivable

Unit: RMB

Category	31 December 2018	31 December 2017
Notes receivable *(Note 1)*	**1,623,841,101.38**	1,750,691,877.20
– Measured at amortized cost	**–**	1,750,691,877.20
– At FVTOCI	**1,623,841,101.38**	–
Accounts receivable (Note 2)	**1,635,326,380.13**	2,144,630,758.99
– Measured at amortized cost	**860,999,687.88**	857,733,010.30
– At FVTPL	**774,326,692.25**	1,286,897,748.69
Total	**3,259,167,481.51**	3,895,322,636.19

Note 1: The Group discounts or endorses part of notes receivable according to its day-to-day capital demand. Pursuant to the new standards for financial instrument that come into force since 1 January 2018, the Group classifies relevant notes receivable as financial assets at FVTOCI. Refer to Note (III), 32 for details.

Note 2: The major products of subsidiaries of the Group are cathode copper, copper concentrate and cobaltous hydroxide, selling price of which is determined according to the market price upon delivery. Generally, the price is determined according to the monthly average spot price of copper and cobalt quoted by London Metal Exchange several months subsequent to the delivery. The Group classifies the accounts receivable generated from relevant business as financial assets at FVTPL.

(1) Notes receivable

(a) Categories of notes receivable:

Unit: RMB

Category	31 December 2018	2017年12月31日
Bank acceptances	**1,303,563,428.96**	1,579,021,877.20
Commercial acceptances	**320,277,672.42**	171,670,000.00
Total	**1,623,841,101.38**	1,750,691,877.20

As of 1 January 2018, the Group measures and calculates the ECL of notes receivable on the basis of the comparison table of credit exposure rating and loss given default ("LGD"). At 31 December 2018, the ECL in the notes receivable at fair value is as follows:

Unit: RMB

	31 December 2018		
Internal credit rating	Expected average loss rate	Book value	Expected credit loss
Lower risk (not-credit-impaired)	**0.02%**	**1,620,621,643.23**	**303,141.85**
Normal (not-credit-impaired)	**2.15%**	**3,600,000.00**	**77,400.00**
Loss (credit-impaired)	**100.00%**	**12,650,000.00**	**12,650,000.00**
Total	**–**	**1,636,871,643.23**	**13,030,541.85**

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

2. Notes and accounts receivable (Continued)

(1) Notes receivable (Continued)

(b) Notes receivable endorsed or discounted by the Group but outstanding in the balance sheet at the end and beginning of the year respectively are as follows:

Unit: RMB

Category	**Amount derecognised as at the end of 2018**	Amount derecognized as at the end of 2017
Bank acceptances	**324,130,239.49**	208,924,514.69
Total	**324,130,239.49**	208,924,514.69

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 recognise discounted or endorsed bank acceptances.

(c) At the end and beginning of the year, there's no notes receivable that were used for pledge.

(d) At the end and beginning of the year, none of the Group's notes was transferred to accounts receivable due to the drawers' failure in performing the agreements.

(2) Accounts receivable

(a) *Credit risk of accounts receivable:*

2018:

In terms of the copper-cobalt business in Congo (DRC) and copper-gold business in Australia of the Group, the accounts receivable formed by sales of goods under pricing mechanism are accounted at fair value; as the Group has a long-term and stable transaction relationship with the customers with high credit rating in respect of the niobium business in Brazil, the management believes that the credit risk is low.

As of 1 January 2018, the Group measures the provision for the impairment loss of accounts receivable relating to tungsten and molybdenum business in China and phosphorus business in Brazil according to the amount equivalent to full lifetime ECL, and calculates the ECL on the basis of the comparison table for internal credit exposure rating and LGD. At the balance sheet date, the Group recognises the provision for ECL on the accounts receivable based on impairment matrix.

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

2. Notes and accounts receivable (Continued)

(2) Accounts receivable (Continued)

(a) Credit risk of accounts receivable: (Continued)

Unit: RMB

	31 December 2018			
Internal credit exposure rating	**Expected average loss rate**	**Book balance**	**Impairment provision**	**Book value**
Low risk	**0.05%**	**740,814,272.75**	**377,068.72**	**740,437,204.03**
Normal	**2.15%**	**53,227,340.03**	**1,142,190.59**	**52,085,149.44**
Attention	**6.28%**	**73,041,853.95**	**4,586,971.80**	**68,454,882.15**
Doubtful (impaired)	**40.31%**	**37,614.79**	**15,162.53**	**22,452.26**
Loss (impaired)	**100.00%**	**50,890,465.97**	**50,890,465.97**	**–**
Total	**–**	**918,011,547.49**	**57,011,859.61**	**860,999,687.88**

The expected average loss rate is measured based on historical practical impairment rate with the current situation and prediction on future economy taken into consideration. There are no changes in evaluation approach and significant assumption in 2018.

2017:

Unit: RMB

	31 December 2017				
Category	Amount	Proportion *(%)*	Bad debt provision	Proportion *(%)*	Book value
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	463,247,194.26
Accounts receivable for which bad debt are provided based on credit risk characteristics portfolio	76,949,754.46	3.51	13,703,042.37	17.81	63,246,712.09
Accounts receivable for which the bad debt provision has been made by specific identification method	1,618,136,852.64	73.84	–	–	1,618,136,852.64
Total	2,191,513,806.56	100.00	46,883,047.57	2.14	2,144,630,758.99

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

2. Notes and accounts receivable (Continued)

(2) Accounts receivable (Continued)

(a) Credit risk of accounts receivable: (Continued)

Accounts receivable that are individually significant and for which bad debts are provided for individually at 31 December 2017:

Unit: RMB

	31 December 2017			
Accounts receivable (by company)	Accounts receivable	Bad debt provision	Proportion *(%)*	Reason
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

	31 December 2017		
Aging	Accounts receivable	Bad debt provision	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

(b) Changes in expected credit loss/bad debt provision for accounts receivable

2018:

Unit: RMB

	Full lifetime ECL (not-credit-impaired)	Full lifetime ECL (credit-impaired)	Total
1 January 2018	**3,951,765.67**	**57,286,205.64**	**61,237,971.31**
Transfer to credit-impaired	**(1,372,221.29)**	**1,372,221.29**	**–**
Transfer from credit-impaired	**–**	**–**	**–**
Transfer out due to direct write-down financial assets	**–**	**(5,991,488.94)**	**(5,991,488.94)**
Provision of ECL for the period	**6,933,194.92**	**7,642,042.08**	**14,575,237.00**
Reversal of ECL for the period	**(3,264,182.49)**	**(9,403,351.57)**	**(12,667,534.06)**
Changes in exchange rate	**(142,325.70)**	**–**	**(142,325.70)**
31 December 2018	**6,106,231.11**	**50,905,628.50**	**57,011,859.61**

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

2. Notes and accounts receivable (Continued)

(2) Accounts receivable (Continued)

(b) Changes in expected credit loss/bad debt provision for accounts receivable (Continued)

2017:

Unit: RMB

Item	1 January 2017	Increase	Decrease Reversal	Write-off	Changes in exchange rate	31 December 2017
Bad debt provision	47,077,323.53	2,624,204.85	2,818,480.81	–	–	46,883,047.57

(c) Top five accounts receivable balances at the end of period/year based on debtors:

Unit: RMB

Name of entity	**Relationship with the Company**	**Amount**	**Proportion of the amount to the total account receivable** *(%)*	**Credit impairment loss/Closing balance of bad debt provision**
31 December 2018				
Company D	**Third Party**	**547,336,840.12**	**31.86**	**–**
Company F	**Third Party**	**152,284,675.86**	**8.87**	**–**
Company G	**Third Party**	**100,308,115.62**	**5.84**	**3,407,201.80**
Company I	**Third Party**	**86,104,601.02**	**5.02**	**–**
Company E	**Third Party**	**59,576,064.77**	**3.47**	**–**
Total		**945,610,297.39**	**55.06**	**3,407,201.80**
31 December 2017				
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	–

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

3. Prepayments

(1) Aging analysis of prepayments is as follows

Unit: RMB

Aging	31 December 2018 Amount	31 December 2018 Proportion (%)	31 December 2017 Amount	31 December 2017 Proportion (%)
Within 1 year	**129,129,737.09**	**85.51**	105,379,230.59	95.29
1 to 2 years	**20,526,003.36**	**13.59**	4,410,477.31	3.99
2 to 3 years	**578,364.87**	**0.38**	244,722.57	0.22
Over 3 years	**770,128.90**	**0.52**	549,616.03	0.50
Total	**151,004,234.22**	**100.00**	110,584,046.50	100.00

(2) Top five of prepayments balances at the end of year based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total prepayments (%)
Company J	Third Party	32,665,478.98	21.63
Company L	Third Party	20,028,723.79	13.26
Company K	Third Party	10,000,000.00	6.62
Company M	Third Party	8,000,000.00	5.30
Company N	Third Party	7,963,560.22	5.27
Total		78,657,762.99	52.08

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

4. Other receivables

Unit: RMB

Item	31 December 2018	31 December 2017
Interests receivable	**226,186,602.19**	656,703,058.71
Other receivables	**813,862,106.04**	789,924,287.57
Total	**1,040,048,708.23**	1,446,627,346.28

(1) Interests receivable

Unit: RMB

Item	31 December 2018	31 December 2017
Time deposits interest	**26,357,413.31**	235,881,558.07
Structured deposits interest	**186,865,059.55**	420,821,500.64
Interest receivable from third party (Note (V) 6)	**12,964,129.33**	–
Total	**226,186,602.19**	656,703,058.71

(2) Other receivables

(a) Other receivables disclosed by nature

Unit: RMB

Nature of other receivables	31 December 2018	31 December 2017
Deductible Brazil social contribution tax *(Note 1)*	**89,607,819.92**	172,586,071.02
Congo (DRC) VAT refunds receivable *(Note 2)*	**594,520,342.69**	507,752,478.25
Guarantee deposit	**8,607,209.96**	10,653,389.22
Refund of land-transferring fee receivable	**5,900,000.00**	6,200,000.00
Advanced transition bonus receivable *(Note3)*	**–**	15,763,077.94
Others	**144,915,575.83**	106,817,417.70
Total	**843,550,948.40**	819,772,434.13

Note 1: See Note V. 18 for details.

Note 2: The VAT refundable amount is generated from the export business of subsidiaries situated in the Congo (DRC). The entity has applied for tax refund from the government and is expected to receive the tax refund within one year.

Note 3: Congo (DRC) VAT refunds receivable are 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 have been all paid up.

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

4. Other receivables (Continued)

(2) Other receivables (Continued)

(b) Credit risk of other receivables

At the end of 2018, the Group had other receivables of which the loss provision was recognised on the basis of ECL as below:

Unit: RMB

	Book balance	Bad debt provision	Book value
Other receivables of which the loss provision was recognised on the basis of ECL	**159,422,785.79**	**29,688,842.36**	**129,733,943.43**

At 31 December 2018, the management of the Group believes that there's no ECL on other accounts receivable except for the receivables amounting to RMB29,688,842.36 that has credit-impaired and of which impairment has been provided fully.

2017:

Unit: RMB

Categories	31 December 2017 Amount	Proportion *(%)*	Bad debt provision	Proportion *(%)*	Book value
Accounts receivable 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	27,028,599.75
Accounts receivable for which bad debt are provided based on credit risk characteristics portfolio	47,240,198.09	5.76	13,125,476.43	27.78	34,114,721.66
Accounts receivable for which the bad debt provision has been made by specific identification method	728,780,966.16	88.90	–	–	728,780,966.16
Total	819,772,434.13	100.00	29,848,146.56	3.64	789,924,287.57

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

4. Other receivables (Continued)

(2) Other receivables (Continued)

(b) Credit risk of other receivables (Continued)

Other receivables that are individually significant and for which bad debts are provided for individually at 31 December 2017:

Unit: RMB

Other receivables (by companies)	31 December 2017 Other receivables	Bad debt provision	Proportion *(%)*	Reason
Company O	16,722,670.13	16,722,670.13	100.00	Bad debt risk

(c) Changes in expected credit loss/bad debt provision for other receivables

2018:

Unit: RMB

Item	1 January 2018	Increase	Decrease		31 December 2018
			Reversal	Write-off	
Bad debt provision	29,848,146.56	3,693,781.41	159,304.20	3,693,781.41	29,688,842.36

2017:

Unit: RMB

Item	1 January 2017	Increase	Decrease		31 December 2017
			Reversal	Write-off	
Bad debt provision	24,804,698.97	8,460,987.07	8,910.00	3,408,629.48	29,848,146.56

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

4. Other receivables (Continued)

(2) Other receivables (Continued)

(d) Top five other receivables balances at the end of period/year 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
31 December 2018					
Tax refund from DRC government	**local tax authorities**	**594,520,342.69**	**Within 2 years**	**70.48**	**–**
Federal government of Brazil	**Local government**	**89,607,819.92**	**Within 2 years**	**10.62**	**–**
Company O	**Third Party**	**16,563,365.93**	**More than 3 years**	**1.96**	**16,563,365.93**
Individual Q	**Third Party**	**10,175,210.53**	**More than 3 years**	**1.21**	**–**
Company R	**Third Party**	**7,518,231.30**	**Within 2 years**	**0.89**	**–**
Total		**718,384,970.37**		**85.16**	**16,563,365.93**
31 December 2017					
Tax refund from DRC government	local tax authorities	507,752,478.25	Within 2 years	61.94	–
Federal government of Brazil	Local government	172,586,071.02	Within 2 years	21.05	–
Company O	Third Party	16,722,670.13	More than 2 years	2.04	16,722,670.13
Company P	Third Party	15,763,077.94	Within 2 years	1.92	–
Individual Q	Third Party	10,175,210.53	More than 2 years	1.24	–
Total		722,999,507.87		88.19	16,722,670.13

(e) There are no other receivables concerning government grants during the reporting period.

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

5. Inventories

(1) Categories of inventories

Unit: RMB

	31 December 2018			31 December 2017		
Item	**Book balance**	**Provision for decline in value of inventories**	**Book value**	Book balance	Provision for decline in value of inventories	Book value
Current:						
Raw materials	**2,510,471,739.65**	**8,042,411.49**	**2,502,429,328.16**	1,982,655,506.77	850,599.94	1,981,804,906.83
Work-in-progress	**2,527,418,733.65**	**–**	**2,527,418,733.65**	2,271,318,345.75	–	2,271,318,345.75
Finished goods	**1,587,776,172.60**	**1,709,429.20**	**1,586,066,743.40**	1,453,661,412.73	1,284,939.02	1,452,376,473.71
Subtotal	**6,625,666,645.90**	**9,751,840.69**	**6,615,914,805.21**	5,707,635,265.25	2,135,538.96	5,705,499,726.29
Non-current:						
Raw materials *(Note)*	**5,104,760,564.36**	**25,232,842.71**	**5,079,527,721.65**	4,333,265,851.84	23,552,051.93	4,309,713,799.91
Consumable biological assets	**42,906,576.50**	**–**	**42,906,576.50**	42,295,876.60	–	42,295,876.60
Subtotal	**5,147,667,140.86**	**25,232,842.71**	**5,122,434,298.15**	4,375,561,728.44	23,552,051.93	4,352,009,676.51
Total	**11,773,333,786.76**	**34,984,683.40**	**11,738,349,103.36**	10,083,196,993.69	25,687,590.89	10,057,509,402.80

Note: non-current raw materials are minerals reserved by the Group for future production or sales, including:

1. 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 RMB3,918,134.02 inventory provision are provided by the management.

2. 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)

5. Inventories (Continued)

(2) Provision for decline in value of inventories

Unit: RMB

Categories of inventories	1 January 2018	Increase in the current year Provision	Decrease in the current year Reversal	Decrease in the current year Write-off	Translation differences arising on translation of financial statements denominated in foreign currencies	31 December 2018
Raw materials	850,599.94	23,601,562.95	–	13,990,160.26	(2,419,591.14)	**8,042,411.49**
Finished goods	1,284,939.02	8,519,936.50	1,072,333.17	7,023,113.15	–	**1,709,429.20**
Subtotal	2,135,538.96	32,121,499.45	1,072,333.17	21,013,273.41	(2,419,591.14)	**9,751,840.69**
Non-current:						
Raw materials	23,552,051.93	3,918,134.02	–	–	(2,237,343.24)	**25,232,842.71**
Total	25,687,590.89	36,039,633.47	1,072,333.17	21,013,273.41	(4,656,934.38)	**34,984,683.40**

(3) Changes in consumable biological assets are set out below:

Unit: RMB

Item	Quantity	1 January 2018	Increase in the year Purchase	Increase in the year Changes in fair value	Decrease in the year Used	Translation differences arising on translation of financial statements denominated in foreign currencies	31 December 2018
Eucalyptus forest in Brazil	2,886 hectares	42,295,876.60	2,273,890.19	4,091,839.13	1,339,057.07	(4,415,972.35)	**42,906,576.50**

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

6. Other current assets

Other current assets are listed:

Unit: RMB

Item	31 December 2018	31 December 2017
Other wealth management products by non-banking financial institutions *(Note 1)*	**–**	801,402,575.34
Loans receivable from third party *(Note 2)*	**208,776,827.50**	199,165,000.00
Prepayment of enterprise income tax	**–**	42,079,191.88
Prepayment of VAT	**42,292,777.66**	96,563,472.34
Loans receivable from Société Nationale d'Electricité *(Note 3)*	**96,207,236.95**	97,382,258.05
Accounts receivable from TFM minority shareholders *(Note 4)*	**43,096,220.58**	109,488,939.47
Loans receivable from NSR *(Note 5)*	**960,848,000.00**	–
Prepaid insurance expenses *(Note 6)*	**63,047,456.11**	–
Others	**36,336,601.61**	35,922,684.77
Total	**1,450,605,120.41**	1,382,004,121.85

The Group accounts the financial assets in the other current assets according to ECL model. At 31 December 2018, the management believes that the relevant financial assets have a low credit risk.

Note 1: In the other wealth management products by non-banking financial institutions, RMB600,000,000.00 of wealth management products were renewed upon maturity in the current period, which were accounted by the Group as other non-current financial assets. Refer to Note (V), 10 for details.

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 is by reference 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 offset with electricity bill when the Company actually uses electricity. The current part is the portion expected to be offset 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.

Note 5: It is the NREIL's loan receivable from NSR, and the loan period is 1 year according to the agreement. The Group makes a provision for interest receivable according to the agreed interest rate.

Note 6: It is the insurance expenses paid by the Group for the overseas business, which are amortised over the corresponding period of gains.

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

7. Available-for-sale financial assets

(1) Details of available-for-sale financial assets

Unit: RMB

	31 December 2017		
Item	**Book balance**	**Provision for impairment**	**Book value**
Available-for-sale equity instrument	3,246,899,715.97	–	3,246,899,715.97
Measured at fair value	2,826,030,474.37	–	2,826,030,474.37
Measured at cost	420,869,241.60	–	420,869,241.60
Total	3,246,899,715.97	–	3,246,899,715.97

As of 1 January 2018, the Group started applying new standards for financial instrument and made adjustments according to relevant requirements. The relevant financial assets originally included in "available-for-sale financial assets" have been adjusted at 1 January 2018 according to the standards. See Note (III), 32 and Note (V), 9 and 10 for details.

(2) Available-for-sale financial assets measured at fair value at the end of 2017

Unit: RMB

Available-for-sale financial assets	**Target asset management plans** *(Note 1)*	**S Fund shares** *(Note 2)*	**T Fund shares** *(Note 2)*	**U Company equity** *(Note 3)*	**V Partnership shares** *(Note 4)*	**W Partnership shares** *(Note 4)*	**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 in fair value included in other comprehensive income	116,296,660.83	8,046,992.31	–	–	174,963,447.89	132,939,539.65	432,246,640.68
Exchange differences arising from translation of financial statements denominated in foreign currencies accumulated in other comprehensive income	(161,802,071.12)	(2,783,152.14)	(3,199,014.00)	–	–	–	(167,784,237.26)
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 2017, 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 are the equity of companies invested by the Group in the open trading 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)

7. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured as a cost at the end of 2017

Unit: RMB

	Book balance	Provision for impairment	Proportion of shareholding in the investee *(%)*	Cash dividends of the prior period
I. Investments in unlisted companies *(Note 1)*				
Equity X	400,000,000.00	–	5.30%	–
Equity Y	13,040,196.00	–	3.44%	–
Equity Z	7,824,117.60	–	2.31%	–
Others	4,928.00	–	–	–
Total	420,869,241.60	–	–	–

Note 1: It is equity of unlisted companies invested by the Group; the Group does not control, as no control, joint control and significant impact on relevant investees. As the investments in equity instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they shall be measured at cost subsequently.

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

8. Long-term equity investments

Unit: RMB

			Changes for the year									
Investee	**Notes**	**1 January 2018**	**Additional investment**	**Decreased investment**	**Investment income recognised under equity method**	**Adjustment to other comprehensive income**	**Other changes in equities**	**Declared cash dividends of profits**	**Provision for impairment losses**	**Translation difference of financial statements denominated in foreign currencies**	**31 December 2018**	**Closing balance of provision for impairment**
I. Joint ventures												
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-Tech")	*Note 1*	77,095,493.01	–	–	(7,066,150.12)	–	–	–	–	–	**70,029,342.89**	–
Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu")	*Note 2*	965,597,062.02	–	–	(56,493,675.24)	–	–	–	–	–	**909,103,386.78**	–
Subtotal		1,042,692,555.03	–	–	(63,559,825.36)	–	–	–	–	–	**979,132,729.67**	–
II. Associates												
Luoyang Yulu Mining Co., Ltd. ("Yulu Mining")	*Note 3*	92,494,720.24	–	–	114,098,798.55	–	–	(120,000,000.00)	–	–	**86,593,518.79**	–
Caly Nanomoly Development, Inc. ("Nanomoly Development")	*Note 4*	–	–	–	–	–	–	–	–	–	**–**	–
Luoyang Shenyu Molybdenum Co., Ltd ("Luoyang Shenyu")	*Note 5*	1,185,576.97	–	–	(177,816.66)	–	–	–	–	–	**1,007,760.31**	–
Natural Resources Investment Fund	*Note 6*	–	1,457,743,680.00	–	18,749,422.02	(20,822,262.48)	–	–	–	460,429.63	**1,456,131,269.17**	
Subtotal		93,680,297.21	1,457,743,680.00	–	132,670,403.91	(20,822,262.48)	–	(120,000,000.00)	–	460,429.63	**1,543,732,548.27**	–
Total		1,136,372,852.24	1,457,743,680.00	–	69,110,578.55	(20,822,262.48)	–	(120,000,000.00)	–	460,429.63	**2,522,865,277.94**	–

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 equity in Luoyang Fuchuan Mining Co., Ltd. ("Fuchuan"). Meanwhile, the Group holds 10% of equity in Fuchuan indirectly by its subsidiary, Fu Kai. Therefore, the Group holds directly and indirectly 55% of equity in Fuchuan totally by Huanyu.

According to the agreement with local government, the local government is entitled to 8% of the dividend rights of Fuchuan. Thus, the Group actually holds 47% of the profit or loss of Fuchuan under equity method.

Note 3: According to the result of Yulu Mining's 2007 annual general meeting of shareholders, 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 recognises investment income at 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 does not assume any additional liabilities for additional loss. As at the end of the current year, the Group has written down its investment in Nanomoly Development to zero.

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

8. Long-term equity investments (Continued)

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 incorporate Luoyang Shenyu. Meanwhile, the Company appointed a director and a supervisor to Luoyang Shenyu. However, Luoyang Shenyu was accounted as an associate due to its significant impact.

Note 6: The Group held 45% shares of Natural Resources Investment Fund as a limited partner, and had significant impact on the operating decision of relevant investment entities. The relevant investment was accounted under equity method. At 11 May 2018, the Natural Resources Investment Fund acquired 100% equity of IXM completely and included it in the consolidation scope.

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.

9. Other equity instruments investments

Unit: RMB

Item	1 January 2018	Increase	Maturity/ disposal	Changes in fair value	31 December 2018
Equity X	383,553,751.88	–	–	4,668,768.64	**388,222,520.52**
Equity U	100,000,000.00	–	–	(40,048,322.46)	**59,951,677.54**
Total	483,553,751.88	–	–	(35,379,553.82)	**448,174,198.06**

Note: As the equity instrument investment of the Company and its subsidiaries are the investment that the Company and its subsidiaries plan to hold for a long term for a strategic purpose, it is designated as financial assets at FVTOCI on the initial application date of the new standards for financial instrument.

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

10. Other non-current financial assets

Unit: RMB

Item	1 January 2018	Transfer to (Notes (V) 6)	Increase	Disposal	Changes in fair value	Translation difference of financial statements denominated in foreign currencies	31 December 2018
Other wealth management products by non-banking financial institutions *(Note 1)*	–	600,000,000.00	350,000,000.00	–	1,566,173.88	–	**951,566,173.88**
V Partnership share *(Note2)*	594,963,447.89	–	–	–	171,059,637.55	–	**766,023,085.44**
W Partnership share *(Note3)*	593,144,421.65	–	–	(387,659,932.62)	51,989,041.96	–	**257,473,530.99**
S Fund shares	65,468,257.53	–	58,589,777.24	–	12,693,212.89	5,544,440.03	**142,295,687.69**
T Fund shares	45,640,686.00	–	18,971,700.00	–	14,122,555.63	4,063,635.59	**82,798,577.22**
Target asset management plans	1,426,813,661.30	–	–	–	(35,274,770.78)	67,940,637.45	**1,459,479,527.97**
Y Company equity	13,040,196.00	–	126,862,000.00	–	–	10,453,724.00	**150,355,920.00**
Z Company equity	7,824,117.60	–	5,456,960.00	–	–	387,642.40	**13,668,720.00**
AA Company equity	–	–	63,217,933.24	–	14,275,922.85	5,461,605.59	**82,955,461.68**
Non-current derivative financial assets							
Others	4,928.00	–	–	–	–	–	**4,928.00**
Tota	2,746,899,715.97	600,000,000.00	623,098,370.48	(387,659,932.62)	230,431,773.98	93,851,685.06	**3,906,621,612.87**

Note 1: Other wealth management products by non-banking financial institutions are in relation to wealth management product plans provided by the non-banking financial institutions within the territory of China purchased by the Group, with expected yield from 4.82% to 5.84%. The management of the Group believes that the interests in these wealth management product plans and the risk exposures are not significant different with their book value, and are accounted as financial assets at FVTFL. In the current period, the Group obtained RMB47,233,314.62 of income from wealth management investment.

Note 2: V Partnership share is in relation to the shares of the Group invested in the partnership, and in the current period, the Group obtained RMB39,923,673.84 of dividends from relevant investment projects.

Note 3: In April 2018, the Group disposed 100% equity held by it in Tibet Chaoxu Chuangye Investment Co., Ltd ("Tibet Chaoxu"), and accordingly derecognised the equity in X Partnership held by Tibet Chaoxu directly on balance sheet.

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

11. Non-current derivative financial assets and non-current derivative financial liabilities

Unit: RMB

Item	31 December 2018	31 December 2017
Non-current derivative financial assets	**–**	–
– Interest rate swaps contract *(Note 1)*	**3,179,157.60**	–
Total	**3,179,157.60**	–
Non-current derivative financial liabilities	**–**	–
– Interest rate swaps contract *(Note 1)*	**23,312,327.42**	–
Total	**23,312,327.42**	–

Note 1: Interest rate swaps contract is in relation to the forward interest rate swaps contract purchased by the Group, which is used to hedge the cash flow risk due to a part of loans with floating interest rate on the balance sheet of the Group. The Group accounted the above hedging instrument and corresponding hedged items according to hedge accounting. Refer to Note (V), 59 for details.

(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	11,922,965,282.27	18,599,623,091.10	198,766,334.13	156,927,861.00	30,878,282,568.50
2. Increase in the current year	755,591,263.33	791,093,830.87	9,494,146.24	9,497,231.71	1,565,676,472.15
(1) Purchase	532,159,131.14	70,631,210.50	7,576,015.36	9,276,838.61	619,643,195.61
(2) Transferred from construction in progress	223,432,132.19	720,462,620.37	1,918,130.88	220,393.10	946,033,276.54
3. Decrease in the current year	96,501,087.12	71,308,356.85	259,846.97	6,079,546.94	174,148,837.88
(1) Disposal or scrap	96,501,087.12	71,308,356.85	259,846.97	6,079,546.94	174,148,837.88
4. Revaluation of reclamation and asset abandonment costs *(Note)*	(140,016,760.48)	–	–	–	(140,016,760.48)
5. Translation difference of financial statements denominated in foreign currencies	187,980,697.42	299,983,289.42	34,115.75	43,757.00	488,041,859.59
6. Closing balance	12,630,019,395.42	19,619,391,854.54	208,034,749.15	160,389,302.77	32,617,835,301.88
II. Accumulated depreciation					
1. Opening balance	3,243,040,867.66	3,095,214,529.58	149,355,110.31	134,599,175.50	6,622,209,683.05
2. Increase in the current year	929,118,813.91	1,669,516,466.86	13,117,696.55	3,036,081.08	2,614,789,058.40
(1) Provision	929,118,813.91	1,669,516,466.86	13,117,696.55	3,036,081.08	2,614,789,058.40
3. Decrease in the current year	40,979,687.27	53,290,355.51	249,637.94	4,876,797.58	99,396,478.30
(1) Disposal or scrap	40,979,687.27	53,290,355.51	249,637.94	4,876,797.58	99,396,478.30
4. Translation difference of financial statements denominated in foreign currencies	16,224,450.41	(177,655,378.01)	2,088.73	3,602.55	(161,425,236.32)
5. Closing balance	4,147,404,444.71	4,533,785,262.92	162,225,257.65	132,762,061.55	8,976,177,026.83
III. Provision for impairment					
1. Opening balance	15,376,851.99	4,814,536.21	949,297.74	–	21,140,685.94
2. Increase in the current year	–	–	–	–	–
(1) Provision	–	–	–	–	–
(2) Transferred from construction in progress	–	–	–	–	–
3. Decrease in the current year	–	–	–	–	–
(1) Disposal or scrap	–	–	–	–	–
4. Translation difference of financial statements denominated in foreign currencies	–	–	–	–	–
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	8,467,238,098.72	15,080,792,055.41	44,860,193.76	27,627,241.22	23,620,517,589.11
2. Opening 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

As at the end of the year, no fixed asset is used as collateral.

Note: At the end of the year, the Group reviewed the future reclamation and asset abandonment obligations in the Congo (DRC), and adjusted the carrying amount of reclamation and asset abandonment costs according to the updated reclamation plan.

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

12. Fixed assets (Continued)

(2) *The temporary idle fixed assets*

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Net carrying amount
Closing balance: Machinery equipment	20,185,337.39	15,539,817.69	3,945,202.39	700,317.31

(3) *At the end and the beginning of the year, the Group has no fixed assets leased under finance leases.*

(4) *At the end and the beginning of the year, the Group has no fixed assets leased out under operating leases.*

(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	21,385,023.44	Completed and settled, asset right transaction is in progress
Tungsten and molybdenum extraction and separation workshop	6,106,751.41	Completed and settled, asset right transaction is in progress
Main extraction workshop	5,988,182.05	Completed and settled, asset right transaction is in progress
Main decomposition workshop	5,873,717.01	Completed and settled, asset right transaction is in progress
Main crystallization workshop	5,036,190.89	Completed and settled, asset right transaction is in progress
Others	27,270,989.59	Completed and settled, asset right transaction is in progress
Total	71,660,854.39	

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

13. Construction in progress

(1) Construction in progress status

Unit: RMB

Item	31 December 2018 Book balance	31 December 2018 Provision for impairment	31 December 2018 Net carrying amount	31 December 2017 Book balance	31 December 2017 Provision for impairment	31 December 2017 Net carrying amount
Convey system project from Selection No. 3 Company to Sandaogou tailing pond	35,739,303.88	–	35,739,303.88	1,369,284.38	–	1,369,284.38
Raw ore convey system reconstruction project from Mining Company New 1# Crushing Station to Selection No. 3 Company	13,125,377.68	–	13,125,377.68	–	–	–
Expansion revamp project for 24000t/day of Selection No. 3 Company	17,851,705.86	–	17,851,705.86	180,000.00	–	180,000.00
APT Capacity extension project for 2000t/year of tungsten company	1,689,000.00	–	1,689,000.00	–	–	–
Eolybdenum mine project in East Gobi of Hami of Xinjiang	83,182,564.43	31,615,388.19	51,567,176.24	75,271,439.43	–	75,271,439.43
Building acquisition and decoration project	228,712,028.32	–	228,712,028.32	–	–	–
Northparkes E48 mine northern extension project	50,302,990.06	–	50,302,990.06	12,626,736.56	–	12,626,736.56
Northparkes E26 underground mine development project	81,479,765.39	–	81,479,765.39	3,417,140.20	–	3,417,140.20
Niobras tailing dam heightening project	–	–	–	110,800,530.68	–	110,800,530.68
Copebras phosphorus production plant maintenance project	116,367,926.07	–	116,367,926.07	73,017,888.03	–	73,017,888.03
Copebras phosphorus production process improvement projects	25,429,033.39	–	25,429,033.39	22,274,018.02	–	22,274,018.02
Niobras niobium production plant maintenance project	105,192,601.88	–	105,192,601.88	18,370,832.93	–	18,370,832.93
TFM filtering equipment upgrading project	50,862,357.87	–	50,862,357.87	41,093,687.76	–	41,093,687.76
TFM dehydration equipment installation project	49,897,670.18	–	49,897,670.18	21,076,352.55	–	21,076,352.55
TFM mining equipment purchase project	1,698,810.83	–	1,698,810.83	66,068,776.85	–	66,068,776.85
TFM No. 2 cobalt dryer improvement project	152,450,758.55	–	152,450,758.55	52,256,271.43	–	52,256,271.43
TFM mining zone railway construction project	–	–	–	21,502,258.69	–	21,502,258.69
TFM mining zone transportation road construction projects	35,562,064.68	–	35,562,064.68	23,358,695.94	–	23,358,695.94
TFM production process optimization study	32,833,860.87	–	32,833,860.87	29,905,873.38	–	29,905,873.38
TFM IT system change project	35,918,500.58	–	35,918,500.58	25,039,150.78	–	25,039,150.78
TFM mining zone power supply project	63,224,208.40	–	63,224,208.40	11,847,170.04	–	11,847,170.04
TFM 2018 mining equipment acquisition project	152,066,465.28	–	152,066,465.28	–	–	–
TFM Kwatebala KT2 tailings pond project Phase I	91,957,622.77	–	91,957,622.77	9,588,944.64	–	9,588,944.64
Others	499,893,079.41	–	499,893,079.41	331,046,187.49	–	331,046,187.49
Total	1,925,437,696.38	31,615,388.19	1,893,822,308.19	950,111,239.78	–	950,111,239.78

(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	Transfer to intangible assets	Other reductions	Impairment provision	Translation difference of financial statements denominated in foreign currencies	Closing balance	Proportion of project investment to budget amount (%)	Accumulated capitalized interest	Including: interest capitalisation for the year	Source of fund
Convey system project from Selection No. 3 Company to Sandaogou tailing pond	76,393,560.00	1,369,284.38	34,370,019.50	–	–	–	–	–	**35,739,303.88**	47	–	–	Funds in hand
Raw ore convey system reconstruction project from Mining Company New 1# Crushing Station to Selection No. 3 Company	16,000,000.00	–	13,125,377.68	–	–	–	–	–	**13,125,377.68**	72	–	–	Funds in hand
Expansion revamp project for 24000t/day of Selection No. 3 Company	73,352,300.00	180,000.00	17,671,705.86	–	–	–	–	–	**17,851,705.86**	24	–	–	Funds in hand
APT Capacity extension project for 2000t/year of tungsten company	39,583,000.00	–	33,586,734.71	31,897,734.71	–	–	–	–	**1,689,000.00**	85	–	–	Funds in hand
Eolybdenum mine project in East Gobi of Hami of Xinjiang	2,849,000,000.00	75,271,439.43	7,911,125.00	–	–	–	31,615,388.19	–	**51,567,176.24**	3	–	–	Funds in hand
Buildings acquisition and improvement	250,000,000.00	–	228,712,028.32	–	–	–	–	–	**228,712,028.32**	91	–	–	Funds in hand
Northparkes E48 mine northern extension project	186,557,633.60	12,626,736.56	51,139,999.65	10,321,198.51	–	–	–	(3,142,547.64)	**50,302,990.06**	32	–	–	Funds in hand
Northparkes E26 underground mine development project	299,984,386.26	3,417,140.20	94,713,957.71	10,755,859.55	–	–	–	(5,895,472.97)	**81,479,765.39**	30	–	–	Funds in hand
Niobras tailing dam heightening project	137,542,712.56	110,800,530.68	8,197,635.41	121,787,595.14	–	–	–	2,789,429.05	**–**	91	–	–	Funds in hand
Copebras phosphorus production plant maintenance project	256,844,173.74	73,017,888.03	116,548,954.04	92,674,318.67	–	–	–	19,475,402.67	**116,367,926.07**	76	–	–	Funds in hand
Copebras phosphorus production process improvement projects	40,993,572.26	22,274,018.02	20,419,911.74	9,385,779.47	–	–	–	(7,879,116.90)	**25,429,033.39**	108	–	–	Funds in hand
Niobras niobium production plant maintenance project	118,371,592.56	18,370,832.93	92,012,852.19	8,174,872.76	–	–	–	2,983,789.52	**105,192,601.88**	96	–	–	Funds in hand
TFM filtering equipment upgrading project	60,915,553.25	41,093,687.76	7,515,037.08	–	–	–	–	2,253,633.03	**50,862,357.87**	84	–	–	Funds in hand
TFM dehydration equipment installation project	51,542,632.00	21,076,352.55	27,094,747.69	–	–	–	–	1,726,569.94	**49,897,670.18**	97	–	–	Funds in hand
TFM mining equipment purchase project	74,252,192.12	66,068,776.85	13,038,791.79	79,112,772.38	–	–	–	1,704,014.57	**1,698,810.83**	111	–	–	Funds in hand

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

13. Construction in progress *(Continued)*

(2) Significant change in construction in progress: (Continued)

Name of project	Budget	Opening balance	Increase in the current year	Transfer to fixed assets	Transfer to intangible assets	Other reductions	Impairment provision	Translation difference of financial statements denominated in foreign currencies	Closing balance	Proportion of project investment to budget amount (%)	Accumulated capitalized interest	Including: interest capitalisation for the year	Source of fund
TFM No. 2 cobalt dryer improvement project	480,424,000.00	52,256,271.43	95,224,920.90	–	–	–	–	4,969,566.22	**152,450,758.55**	32	–	–	Funds in hand
TFM mining zone railway construction project	41,521,330.52	21,502,258.69	821,196.85	22,864,779.89	–	–	–	541,324.35	**–**	103	–	–	Funds in hand
TFM mining zone transportation road construction projects	247,075,200.00	23,358,695.94	51,839,584.72	41,076,642.76	–	–	–	1,440,426.78	**35,562,064.68**	31	–	–	Funds in hand
TFM production process optimization study	1,029,480,000.00	29,905,873.38	1,388,124.71	–	–	–	–	1,539,862.78	**32,833,860.87**	3	–	–	Funds in hand
TFM IT system change project	34,316,000.00	25,039,150.78	9,388,073.98	–	–	–	–	1,491,275.82	**35,918,500.58**	105	–	–	Funds in hand
TFM mining zone power supply project	87,546,979.20	11,847,170.04	49,563,399.28	–	–	–	–	1,813,639.08	**63,224,208.40**	72	–	–	Funds in hand
TFM 2018 mining equipment acquisition project	188,573,283.20	–	168,413,217.78	19,991,544.08	–	–	–	3,644,791.58	**152,066,465.28**	92	–	–	Funds in hand
TFM Kwatebala KT2 tailings pond project Phase I	815,486,254.45	9,588,944.64	79,923,196.11	–	–	–	–	2,445,482.02	**91,957,622.77**	11	–	–	Funds in hand
Others	N/A	331,046,187.49	688,636,509.62	497,990,178.62	2,032,368.83	3,586,107.12	–	(16,180,963.13)	**499,893,079.41**	N/A	–	–	Funds in hand
Total		950,111,239.78	1,911,257,102.32	946,033,276.54	2,032,368.83	3,586,107.12	31,615,388.19	15,721,106.77	**1,893,822,308.19**		–	–	

At 31 December 2018, the Group made provision for impairment of RMB31,615,388.19 (31 December 2017: Nil) for construction in progress.

(3) Details for provision for impairment of construction in progress for the current year

Unit: RMB

Name of project	Amount	Reason
Eolybdenum mine project in East Gobi of Hami of Xinjiang	31,615,388.19	The Group assessed the future recoverable amount and made provision for impairment of assets according to the expected service condition of the related construction in progress.
Total	31,615,388.19	

(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	531,980,339.39	23,583,818,026.45	49,466,501.46	24,165,264,867.30
2. Increase for the current year	–	267,089,160.00	8,550,614.86	275,639,774.86
(1) Purchase *(Note)*	–	267,089,160.00	6,518,246.03	273,607,406.03
(2) Transfer from construction in progress	–	–	2,032,368.83	2,032,368.83
3. Decrease for the current year	–	–	541,043.00	541,043.00
(1) Disposal	–	–	541,043.00	541,043.00
4. Translation difference of financial statements denominated in foreign currencies	–	553,501,236.38	(2,035,577.65)	551,465,658.73
5. Closing balance	531,980,339.39	24,404,408,422.83	55,440,495.67	24,991,829,257.89
II. Accumulated depreciation				
1. Opening balance	97,102,267.82	2,515,940,542.53	16,040,316.97	2,629,083,127.32
2. Increase for the current year	10,717,245.16	1,302,902,397.95	14,047,951.71	1,327,667,594.82
(1) Provision	10,717,245.16	1,302,902,397.95	14,047,951.71	1,327,667,594.82
3. Decrease for the current year	–	–	541,043.00	541,043.00
(1) Disposal	–	–	541,043.00	541,043.00
4. Translation difference of financial statements denominated in foreign currencies	–	106,013,369.22	(1,446,069.81)	104,567,299.41
5. Closing balance	107,819,512.98	3,924,856,309.70	28,101,155.87	4,060,776,978.55
III. Provision for impairment				
1. Opening balance	–	–	–	–
2. Increase for the current year	–	–	–	–
3. Decrease for the current year	–	–	–	–
4. Translation difference of financial statements denominated in foreign currencies	–	–	–	–
5. Closing balance	–	–	–	–
IV. Carrying amount				
1. Closing carrying amount	424,160,826.41	20,479,552,113.13	27,339,339.80	20,931,052,279.34
2. Opening carrying amount	434,878,071.57	21,067,877,483.92	33,426,184.49	21,536,181,739.98

At the end of the year, there are 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.

Note: The Group acquired 100% equity of Congo Construction Company SARL ("CCC") on 5 January 2018, thereby obtaining the relevant mining rights. Refer to Note (IV), 1 for details.

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

15. Goodwill

(1) *Original cost of goodwill*

Unit: RMB

Investee	1 January 2018	Translation differences of financial statements denominated in foreign currencies	**31 December 2018**
Brazil phosphorus business *(Note)*	833,594,422.85	(158,707,777.83)	**674,886,645.02**

Note: It represents the difference of the consideration paid for acquiring the phosphorus business in Brazil and the fair value of identifiable net assets in respect of the business combination involving enterprises not under common control on 1 October 2016.

(2) *Provision for impairment losses of goodwill*

Allocation of goodwill to asset groups

The Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill has been allocated to asset groups. The carrying amount of goodwill as at 31 December 2018 allocated to the asset groups is as follows:

Unit: RMB

	Cost	**Translation differences of financial statements denominated in foreign currencies**	**Provision for impairment**	**31 December 2018**
Asset group – Brazil phosphorus business	850,671,685.12	(175,785,040.10)	–	674,886,645.02

The recoverable amount of the asset group Brazil phosphorus 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. As the sale of the products in phosphorus business is priced in USD and settled in BRL, the management believes that the inflation risk faced with by the relevant business in the operation process mainly comes from the inflation risk in the environment denominated in USD. Therefore, the inflation rate used to infer the cash flow from the asset group after 5 years is 4.25% (based on the USD environment). 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 asset groups (Continued)

The key assumptions for calculating the present value of future cash flows for the above asset group as at 31 December 2018 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 asset groups are consistent with the external information.

According to the above impairment test, the management believes that the relevant goodwill has not been impaired.

16. Long-term prepaid expenses

Unit: RMB

Item	1 January 2018	Addition for the current year	Amortization for the current year	31 December 2018
Relocation compensation *(Note 1)*	49,938,590.76	–	6,180,310.02	**43,758,280.74**
Geological Museum project *(Note 2)*	27,000,000.00	–	600,000.00	**26,400,000.00**
Mining compensation *(Note 3)*	–	19,000,000.00	2,111,112.00	**16,888,888.00**
Others	39,250,795.51	12,782,747.05	10,057,840.75	**41,975,701.81**
Total	116,189,386.27	31,782,747.05	18,949,262.77	**129,022,870.55**

Note 1: The Company paid relocation compensation 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.

Note 3: Mining compensation is in relation to the mining compensation paid by the Company in the current year, which is amortised over the benefit period.

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

17. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets before offsetting

Unit: RMB

Item	31 December 2018 Deductible temporary difference	31 December 2018 Deferred tax assets	31 December 2017 Deductible temporary difference	31 December 2017 Deferred tax assets
Provision for asset impairment	**425,775,628.63**	**122,753,188.11**	453,362,777.33	135,506,588.56
Deductible losses *(Note 1)*	**1,088,825,124.06**	**367,172,809.90**	105,805,802.96	26,451,450.74
Differences in inventory costs	**74,309,177.27**	**22,292,753.18**	155,300,190.84	46,590,057.23
Unrealized gross profit	**330,615,931.78**	**87,273,326.32**	243,687,059.39	65,154,196.81
Deferred income from government grant	**74,045,061.50**	**16,593,907.19**	80,237,433.04	18,223,249.90
Outstanding expenses – net	**1,642,780,661.96**	**468,911,472.51**	2,671,065,038.42	772,356,394.53
Losses on disposal of fixed assets without filling	**23,403,398.76**	**3,510,509.81**	23,403,398.76	3,510,509.81
Effects of non-monetary items on exchange rates *(Note 2)*	**417,204,788.84**	**141,849,628.20**	129,902,114.65	47,664,494.95
Others	**197,434,932.47**	**65,803,753.85**	190,522,183.44	62,410,151.83
Total	**4,274,394,705.27**	**1,296,161,349.07**	4,053,285,998.83	1,177,867,094.36

Note 1: The actual amount of deductible losses that the Group may eventually deduct from the income tax in 2018 should be subject to final assessment of the local taxation authority. For the deductible losses arising from a part of subsidiaries for business in Brazil in the current year, refer to Note (V), 54, Note 2.

Note 2: Niobras adopts USD as its functional currency, but meanwhile, it makes tax declaration and annual filing in BRL for the operating activities in Brazil. As the non-monetary items including inventories and fixed assets of Niobras on the balance sheet are recognised and subsequently measured at historical exchange rate, resulting temporary difference between their tax bases and carrying amounts upon tax accounting, the Company accordingly recognises the relevant temporary difference as a deferred tax asset/liability.

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

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

(2) *Deferred tax liabilities before offsetting*

Unit: RMB

Item	31 December 2018 Taxable temporary differences	31 December 2018 Deferred tax liabilities	31 December 2017 Taxable temporary differences	31 December 2017 Deferred tax liabilities
Accrued interest income	**229,062,505.15**	**35,836,088.08**	667,824,863.18	100,173,729.50
Differences in depreciation of fixed assets	**10,771,190,657.52**	**3,247,672,205.89**	11,431,593,666.67	3,445,166,329.84
Profit or loss arising from fair value changes	**336,932,447.87**	**96,104,110.24**	250,770,683.98	64,361,774.73
Adjustment to the fair value of assets in business combination not involving enterprises under common control *(Note 3)*	**17,341,677,281.03**	**5,337,044,081.13**	18,746,013,810.72	5,795,938,801.83
Others	**238,382,677.18**	**75,025,210.61**	192,115,915.18	71,117,885.02
Total	**28,917,245,568.75**	**8,791,681,695.95**	31,288,318,939.73	9,476,758,520.92

Note 3: 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 RMB1,143,597,622.94 in 31 December 2018 (2017: RMB1,463,144,598.20). 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 at net 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 offsetting	Opening balance of deferred tax assets and deferred tax liabilities after offsetting	Opening balance of deferred tax assets and deferred tax liabilities after offsetting
Deferred tax assets	1,079,416,557.20	525,597,815.59	899,397,501.67	304,702,912.44
Deferred tax liabilities	1,079,416,557.20	8,021,118,162.47	899,397,501.67	8,603,594,339.00

The movement of deferred income tax assets of the year increased RMB17,679,055.35 due to the increase in the translation of financial statements denominated in foreign currencies. The movement of deferred income tax liabilities of the year increased RMB205,700,822.82 due to the increase 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	31 December 2018	31 December 2017
Deductible losses	**423,196,627.09**	494,049,867.80
Deductible temporary differences	**91,982,054.85**	40,022,088.45
Sub-total	**515,178,681.94**	534,071,956.25

Note: Due to the uncertainty in availability of sufficient taxable income in the future, deferred tax assets are not recognized.

(5) Deductible losses, for which deferred tax assets are not recognised, will expire in the following years

Unit: RMB

Year	31 December 2018	31 December 2017
2018	**–**	50,325,007.38
2019	**100,772,089.72**	105,083,076.86
2020	**137,346,839.11**	139,352,425.13
2021	**98,186,466.46**	128,669,044.49
2022	**57,442,657.83**	70,620,313.94
2023	**29,448,573.97**	–
Sub-total	**423,196,627.09**	494,049,867.80

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

18. Other non-current assets

Unit: RMB

Item	31 December 2018	31 December 2017
Time deposit mature over 1 year and related interest receivable	**200,000,000.00**	–
Borrowings due from SNEL *(Note 1)*	**1,251,660,684.70**	1,169,973,057.68
Amount due from TFM minority shareholders *(Note 2)*	**334,381,507.50**	336,086,433.05
Brazil deductible social contribution tax *(Note 3)*	**43,077,882.87**	46,007,302.20
Prepayments for water charges *(Note 4)*	**63,000,000.00**	63,000,000.00
Prepayments for farmland occupation tax *(Note 5)*	**18,836,266.71**	29,709,022.42
Prepayments for land *(Note 6)*	**8,659,900.00**	8,659,900.00
Land acquisition compensation due from government *(Note 7)*	**119,882,431.05**	133,689,732.00
Compensatory assets *(Note 8)*	**165,358,581.74**	185,502,017.48
Litigation guarantee *(Note 9)*	**64,697,389.96**	85,153,694.40
Others	**4,004,130.69**	19,672,613.80
Total	**2,273,558,775.22**	2,077,453,773.03

The Group recognises ECL provision of relevant financial assets in the other non-current assets on the basis of ECL. At 31 December 2018, the management of the Group believes that the credit risk of the relevant financial assets is not increased significantly since its initial recognition, and has no significant ECL.

Note 1: TFM's loan due from SNEL. The applicable interest rate for the loan is determined by 6-months Libor interest rate plus 3%, which will be settled by electricity charges payable in the future.

Note 2: TFM's loans due from Gécamines. As at 31 December 2018, the principal due to TFM is USD36,279,318.78 (equivalent to RMB248,992,220.65); the interest receivable is USD18,720,933.01 (equivalent to RMB128,485,507.43) 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 USD6,279,318.78 (equivalent to RMB43,096,220.58) will be recovered within one year and accounted for as other current assets. Refer to Note (V). 6 for details.

Note 3: 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 un-deducted 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). 4 for details.

Note 4: Refer to prepayments for water charges of Xinjiang Luomu Mining Co., Ltd (Xinjiang Luomu).

Note 5: The land occupation tax related to the land to be used in the future of the tailings owned by the mine.

Note 6: 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 7: 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 8: 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). 33), accordingly recognizes the right of relevant tax related compensation as non – current assets.

Note 9: Niobras and Copebras have some disputes and litigation arising from some of the tax, labour 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.

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

19. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	31 December 2018	31 December 2017
Credit loan	**4,588,152,515.23**	1,478,132,364.60
Total	**4,588,152,515.23**	1,478,132,364.60

(2) At the end of this year, there were no outstanding short-term borrowings of the Group that were overdue.

20. Held-for trading financial assets

Unit: RMB

Item	Closing fair value	Opening fair value
1. Liabilities from float interest rate foreign currency loan contract and forward foreign exchange contract measured at fair value and forward rate swap contract *(Note 1)*	**691,117,466.05**	–
2. Forward commodity contract and gold lease liabilities measured at fair value *(Note 2)*	**3,009,556,448.79**	3,000,757,420.00
3. Contingent consideration from the acquisition of copper-cobalt business in Congo (DRC) *(Note 3)*	**550,037,437.60**	591,430,044.60
Total	**4,250,711,352.44**	3,592,187,464.60

Note 1: The Group concluded a foreign currency loan contract at float rate with the bank. Meanwhile, the Group manages the risk in the relevant foreign currency loans at relevant float interest rate through purchase of corresponding forward foreign exchange contract and interest rate swap contract in order to hedge the cash flow risk arising from exchange rate risk and float interest rate of relevant liabilities. The Group decreases accounting mismatch by designating the relevant foreign currency loans at float interest rate as measured at fair value.

Note 2: The Group concluded gold lease agreement with the bank. During the lease term, the Group may sell the leased gold to a third party, and then return the gold in the same specification and with the same weight to the bank until the lease is matured. The obligation of the Group to return the gold is recognised as a financial liability at fair value. Meanwhile, in order to hedge the risk in commodity price of related liabilities, the Group uses gold forward contract to manage the risk in the obligations to return the gold with the same quantity and quality to the bank under the gold lease agreement so as to evade the risk undertaken by the Group in the fluctuation of fair value of held-for-trading financial liabilities with the fluctuation of gold market price.

Note 3: 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. Derivative financial liabilities

Unit: RMB

Item	31 December 2018	31 December 2017
Derivative financial liabilities – Forward foreign exchange contract	**75,423,332.52**	–
Total	**75,423,332.52**	–

22. Notes and accounts payable

Unit: RMB

Category	31 December 2018	31 December 2017
Notes payable	**29,000,000.00**	23,955,000.00
Accounts payable	**1,119,073,099.06**	976,480,556.74
Total	**1,148,073,099.06**	1,000,435,556.74

(1) Notes payable

Unit: RMB

Category	31 December 2018	31 December 2017
Bank acceptances	**9,000,000.00**	23,955,000.00
Trade acceptances	**20,000,000.00**	–
Total	**29,000,000.00**	23,955,000.00

(2) Accounts payable

Unit: RMB

Item	31 December 2018	31 December 2017
Payables for purchase of goods	**959,709,363.91**	853,338,766.90
Others	**159,363,735.15**	123,141,789.84
Total	**1,119,073,099.06**	976,480,556.74

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

22. Notes and accounts payable (Continued)

(2) Accounts payable (Continued)

Aging analysis on accounts payable is set out as follows:

Unit: RMB

Item	31 December 2018	31 December 2017
Within 1 year	**1,067,283,364.39**	954,173,751.20
1 to 2 years	**33,533,145.03**	13,825,574.87
Over 2 years	**18,256,589.64**	8,481,230.67
Total	**1,119,073,099.06**	976,480,556.74

23. Receipts in advance

Unit: RMB

Item	31 December 2018	31 December 2017
Sales of goods	–	127,796,251.75
Total	–	127,796,251.75

Note: The Group adopts the new revenue standards from 1 January 2018, and reclassifies the relevant receipts in advance into contract liabilities. For details, please refer to Note (V).24.

24. Contract liabilities

(1) Details of contract liabilities are as follows

Unit: RMB

Item	31 December 2018	31 December 2017
Receipts in advance of sales of goods	**200,667,461.95**	–
Total	**200,667,461.95**	–

(2) The receipts in advance for goods at the beginning of year (Note (V) 23) have been recognised as income in the current year. At the end of year, the contract liabilities of RMB196,912,344.76 at book value are expected to recognise as income in 2019, and RMB3,755,117.19 is expected to recognise as income in 2020 or subsequent years.

(3) The Group recognised the receipts in advance collected on a basis of commodity sales contract as contract liabilities, and relevant contract liabilities were recognised as sales income when the control over the goods were transferred to the customers.

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

25. Employee benefits payable

(1) Details of employee benefits payable are as follows

Unit: RMB

Item	1 January 2018	Increase in the current year	Decrease in the current year	Translation difference of financial statements denominated in foreign currencies	31 December 2018
1. Short-term compensation	399,593,635.50	1,997,304,909.11	1,935,108,285.45	(2,279,161.93)	**459,511,097.23**
2. Retirement benefits-defined contribution plans	13,499,457.76	124,352,037.24	127,852,442.41	(1,178,002.33)	**8,821,050.26**
3. Others *(Note)*	32,312,745.95	64,300,983.01	48,163,911.17	562,494.50	**49,012,312.29**
Total	445,405,839.21	2,185,957,929.36	2,111,124,639.03	(2,894,669.76)	**517,344,459.78**

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 short-term compensation plan which is provided by Group's subsidiary in Congo (DRC) to its employees, expected to be paid within 12 months.

(2) Details of short-term compensation are as follows

Unit: RMB

Item	1 January 2018	Increase in the current year	Decrease in the current year	Translation difference of financial statements denominated in foreign currencies	31 December 2018
I. Wages or salaries, bonuses, allowances and subsidies	388,147,122.83	1,890,489,176.99	1,830,317,734.40	(2,349,571.57)	**445,968,993.85**
II. Staff welfare	290,310.85	37,804,415.48	36,239,146.98	45,552.73	**1,901,132.08**
III. Social security contributions	909,404.77	27,665,321.83	28,026,715.06	24,856.91	**572,868.45**
Including: Medical insurance	895,367.70	23,072,821.66	23,860,279.77	24,856.91	**132,766.50**
Maternity insurance	843.57	1,556,821.65	1,555,599.20	–	**2,066.02**
Work injury insurance	13,193.50	3,035,678.52	2,610,836.09	–	**438,035.93**
IV. Housing funds	78,050.22	31,543,714.78	31,411,472.98	–	**210,292.02**
V. Termination benefits	–	–	–	–	**–**
VI. Labour union and staff education fund	10,168,746.83	9,802,280.03	9,113,216.03	–	**10,857,810.83**
Total	399,593,635.50	1,997,304,909.11	1,935,108,285.45	(2,279,161.93)	**459,511,097.23**

All the employee compensation payables are not overdue and not related to non-cash benefits, which will be expected to paid out in 2019.

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

25. Employee benefits payable (Continued)

(3) Retirement benefits – defined contribution plans

Unit: RMB

Item	1 January 2018	Increase in the current year	Decrease in the current year	Translation difference of financial statements denominated in foreign currencies	31 December 2018
1. Basis pension insurance	13,498,781.24	122,205,053.39	125,708,220.57	(1,178,002.33)	**8,817,611.73**
2. Unemployment insurance	676.52	2,146,983.85	2,144,221.84	–	**3,438.53**
Total	13,499,457.76	124,352,037.24	127,852,442.41	(1,178,002.33)	**8,821,050.26**

The Group participates, as required, in the pension insurance and unemployment insurance plan established by government institutions. According to such plans, the Group contributes monthly to such plans based the employee's basic salary. Except for above monthly contributions, the Group does not assume further payment obligations. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

In this year, the Group should contribute pension insurance and unemployment plans amounting to RMB122,205,053.39 and RMB2,146,983.85 (2017: RMB142,075,546.14 and RMB1,683,325.90). As at 31 December 2018, the Group has outstanding contributions to pension insurance and unemployment plans that is due as of the reporting period amounting to RMB8,817,611.73 and RMB3,438.53 (31 December 2017: RMB13,498,214.37 and RMB676.52). The relevant contributions have been paid after the reporting period.

26. Taxes payable

Unit: RMB

Item	31 December 2018	31 December 2017
PRC enterprise income tax	**54,587,686.10**	(17,684,695.54)
Australia enterprise income tax	**32,604,102.35**	10,647,360.64
Brazil enterprise income tax	**120,387,200.95**	58,931,949.80
Congo (DRC) enterprise income tax	**502,591,483.86**	950,808,805.26
Urban maintenance and construction tax	**2,087,423.36**	(1,948,445.56)
Value added tax	**60,573,581.82**	10,959,940.78
Resource tax and royalties of mineral rights	**244,149,616.24**	52,221,418.95
Education surcharges	**2,287,877.21**	(1,779,452.79)
Individual income tax	**57,786,768.77**	49,539,041.58
Others	**33,145,628.70**	26,100,287.12
Total	**1,110,201,369.36**	1,137,796,210.24

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

27. Other payables

Unit: RMB

Item	31 December 2018	31 December 2017
Dividends payable	**27,885,796.67**	27,885,796.67
Interest payable	**230,624,891.14**	219,805,549.94
Other payables	**769,271,109.25**	604,773,720.50
Total	**1,027,781,797.06**	852,465,067.11

(1) Dividends payable

Unit: RMB

Name of entity	31 December 2018	31 December 2017
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.

(2) Interest payable

Unit: RMB

Item	31 December 2018	31 December 2017
Interest on medium-term notes with periodic payments of interest and return of principal at maturity *(Note)*	**66,132,602.74**	66,132,602.75
Interest on bank borrowings	**164,492,288.40**	153,672,947.19
Total	**230,624,891.14**	219,805,549.94

Note: For the details, refer to Note (V).31.

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

27. Other payables (Continued)

(3) Other payables

(a) Other payables shall be listed based on nature

Unit: RMB

Item	31 December 2018	31 December 2017
Project and equipment funds	**369,012,315.81**	171,713,123.21
Loyalties due to Gécamines	**7,455,476.80**	42,090,109.74
Service and transportation expenses	**159,496,614.87**	139,010,173.46
Electricity charge compensation due to SNEL *(Note 1)*	**68,632,000.00**	65,342,000.00
Deposits and advances	**40,059,693.22**	35,204,707.85
Service fees payable	**341,333.57**	54,775,236.40
Resource expenses payable	**50,624,603.16**	23,084,747.89
Land compensation	**1,616,800.00**	8,369,753.98
Others	**72,032,271.82**	65,183,867.97
Total	**769,271,109.25**	604,773,720.50

Note 1: TFM and SNEL had a dispute on the future fee of electricity in 2015, the management of TFM accrued the compensation based on the best estimation of the possible cash flow out in the future.

28. Non-current liabilities due within one year

Unit: RMB

Item	31 December 2018	31 December 2017
Payables for exploration right in Hami, Xinjiang	**–**	10,000,000.00
Deferred income to be carried forward within one year *(Note (V).34)*	**7,417,144.28**	7,417,144.28
Long-term borrowings due within one year *(Note (V).30)*	**2,922,422,080.00**	4,780,399,163.34
Total	**2,929,839,224.28**	4,797,816,307.62

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

29. Other current liabilities

Unit: RMB

Item	31 December 2018	31 December 2017
Other accrued expenses	**130,541,907.62**	71,073,182.26
Total	**130,541,907.62**	71,073,182.26

30. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	31 December 2018	31 December 2017
Secured borrowings *(Note 1)*	**16,268,306,635.19**	16,935,905,304.91
Unsecured and non-guaranteed loans *(Note 2)*	**6,850,970,277.55**	9,878,382,377.70
Less: long-term borrowings due within one year *(Note (V).28)*	**2,922,422,080.00**	4,780,399,163.34
Total	**20,196,854,832.74**	22,033,888,519.27

Note 1: Borrowings obtained by the Group are through pledge of fixed deposits and equity of subsidiaries, including:

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 to 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.

Note 2: 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%.

The related default clauses have been agreed in the above loan contracts of the Group. The management of the Group verified the link indicators as agreed in the relevant default clauses at the end of each accounting period to determine that no events causing default existed.

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

30. Long-term borrowings (Continued)

(2) Analysis of long-term borrowings due over one year:

Unit: RMB

Expiration date	31 December 2018	31 December 2017
1 to 2 years	**3,512,041,857.17**	4,681,724,845.18
2 to 5 years	**14,506,433,295.57**	7,647,569,834.09
More than 5years	**2,178,379,680.00**	9,704,593,840.00
Total	**20,196,854,832.74**	22,033,888,519.27

As at 31 December 2018, the annual interest rate for the above loans was 0.5447% to 4.5225% (31 December 2017: 0.5153% to 4.5125%).

As at 31 December 2018, there is no outstanding long-term borrowing of the Group in due but not paid.

31. Bonds payable

(1) Bonds payable

Unit: RMB

Item	31 December 2018	31 December 2017
Medium-term note	**2,000,000,000.00**	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	Term	Issue amount	1 January 2018	Payment in this period year	Issued amount for the year	Accrued interest at par value	Interests paid during the year	Closing interest payable	Amortization of premium and depreciation	Exercise of convertible option during the period	Amount due within one year	31 December 2018
16 Luanchuan Molybdenum MTN001 *(Note 1)*	2,000,000,000.00	17 March 2016	5 years	2,000,000,000.00	2,000,000,000.00	–	–	84,400,000.00	84,400,000.00	66,132,602.74	–	–	–	**2,000,000,000.00**
Total	2,000,000,000.00			2,000,000,000.00	2,000,000,000.00	–	–	84,400,000.00	84,400,000.00	66,132,602.74	–	–	–	**2,000,000,000.00**

Note 1: The Company issued medium-term notes with a total par value of RMB2 billion (referred to: 16 Luanchuan Molybdenum MTN001) on 17 March 2016; and the relevant bonds are 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, 4.22% with a term of 5 years and the interest is paid once a year in the duration. See Note (V). 27 for the details of interest payable.

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

32. Long-term employee benefits payable

Unit: RMB

Item	31 December 2018	31 December 2017
Long service leave *(Note 1)*	**83,015,797.25**	64,382,271.54
Compensations for employee resignation *(Note 2)*	**43,887,418.65**	–
Others	**2,161,509.93**	–
Total	**129,064,725.83**	64,382,271.54

Note 1: 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.

Note 2: It represents the compensations for employee resignation of the Group based on the employee service years in accordance with the Labour Law in Congo (DRC).

33. Provisions

Unit: RMB

Item	31 December 2018	31 December 2017
Rehabilitation and asset abandonment cost *(Note 1)*	**1,327,862,803.97**	1,357,296,132.95
Lawsuit *(Note 2)*	**580,221,302.81**	682,983,334.48
Others	**–**	9,624,876.60
Total	**1,908,084,106.78**	2,049,904,344.03

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, labours 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.

34. Deferred income

Unit: RMB

Item	31 December 2018	31 December 2018
Refunds of land-transferring fees *(Note 1)*	**14,973,581.90**	15,359,167.70
R & D subsidies *(Note 2)*	**3,000,000.00**	3,000,000.00
Demonstration base project subsidies *(Note 2)*	**54,873,395.54**	61,878,265.34
Comprehensive tax and industrialization award for large-scale tungsten associated copper rhenium	**1,200,000.00**	–
Others	**45,416.80**	70,189.60
Less: deferred income carried forward within 1 year *(Note (V).28)*	**7,417,144.28**	7,417,144.28
Total	**66,675,249.96**	72,890,478.36

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 of liabilities	1 January 2018	Increase in the year	Recorded in other income	31 December 2018	Related to assets/income (Note)
Deferred income-subsidies for low-grade scheelite demonstration project	61,878,265.34	–	7,004,869.80	**54,873,395.54**	Related to assets
Subsidies of the return of Nannihu land premium	15,359,167.70	–	385,585.80	**14,973,581.90**	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
Comprehensive tax and industrialization award for large-scale tungsten associated copper rhenium	–	1,200,000.00	–	**1,200,000.00**	Related to assets
Subsidies for installation of heavy metal automatic monitoring facilities	70,189.60	–	24,772.80	**45,416.80**	Related to assets
Total	80,307,622.64	1,200,000.00	7,415,228.40	**74,092,394.24**	

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)

35. Other non-current liabilities

Unit: RMB

Item	31 December 2018	31 December 2017
Principal, interest and others payable to third parties *(Note 1)*	**–**	385,567,566.20
Service fees payable to third parties *(Note 2)*	**–**	59,826,606.06
Production progress fees payable to Gécamines *(Note 3)*	**68,632,000.00**	65,342,000.00
Acquisition consideration payable to BHR shareholders *(Note 4)*	**3,225,704,000.00**	3,071,074,000.00
Others	**–**	18,533,506.21
Total	**3,294,336,000.00**	3,600,343,678.47

Note 1: In April 2018, the Group sold 100% equity held in Tibet Chaoxu to a third party, and the counterparty paid off the relevant transaction consideration for the long-term loan principal and interest of the Group. Refer to Note (V), 10 for details.

Note 2: The Group has paid off the service fees to third parties within year 2018.

Note 3: In accordance with the mining agreement entered into between the Group and Gécamines, Gécamines needs to charge TFM production progress fees. On 31 December 2018, the outstanding payment is USD10 million; according to TFM's production plan, the remaining amount is expected to be paid after 2020.

Note 4: As disclosed in Note (I), 2 and 3, at 20 January 2017, the Group concluded a frame cooperation agreement with BHR and its investors to obtain the control over BHR and its affiliated assets in the manner of control by agreement, and meanwhile to promise to provide fixed annualized withdrawal returns to the investors of BHR over the corresponding period.

36. Share capital

As at 31 December 2018, the Company issues 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 shares are shown as follow:

Unit: shares

		Changes for the year					
	1 January 2018	Issuing new shares	Bonus	Capitalisation of surplus reserve	Others (Note)	Subtotal	31 December 2018
2018:							
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. Unrestricted trading shares							
1. Ordinary shares denominated in RMB	12,953,730,699	–	–	–	4,712,041,884	4,712,041,884	**17,665,772,583**
2. Foreign-owned shares listed overseas	3,933,468,000	–	–	–	–	–	**3,933,468,000**
Total amount of unrestricted trading shares	16,887,198,699	–	–	–	4,712,041,884	4,712,041,884	**21,599,240,583**
III. Total amount of shares	21,599,240,583	–	–	–	–	–	**21,599,240,583**

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

36. Share capital (Continued)

	1 January 2018	Changes for the year: Issuing new shares	Bonus	Capitalisation of surplus reserve	Others (Note)	Subtotal	31 December 2018
2017:							
I. Shares restricted for trading							
1. Shareholding of state-own legal-person	–	–	–	–	–	–	–
2. Other domestic-owned shares *(Note)*	–	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. Unrestricted 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 trading 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

Note: As at 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, including share capital of RMB942,408,376.80. After the issuance, the share capital of the Company was 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 and restriction has been released in July 2018.

37. Capital reserve

Unit: RMB

Item	1 January 2018	Increase in the year	Decrease in the year	31 December 2018
2018:				
Total capital premium	**27,582,794,983.23**	**–**	**–**	**27,582,794,983.23**
Including: Capital invested by investors	**27,580,672,943.23**	**–**	**–**	**27,580,672,943.23**
Other capital reserves	**2,122,040.00**	**–**	**–**	**2,122,040.00**
Total	**27,582,794,983.23**	**–**	**–**	**27,582,794,983.23**

Item	1 January 2018	Increase in the year	Decrease in the year	31 December 2018
2017:				
Total 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

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

38. Other comprehensive income

Unit: RMB

Item	1 January 2018	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	31 December 2018
I. Other comprehensive income cannot be reclassified into the profit or loss subsequently	(13,156,998.50)	(35,379,553.82)	–	(9,078,326.89)	(26,301,226.93)	–	**(39,458,225.43)**
Including: Changes in fair value of other equity instrument investments	(13,156,998.50)	(35,379,553.82)	–	(9,078,326.89)	(26,301,226.93)	–	**(39,458,225.43)**
II. Other comprehensive income to be reclassified into the profit or loss subsequently	(613,007,971.89)	233,034,849.84	–	(3,019,975.47)	(146,861,222.89)	382,916,048.20	**(759,869,194.78)**
Including: Gains and losses from changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	**–**
Cash flow hedge reserve	–	(20,133,169.82)	–	(3,019,975.47)	(17,113,194.35)	–	**(17,113,194.35)**
Shares enjoyed in other comprehensive income that will be reclassified in profit or loss in the investee under equity method	–	(20,822,262.48)	–	–	(20,822,262.48)	–	**(20,822,262.48)**
Exchange differences of financial statements denominated in foreign currencies	(613,007,971.89)	273,990,282.14	–	–	(108,925,766.06)	382,916,048.20	**(721,933,737.95)**
Total of other comprehensive incomes	(626,164,970.39)	197,655,296.02	–	(12,098,302.36)	(173,162,449.82)	382,916,048.20	**(799,327,420.21)**

39. Special reserve

Unit: RMB

Item	1 January 2018	Increase in the year	Decrease in the year	31 December 2018
2018:				
Safety production expense	**7,725,910.79**	**133,704,462.03**	**138,391,985.88**	**3,038,386.94**
Total	**7,725,910.79**	**133,704,462.03**	**138,391,985.88**	**3,038,386.94**

Item	1 January 2017	Increase in the year	Decrease in the year	31 December 2017
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

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

40. Surplus reserve

Unit: RMB

Item	1 January 2018	Increase in the year	Decrease in the year	31 December 2018
2018:				
Statutory surplus reserve *(Note)*	**968,190,696.10**	**192,205,494.11**	**–**	**1,160,396,190.21**

Item	1 January 2017	Increase in the year	Decrease in the year	31 December 2017
2017:				
Statutory surplus reserve *(Note)*	840,098,875.14	128,091,820.96	–	968,190,696.10

Note: In accordance with the Company Law of the PRC, the Company appropriated the statutory surplus reserve at 10% of the net profit of 2018, which amounts to RMB192,205,494.11 (2017: RMB128,091,820.96).

41. Retained profits

Unit: RMB

Item	31 December 2018	31 December 2017
Retained profits at the end of previous year	**5,517,441,023.24**	3,508,788,628.94
Effect on changes in accounting policies *(Note (III) 32)*	**362,846,116.65**	–
Retained profits at the beginning of current year	**5,880,287,139.89**	3,508,788,628.94
Add: Net profit attributable to shareholders of the parent company for the year	**4,635,583,953.16**	2,727,796,169.73
Less: Appropriation to statutory surplus reserve *(Note 1)*	**192,205,494.11**	128,091,820.96
Ordinary shares payable *(Note 2)*	**1,641,542,284.31**	591,051,954.47
Retained profits at the end of current year	**8,682,123,314.63**	5,517,441,023.24

Note 1: See Note (V).40 for details.

Note 2: Cash dividend has been approved in shareholders' meeting of the year.

As resolved at the Company's 2017 annual general meeting on 25 May 2018, the Company distributed to all shareholders cash dividends of RMB0.076 per share, RMB1,641,542,284.31 in total (2017: RMB591,051,954.47).

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 RMB0.11 per share (2017: RMB0.076) will be distributed to all the shareholders.

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

42. Operating income and operating costs

(1) Operating income (by category)

Unit: RMB

	2018		2017	
Item	**Revenue**	**Costs**	Revenue	Costs
Principal operating activities	**25,785,918,756.05**	**16,010,717,728.76**	23,968,549,678.63	15,063,081,582.84
Including: Sales of goods	**25,785,918,756.05**	**16,010,717,728.76**	23,968,549,678.63	15,063,081,582.84
Other operating activities	**176,944,017.72**	**169,529,391.70**	179,008,085.47	148,859,473.32
Including: Income from hotel services	**58,766,484.37**	**47,841,714.15**	58,623,591.44	48,156,452.52
Other income	**118,177,533.35**	**121,687,677.55**	120,384,494.03	100,703,020.80
Total	**25,962,862,773.77**	**16,180,247,120.46**	24,147,557,764.10	15,211,941,056.16

(2) Principal operating activities (by products)

Unit: RMB

	2018		2017	
Name of products	**Operating income**	**Operating costs**	Operating income	Operating costs
Molybdenum, tungsten and related products	**4,749,130,358.46**	**1,888,847,291.12**	3,772,287,274.74	1,819,355,167.19
Niobium related products	**2,155,536,187.79**	**1,508,705,257.58**	1,670,081,521.37	1,251,484,058.05
Phosphorus related products	**2,821,185,746.52**	**2,323,517,812.18**	2,834,185,561.20	2,462,084,175.50
Copper, cobalt and related products	**14,373,797,900.75**	**9,172,220,457.93**	13,844,637,480.60	8,302,165,519.84
Copper, gold and related products	**1,458,264,277.62**	**1,030,876,464.38**	1,663,825,511.70	1,145,760,601.76
Others	**228,004,284.91**	**86,550,445.57**	183,532,329.02	82,232,060.50
Total	**25,785,918,756.05**	**16,010,717,728.76**	23,968,549,678.63	15,063,081,582.84

(3) Performance obligations

Sales of goods:

The Group sells minerals including molybdenum, tungsten, niobium, phosphorus, copper, cobalt and gold, etc. to the customers. Generally, the performance business only includes delivery of goods in the contract concerning sales of goods, so the consideration of sale is recognised according to the fixed price or temporary pricing arrangement as agreed in the sales contract. The Group recognises the revenue at the time point when the control over the relevant goods are passed to the customers.

Meanwhile, the Group conducts business in the manner of receipts in advance or credit selling according to the credit status of the counterparty.

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

42. Operating income and operating costs (Continued)

(3) Performance obligations (Continued)

Income from hotel services:

The Group provides services to the customers through its self-operated hotels and accordingly obtain revenue which is recognised over the period when the customers obtain and consume the relevant services.

Other income:

The Group provides auxiliary services including diesel and electric power to the customers and accordingly obtain revenue which is recognised over the period when the customers obtain and consume the relevant services.

(4) The transaction price allocated to performance obligation that has not been performed (or not been performed partly) are expected to be recognised as revenue at the time as follows:

Unit: RMB

Item	Within 1 year	1–2 years	2–3 years	Over 3 years	Total
Molybdenum, tungsten and related products	135,043,760.11	–	–	–	135,043,760.11
Niobium related products	90,934,416.47	–	–	–	90,934,416.47
Phosphorus related products	1,845,217.54	–	–	–	1,845,217.54
Copper, cobalt and related products	115,065,967.77	–	–	–	115,065,967.77
Others	1,954,614.85	1,248,292.26	958,456.17	1,335,814.95	5,497,178.23
Total	344,843,976.74	1,248,292.26	958,456.17	1,335,814.95	348,386,540.12

43. Taxes and levies

Unit: RMB

Item	**2018**	2017	**Basis of calculation**
Urban maintenance and construction tax	**28,478,161.59**	21,469,899.93	*Note (IV)*
Education surcharge	**16,874,414.60**	12,999,465.39	*Note (IV)*
Resource tax and royalties of mineral rights	**858,283,891.36**	216,027,160.28	*Note (IV)*
Others	**115,156,668.06**	93,831,297.23	
Total	**1,018,793,135.61**	344,327,822.83	

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

44. Selling expenses

Unit: RMB

Item	2018	2017
Salary, bonus and allowances	**22,552,459.93**	26,489,852.09
Transportation costs	**–**	59,796,937.78
Entertainment expenditures	**1,763,395.47**	1,320,860.78
Traveling expense	**3,720,342.20**	4,192,316.11
Market consulting fee	**47,945,864.40**	103,086,429.19
Others	**20,839,931.66**	19,954,604.87
Total	**96,821,993.66**	214,841,000.82

45. Administrative expenses

Unit: RMB

Item	2018	2017
Salary, bonus and allowances	**375,372,448.18**	399,920,355.66
Depreciation and amortisation	**94,397,645.37**	62,040,131.73
Consulting and agency fees	**282,718,806.59**	399,781,032.74
Entertainment expenditures	**21,299,752.05**	20,355,164.32
Others	**159,556,887.07**	175,203,564.65
Total	**933,345,539.26**	1,057,300,249.10

46. Financial expenses

Unit: RMB

Item	2018	2017
Interest expenses on bonds	**93,400,000.00**	180,002,333.16
Discount interest of notes receivable	**21,961,919.70**	13,287,536.12
Interest expenses of bank loans	**1,335,377,172.75**	1,082,931,091.41
Total interest expenses:	**1,450,739,092.45**	1,276,220,960.69
Less: Interest income	**1,037,941,410.44**	765,373,154.74
Exchange differences	**(248,004,137.17)**	389,913,901.81
Gold lease charges	**115,799,546.91**	121,559,742.96
Returns paid to BHR shareholders *(Note)*	**211,902,215.20**	158,391,378.72
Others	**150,550,821.47**	236,261,160.19
Total	**643,046,128.42**	1,416,973,989.63

Note: As disclosed in Note (I), 2 and 3, at 20 January 2017, the Group concluded a frame cooperation agreement with BHR and its investors to obtain the control over BHR and its affiliated assets in the manner of control by agreement, and meanwhile to promise to provide fixed annualized withdrawal returns to the investors of BHR over the corresponding period. The Group has provided financial expenses in respect of the returns as agreed.

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

47. Impairment losses on assets

Unit: RMB

Item	2018	2017
Bad debt losses	–	8,257,801.11
Losses on decline in value of inventories	34,967,300.30	31,148,265.10
Impairment losses on construction in progress	31,615,388.19	–
Impairment losses on fixed assets	–	17,195,483.55
Total	66,582,688.49	56,601,549.76

48. Impairment losses on credit

Unit: RMB

Sources of impairment losses on credit	2018	2017
Impairment losses on notes and accounts receivable	14,258,174.79	–
Impairment losses on other receivables	3,534,477.21	–
Total	17,792,652.00	–

Note: As of 1 January 2018, the Group recognised ECL provision in respect of accounts receivable, and other financial assets classified as amortised cost, and debt instruments classified at FVTOCI in accordance with the requirement of the new standards for financial instrument.

49. Gains (losses) from changes in fair values

Unit: RMB

	2018	2017
Sources resulting in gains (losses) from changes in fair values:		
Gains (Losses) from the changes in the fair value of forward foreign exchange contract	(75,311,410.80)	(31,826,351.24)
Gains (Losses) from gold lease measured in fair value and changes in fair value of forward contract *(Note (V). 20)*	(29,484,358.79)	(15,636,470.00)
Gains from changes in fair value of consumable biological assets *(Note (V). 5)*	4,091,839.13	4,391,611.20
Gains (Losses) from changes in fair value of the contingent consideration for the acquisition of Congo (DRC) copper-cobalt business *(Note (V). 20)*	69,465,519.00	(428,694,671.16)
Gains (Losses) from the changes in the fair value of other non-current financial assets at FVTPL.	154,753,873.36	–
(Losses) from the changes in the fair value of float interest rate foreign currency loan contract and forward foreign exchange contract measured at fair value and forward rate swap contract *(Note (V). 20)*	(1,107,466.05)	–
Total	122,407,995.85	(471,765,881.20)

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

50. Investment income

(1) *Details of investment income*

Unit: RMB

Item	2018	2017
Income from long-term equity investments under equity method	**69,110,578.55**	30,173,577.43
Investment income from other non-current financial assets in the current period *(Note (V). 10)*	**87,156,988.46**	2,308,688.30
Investment income on disposal of other non-current financial assets *(Note (V). 10)*	**46,591,865.10**	–
Losses on delivery of forward foreign exchange contract	**(589,586.35)**	–
Investment income on disposal of available-for-sale financial assets	**–**	121,636.46
Investment income on disposal of held-for-trading financial liabilities	**–**	76,095,119.34
Total	**202,269,845.76**	108,699,021.53

(2) *Gains (losses) from long-term equity investments under equity method:*

Unit: RMB

Investee	2018	2017	Reasons for change between this year and last year
Yulu Mining	**114,098,798.55**	108,165,269.84	The changes in profits of the invested company
Luoyang Shenyu	**(177,816.66)**	(128,535.22)	The changes in profits of the invested company
High-Tech	**(7,066,150.12)**	(11,666,790.31)	The changes in profits of the invested company
Huan Yu	**(56,493,675.24)**	(66,196,366.88)	The changes in profits of the invested company
Natural Resources Investment Fund	**18,749,422.02**	–	The changes in profits of the invested company
Total	**69,110,578.55**	30,173,577.43	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 investment in the unlisted entities.

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

51. Other income

Unit: RMB

Item	2018	2017	Related to assets/income
Special funds for the development of manufacturing industry	–	3,360,000.00	Related to income
Subsidies for reclamation of the land in Longwangmian village	–	1,426,249.03	Related to income
Government subsidies for job stabilisation	925,935.00	1,657,181.00	Related to income
Nannihu land transfer compensation	385,585.80	385,585.80	Related to assets
Deferred income-subsidies for low-grade scheelite demonstration project	7,004,869.80	7,005,006.77	Related to assets
Rewards for research and development	3,000,000.00	–	Related to income
Subsidy for installing automatic monitoring equipment for heavy metal	24,772.80	24,772.80	Related to assets
Others	1,209,257.90	–	Related to income
Total	12,550,421.30	13,858,795.40	

52. Non-operating income

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

Unit: RMB

Item	2018	2017
Government grants	1,960,000.00	9,937,040.00
Others	618,175.70	29,108,996.11
Total	2,578,175.70	39,046,036.11

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

52. Non-operating income (Continued)

(2) Details of major government grants:

Unit: RMB

Item	2018	2017	Related to assets/ income
Special funds for foreign trade development	–	6,596,500.00	Related to income
2016 direct debt financing subsidies	–	1,554,000.00	Related to income
Special rewards received for financial industry development	–	890,000.00	Related to income
Rewards for high-tech enterprises	–	200,000.00	Related to income
Special subsidies for the development of import and export enterprises	–	200,000.00	Related to income
Fund support for enterprise technology center R & D platform	**1,100,000.00**	–	Related to income
Carrying forward fiscal subsidy for closing of gutter way tailings pond	**860,000.00**	–	Related to income
Others	–	496,540.00	Related to income
Total	**1,960,000.00**	9,937,040.00	

53. Non-operating expenses

Unit: RMB

Item	2018	2017
External donations	**59,932,740.00**	29,235,336.57
The losses of debt restructuring	–	48,000.00
Others	**10,771,829.62**	5,024,724.73
Total	**70,704,569.62**	34,308,061.30

54. Income tax expenses

Unit: RMB

Item	2018	2017
Current tax expenses calculated according to tax laws and relevant requirements	**2,809,420,983.78**	2,302,934,954.05
Differences arising on settlement of income tax for the previous year	**45,047,581.11**	(12,353,243.77)
Adjustments to deferred income tax	**(1,014,652,655.50)**	(504,380,481.65)
Total	**1,839,815,909.39**	1,786,201,228.63

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

54. Income tax expenses (Continued)

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

Unit: RMB

	2018	2017
Accounting profit	**6,989,857,415.63**	5,381,816,656.45
Income tax expenses calculated at 15% (2017: 15%)	**1,048,478,612.34**	807,272,498.48
Effects of non-deductible expenses for tax purpose	**274,484,184.80**	252,732,463.89
Effects of tax-free income/extra deductible expense for tax purpose	**(78,381,156.49)**	(156,822,442.75)
Effects of utilizing previously unrecognised deductible losses and deductible temporary differences for tax purpose	**(22,241,328.57)**	–
Effects of unrecognised deductible loss and deductible difference for tax purpose	**14,603,307.41**	78,189,443.33
Capital interest deductible before tax *(Note 1)*	**–**	(4,486,490.63)
Effects of non-currency monetary items for tax purpose *(Notes (V). 17 Note 2)*	**(41,104,893.32)**	17,314,632.21
Deductible losses generated from tax reports *(Note 2)*	**(154,482,424.28)**	–
Effects of different tax rate in subsidiaries in other jurisdictions	**753,412,026.39**	804,354,367.87
Difference arising on settlement of income tax for the previous years	**45,047,581.11**	(12,353,243.77)
Total	**1,839,815,909.39**	1,786,201,228.63

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.

Note 2: In the Group's business in Brazil, a part of enterprises adopt RMB as their functional currency, but meanwhile, they make tax declaration and annual filing in BRL as the functional currency according to the local tax regulations of Brazil. Therefore, the management accordingly recognises the relevant the tax loss in the statements denominated in BRL as a deferred tax asset.

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

	2018	2017
Net profit attributable to ordinary shareholders for the current year	**4,635,583,953.16**	2,727,796,169.73

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

55. Calculation process of basic earnings per share and diluted earnings per share (Continued)

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

	2018	2017
Number of ordinary shares issued at the beginning of year	**21,599,240,583.00**	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	**21,599,240,583.00**	19,046,884,562.50

Earnings per share:

Unit: RMB

	2018	2017
Calculated based on net profit attributable to shareholders of the Company:		
Basic earnings per share	**0.21**	0.14
Diluted earnings per share	**N/A**	N/A

56. Notes to the cash flow statement

(1) *Other cash received relating to operating activities*

Unit: RMB

Item	2018	2017
Receipts of interest income	**1,127,367,187.31**	609,325,607.81
Receipts of government grants	**8,295,192.90**	16,380,470.03
Others	**618,175.70**	29,108,996.11
Total	**1,136,280,555.91**	654,815,073.95

(2) *Other cash payments relating to operating activities*

Unit: RMB

Item	2018	2017
Payments for consulting fee, technology development fee and transportation fee, etc.	**872,791,117.25**	916,950,547.01
Payments of donations and penalty, etc.	**58,445,000.00**	22,541,000.00
Payments of bank charges and consulting fees	**55,991,820.38**	139,093,963.34
Others	**184,135,938.98**	195,116,866.09
Total	**1,171,363,876.61**	1,273,702,376.44

(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	2018	2017
Cash receipts from withdrawal of bank structured deposits and wealth investment products of other financial institutions	**5,999,365,075.34**	1,953,812,919.34
Cash receipts from withdrawal of investment in available-for sale financial assets	**–**	49,000,000.00
Cash receipts from recovery of borrowings to related parties	**77,450,500.00**	–
Total	**6,076,815,575.34**	2,002,812,919.34

(4) *Cash payments to acquire investments*

Unit: RMB

Item	2018	2017
Cash payment for purchasing bank structured deposits and wealth investment products of other financial institutions	**2,770,781,824.21**	4,809,363,548.12
Cash payment for purchasing available-for-sale financial assets	**–**	24,924,065.65
Cash payment for purchasing non-current financial assets	**623,098,370.48**	–
Cash payment for settlement derivative financial instrument	**589,586.35**	–
Cash payment for investment in Natural Resources Elite Investment Limited	**1,457,743,680.00**	–
Total	**4,852,213,461.04**	4,834,287,613.77

(5) *Other cash payments relating to investing activities*

Unit: RMB

Item	2018	2017
Cash payment for loans to third party	**26,911,616.95**	–
Cash payment for loans to related party	**1,038,298,500.00**	216,703,582.18
Payment for transaction costs relating to acquisition	**–**	114,893,082.82
Total	**1,065,210,116.95**	331,596,665.00

(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	2018	2017
Cash receipts from gold lease business	**2,323,958,920.00**	1,485,196,100.00
Cash receipts from business of float interest rate foreign currency loan contract and forward foreign exchange contract and forward rate swap contract	**690,010,000.00**	–
Total	**3,013,968,920.00**	1,485,196,100.00

(7) Other cash payments relating to financing activities

Unit: RMB

Item	2018	2017
Cash paid for gold leasing business	**2,318,701,420.00**	1,252,140,400.00
Commission charge related to gold leasing business and guarantee fees related to loans	**165,562,636.35**	115,773,372.12
Borrowing guarantee deposit and arrangement fee	**90,394,100.43**	40,757,888.98
Fixed remuneration paid to BHR shareholders	**211,902,215.20**	158,391,378.72
Acquisition of minority interests in the scope of consolidation	**–**	7,778,979,755.24
Total	**2,786,560,371.98**	9,346,042,795.06

(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	2018	2017
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	**5,150,041,506.24**	3,595,615,427.82
Add: Provision for impairment losses of assets	**66,582,688.49**	56,601,549.76
Impairment provision on credit	**17,792,652.00**	–
Depreciation of fixed assets	**2,614,789,058.40**	2,909,197,120.71
Amortisation of intangible assets	**1,327,667,594.82**	1,721,443,177.74
Amortisation of long-term prepaid expenses	**18,949,262.77**	15,339,312.32
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	**31,121,956.96**	17,491,578.26
Losses (gains) on changes in fair value	**(122,407,995.85)**	471,765,881.20
Financial expenses	**1,619,978,579.12**	1,647,814,579.44
Gains arising from investments	**(202,269,845.76)**	(108,699,021.53)
Increase in deferred tax assets	**(1,014,652,655.50)**	(504,380,481.65)
Decrease in inventories (increase is filled in column with "-")	**(1,167,952,500.09)**	(1,087,660,618.33)
Decrease in operating receivables (increase is filled in column with "-")	**848,840,342.46**	(710,844,286.45)
Increase in operating payables (decrease is filled in column with "-")	**240,585,698.34**	263,387,252.31
Amortisation of deferred income	**(7,415,228.40)**	(7,415,365.37)
Increase in special reserve (decrease is filled in column with "-")	**(4,687,523.85)**	(844,178.64)
Decrease in restricted bank deposits (increase is filled in column with "-")	**17,570,000.00**	150,000,000.00
Net cash flow from operating activities	**9,434,533,590.15**	8,428,811,927.59
2. Significant investing and financing activities that do not involving cash:		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	**23,240,703,274.03**	19,781,418,278.86
Less: Opening balance of cash	**19,781,418,278.86**	8,420,208,068.29
Add: Closing balance of cash equivalents	**–**	–
Less: Opening balance of cash equivalents	**–**	–
Net increase (decrease) in cash and cash equivalents	**3,459,284,995.17**	11,361,210,210.57

(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	31 December 2018	31 December 2017
1. Cash	**23,240,703,274.03**	19,781,418,278.86
Including: Cash on hand	**1,471,630.90**	1,045,556.05
Bank deposits always available for payment	**23,239,231,643.13**	19,780,372,722.81
Other monetary funds always available for payment	**–**	–
2. Cash equivalents	**–**	–
3. Closing balance of cash and cash equivalents	**23,240,703,274.03**	19,781,418,278.86

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
Cash and bank balances			767,906,530.09
Including: RMB	1,813,608.27	1.0000	1,813,608.27
USD	37,693,009.93	6.8473	258,094,437.85
EUR	10,785,578.05	7.9677	85,935,983.38
HKD	1,022,801.28	0.8763	896,276.62
CAD	1,178,505.21	5.0183	5,914,038.36
AUD	40,374,754.75	4.8440	195,577,196.88
BRL	116,124,938.42	1.7712	205,685,113.36
GBP	369,190.72	8.9401	3,300,603.82
CDF	33,450,352.21	0.0042	139,810.11
ZAR	22,017,449.36	0.4779	10,521,233.03
SGD	5,654.31	4.9924	28,228.41
Short-term borrowings			1,932,329,246.01
Including: USD	24,999,999.99	6.8632	171,579,999.93
EUR	224,000,000.00	7.8605	1,760,749,246.08

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

58. Foreign currency monetary items (Continued)

(2) Details of significant overseas operating entities

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	AUD	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.	Congo (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

59. Hedge

The Group enters into interest rate swap contracts to mitigate the cash flow risk arising from its float interest rate borrowings, i.e., some of the float interest rate borrowings are converted into fixed interest rate borrowings. In 2018, the Group designated the acquired interest rate swap contracts as hedging instrument, and the critical terms of these interest rate swap contracts are similar to those of the borrowings. The Group determines the quantitative proportion between hedging instrument and the hedged items is 1:1 through qualitative analysis. The Group adopts cash flow hedging for such hedging, with the major terms as follows:

Nominal amount	Maturity date	Terms of the swap
USD450,000,000	6 February 2018 to 16 November 2023	Loan interest rate of 3M LIBOR +1.70% swapped to fixed interest rate of 4.233%
USD350,000,000	28 March 2018 to 16 November 2023	Loan interest rate of 3M LIBOR +2.75% swapped to fixed interest rate of 5.430%
USD300,000,000	4 December 2018 to 16 November 2023	Loan interest rate of 3M LIBOR swapped to fixed interest rate of 2.949%

As at the balance sheet date, the loss arising from the changes in fair value of cash flow hedging instruments that have recognised in the other comprehensive income is RMB20,133,169.82, and is expected to be transferred gradually to the income statement within 59 months after the balance sheet date.

In this year, the Group reclassified RMB11,879,120.09 from other comprehensive income to profit or loss.

(VI) CHANGE OF CONSOLIDATION SCOPE

1. Subsidiaries acquired from third parties this year

(1) *New subsidiaries*

Unit: RMB

Acquiree	Date of equity acquisition	Cost on equity acquisition	Percentage of equity acquired *(%)*	Acquisition Method	Acquisition date	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net profit (losses) of the acquiree from the acquisition date to the end of the period
CCC	5 January 2018	259,056,720.00	100%	By cash	5 January 2018	Transfer of control	–	(9,175,254.89)

Note: Bandra Investment Limited and Harefield Overseas Limited, the second-tier wholly-owned subsidiaries of the Company, concluded an equity transfer contract on 2 January 2018 for an acquisition of 100% equity of CCC held by Harefield Overseas Limited at the consideration of USD40 million (equivalent to RMB259,056,720). CCC owned the PE13888 mining right focused on phosphorus in Moanda District, Bas-Fleuve Area, Congo Province, Congo (DRC). This acquisition of equity was closed on 5 January 2018. As at the balance sheet date, CCC SARL has not carried out operation actually.

(2) *Assets, liabilities and consideration of new subsidiaries on acquisition date*

Unit: RMB

	CCC SARL Acquisition date Fair value
Assets:	–
Intangible assets	259,056,720.00
Sub-total of assets	259,056,720.00
Net assets	259,056,720.00
Less: minority interests	–
Acquired net assets	259,056,720.00
Consideration – Cash	259,056,720.00

(VII) INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Constitution of the Group

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	Sales 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	Sales of mineral products	100.00	–	Investment Establishment
China Molybdenum Metal Material Company Limited ("Metal Material")	China	Luoyang, Henan	Processing and sales of mineral products	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	Sales of mineral products	100.00	–	Investment Establishment
CMOC Co., Limited ("CMOC Ltd")	Hong Kong, China	Hong Kong	Investment & Holding	100.00	–	Investment Establishment
CMOC Mining Pty Limited ("CMOC Mining")	Australia	Australia	Mining, processing 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	Purchase and sales of Molybdenum and tungsten 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	–	Investment Establishment
Luanchuan County Sanqiang Molybdenum Tungsten Co., Ltd. ("San Qiang")	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	–	Investment Establishment
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")	U.S.	U.S.	Consultation	–	100.00	Investment Establishment
Shanghai Ruichao Investment Co., Ltd ("Rui Chao")	China	Shanghai	Consulting and enterprise operating and management	–	100.00	Investment Establishment

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of the subsidiary	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%) Direct	Indirect	Acquisition method
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	Virgin Islands, British	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
CMOC DRC Limited	Hong Kong	Hong Kong	Mining services	–	100.00	Investment Establishment
CMOC Sales & Marketing Limited ("CMOC 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
Long March No.1 Investment Limited ("Long March")	Hong Kong	Hong Kong	Investment holding	–	100.00	Investment Establishment
Bandra Investment Limited ("Bandra")	China	Virgin Islands, British	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
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	Logistics and 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")	Hong Kong	Hong Kong	Investment holding	–	100.00	Investment Establishment
BHR	Virgin Islands, British	Virgin Islands, British	Investment holding	–	100.00	Control according to agreement
Ningbo Baiya Investment Co., Ltd. *(Note 1)*	China	Ningbo, Zhejiang	Investment management	–	100.00	Investment Establishment
CMOC Congo *(Note 1)*	Congo (DRC)	Congo (DRC)	Consultation service	–	100.00	Investment Establishment

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of the subsidiary	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%) Direct	Shareholding ratio (%) Indirect	Acquisition method
Congo Construction Company SARL	Congo (DRC)	Congo (DRC)	Refining and sales of mineral products	–	100.00	Business combination not under common control
CMOC Capital Limited *(Note 1)*	Virgin Islands, British	Virgin Islands, British	Investment holding	–	100.00	Investment Establishment
CMOC BHR Limited *(Note 1)*	Hong Kong	Hong Kong	Investment holding	–	100.00	Investment Establishment

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%**	**518,181,395.46**	**–**	**5,388,306,926.21**

Unit: RMB

Name of the subsidiary	Minority shareholder's shareholding ratio *(%)*	Profit or loss attributable to minority interests in the previous period	Dividends distributed to minority shareholder in the previous period	Closing balance of minority interests in the previous period
TFM	20%	633,734,890.10	–	4,624,552,200.77

(3) Financial information of significant non-wholly owned subsidiaries

Unit: RMB

Name of the subsidiary	31 December 2018 Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TFM	7,520,364,803.49	35,024,483,437.52	42,544,848,241.01	2,081,572,892.02	13,521,740,717.96	15,603,313,609.98

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Financial information of significant non-wholly owned subsidiaries (Continued)

Unit: RMB

Name of the subsidiary	31 December 2017 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

Name of the subsidiary	**2018 Operating income**	**Net profit**	**Total comprehensive income**	**Cash flow from operating activities**
TFM	**14,373,797,900.75**	**2,590,906,977.29**	**2,590,906,977.29**	**4,126,468,044.35**

Unit: RMB

Name of the subsidiary	2017 Operating income	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. Interest in joint ventures and associates

(1) Significant joint ventures and associates

Name	**Main Business site**	**Place of incorporation**	**Nature of business**	**Shareholding ratio (%) Direct**	**Indirect**	**Accounting treatments for investments in joint ventures and associates**
High-Tech *(Note 1)*	Luoyang, Henan	Luoyang, Henan	Processing and sales of mineral products	50.25%	–	Equity method
Huan Yu	Xuzhou, Jiangsu	Xuzhou, Jiangsu	Investments	50%	–	Equity method
Yulu Mining *(Note 2)*	Luoyang, Henan	Luoyang, Henan	Refining and sales of mineral products	40%	–	Equity method
Luoyang Shenyu *(Note 1)*	Luoyang, Henan	Luoyang, Henan	Refining and sales of mineral products	15%	–	Equity method
Natural Resources Investment Fund	Hong Kong, China	Cayman Islands, British	Investments	–	45%	Equity method

Note 1: See Note (V).8.

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)

2. Interest in joint ventures and associates (Continued)

(2) Major financial information of key joint ventures

Unit: RMB

Joint ventures	31 December 2018/2018 High-Tech	31 December 2018/2018 Huan Yu *(Note 1)*	31 December 2017/2017 High-Tech	31 December 2017/2017 Huan Yu *(Note 1)*
Current assets	**55,374,797.03**	**215,102,523.24**	71,874,052.43	211,250,142.94
Including: Cash and cash equivalents	**6,107,720.12**	**6,077,578.08**	6,409,364.85	6,567,395.04
Non-current assets	**96,012,741.38**	**2,620,273,694.61**	107,026,475.04	2,649,548,550.69
Total assets	**151,387,538.41**	**2,835,376,217.85**	178,900,527.47	2,860,798,693.63
Current liabilities	**11,310,376.82**	**129,076,368.97**	25,476,660.78	182,795,807.21
Non-current liabilities	**–**	**950,000,000.00**	–	800,000,000.00
Total liabilities	**11,310,376.82**	**1,079,076,368.97**	25,476,660.78	982,795,807.21
Minority interests	**–**	**(42,677,212.81)**	–	(30,658,642.89)
Equity attributable to equity holders of the Company	**140,077,161.59**	**1,798,977,061.69**	153,423,866.69	1,908,661,529.31
Share of net assets calculated based on shareholding proportion	**70,388,773.70**	**899,488,530.84**	77,095,493.01	954,330,764.65
Adjusting events *(Note 2)*	**–**	**9,614,855.94**	–	11,266,297.37
Carrying amount of equity investments in joint ventures	**82,193,037.58**	**909,103,386.78**	77,095,493.01	965,597,062.02
Fair value of equity investments of joint ventures where there is quoted price	**N/A**	**N/A**	N/A	N/A
Operating income	**68,134,261.40**	**–**	99,845,748.54	5,189.27
Financial expenses	**230,494.63**	**54,396,812.46**	(95,623.84)	46,538,500.58
Income tax expenses	**–**	**–**	–	–
Net loss	**(14,061,990.28)**	**(120,198,492.44)**	(22,782,511.23)	(140,842,456.78)
Net profit from discontinued operations	**–**	**–**	–	–
Other comprehensive income	**–**	**–**	–	–
Total comprehensive income	**(14,061,990.28)**	**(120,198,492.44)**	(22,782,511.23)	(140,842,456.78)
Dividends received from joint ventures in the current 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)

2. Interest in joint ventures and associates (Continued)

(3) Financial information of significant associates

Unit: RMB

Associates	31 December 2018/2018 Yulu Mining *(Note 1)*	31 December 2018/2018 Natural Resources Investment Fund *(Note 2)*	31 December 2017/2017 Yulu Mining *(Note 1)*	31 December 2017/2017 Natural Resources Investment Fund
Current assets	**189,479,268.51**	**21,013,574,529.22**	198,853,919.77	–
Including: Cash and cash equivalents	**345,364.87**	**212,508,121.79**	459,498.45	–
Non-current assets	**54,658,124.73**	**639,248,209.12**	57,749,694.08	–
Total assets	**244,137,393.24**	**21,652,822,738.34**	256,603,613.85	–
Current liabilities	**46,845,212.72**	**17,005,196,786.81**	48,351,859.49	–
Non-current liabilities	**3,000,000.00**	**1,276,767,959.20**	3,000,000.00	–
Total liabilities	**49,845,212.72**	**18,281,964,746.01**	51,351,859.49	–
Minority interests	**–**	**–**	–	–
Equity attributable to equity holders of the Company	**194,292,180.52**	**3,370,857,992.33**	205,251,754.36	–
Share of net assets calculated based on shareholding proportion	**77,716,872.21**	**1,516,886,096.55**	82,100,701.74	–
Adjusting events	**8,876,646.58**	**(60,754,827.38)**	10,394,018.50	–
Carrying amount of equity investments in associates	**86,593,518.79**	**1,456,131,269.17**	92,494,720.24	–
Fair value of equity investments of joint ventures where there is quoted price	**N/A**	**N/A**	N/A	N/A

Note 1: Although the Group holds 40% equity interest of Yulu Mining, but shares 50% dividend rights. Details refer to Note (V).8.

Note 2: As of 11 May 2018, IXM became a wholly-owned subsidiary of Natural Resources Elite Investment Limited. At the balance sheet date, the Group accordingly offsets the internal unrealized gross profit arising from the downstream transactions with IXM.

Unit: RMB

Name of the subsidiary	31 December 2018/2018 Yulu Mining	31 December 2018/2018 Natural Resources Elite Investment Limited	31 December 2017/2017 Yulu Mining	31 December 2017/2017 Natural Resources Elite Investment Limited
Operating income	**423,728,227.44**	**57,341,095,267.67**	401,595,481.92	–
Financial expenses	**(280,915.27)**	**(306,311,764.25)**	(140,283.94)	–
Income tax expenses	**(71,239,522.89)**	**(38,689,480.63)**	(69,005,630.90)	–
Net profit	**228,197,597.04**	**188,578,940.85**	216,330,539.67	–
Net profit from discontinued operations	**–**	**–**	–	–
Other comprehensive income	**–**	**(45,162,635.40)**	–	–
Total comprehensive income	**228,197,597.04**	**127,616,387.02**	216,330,539.67	–
Dividends received from associates in the current period	**120,000,000.00**	**–**	85,300,000.00	–

(VII) INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Significant joint operation

(1) Significant joint operation

Name of joint operation	Principal operating place	Registration place	Business nature	Shareholding proportion/ shares (%) Direct	Indirect
Nothparkes 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 2018, the assets and liabilities and operation status of Northparkes Joint Venture are as follows:

Unit: RMB

Item	2018	2017
Net shares of operative costs	**862,020,042.87**	980,979,167.15

	31 December 2018	31 December 2017
Share of total assets	**2,047,531,832.04**	1,991,814,239.67
Share of total liabilities	**463,957,993.08**	402,282,198.30

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, notes and accounts receivable, other receivables, other current assets, other equity instrument investment, other non-current financial assets, non-current derivative financial assets, other non-current assets, held-for-trading financial liabilities, derivative financial liabilities, notes and accounts payable, other payables, borrowings, other current liabilities, non-current liabilities due within one year, bonds payable, and other non-current liabilities, 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 of the Group manages and monitors these exposures to ensure the risks are monitored within a certain range.

Unit: RMB'000

	31 December 2018
Financial assets:	
At FVTPL	
Other non-current financial assets	**3,906,622**
Non-current derivative financial assets	**3,179**
Notes and accounts receivable	**774,327**
At FVTOCI	
Notes and accounts receivable	**1,623,841**
Other equity instrument investment	**448,174**
At amortised cost	
Cash and bank balances	**26,647,644**
Notes and accounts receivable	**861,000**
Other receivables	**355,921**
Other current assets	**1,308,928**
Other non-current assets	**2,135,981**
Financial liabilities:	
At FVTPL	
Held-for-trading financial liabilities	**4,250,711**
Derivative financial liabilities	**75,423**
Non-current derivative financial liabilities	**23,312**
At amortised cost	
Short-term borrowings	**4,588,153**
Notes and accounts payable	**1,148,073**
Other payables	**1,027,782**
Non-current liabilities due within one year	**2,922,422**
Long-term borrowings	**20,196,855**
Bonds payable	**2,000,000**
Other non-current liabilities	**3,225,704**

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies

The Group's business is mining and selling minerals which produced by themselves. In the long term, natural hedges operated 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, ZAR, SGD, 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, referring to Note (V). 20 & 21.

As at 31 December 2018, except that the financial assets and liabilities balance of each entity mentioned below use USD, HKD, AUD, EUR, CAD, RMB, BRL, ZAR, SGD, GPB and CDF (converted to 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 Currency risk (Continued)

Unit: RMB'000

Item	31 December 2018	31 December 2017
USD		
Cash and bank balances	**258,094**	153,605
Short-term borrowings	**(171,580)**	–
Sub-total	**86,514**	153,605
HKD		
Cash and bank balances	**896**	3,639
Sub-total	**896**	3,639
AUD		
Cash and bank balances	**195,577**	44,280
Sub-total	**195,577**	44,280
EUR		
Cash and bank balances	**85,936**	33,633
Short-term borrowings	**(1,760,749)**	
Non-current liabilities due within one year	**–**	(1,807,517)
Sub-total	**(1,674,813)**	(1,773,884)
CAD		
Cash and bank balances	**5,914**	6,043
Sub-total	**5,914**	6,043
RMB		
Cash and bank balances	**1,814**	1,810
Sub-total	**1,814**	1,810

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.1 Currency risk (Continued)

Unit: RMB'000

Item	31 December 2018	31 December 2017
BRL		
Cash and bank balances	**205,685**	116,315
Sub-total	**205,685**	116,315
GBP		
Cash and bank balances	**3,301**	4,478
Sub-total	**3,301**	4,478
CDF		
Cash and bank balances	**140**	76
Sub-total	**140**	76
ZAR		
Cash and bank balances	**10,521**	–
Sub-total	**10,521**	–
SGD		
Cash and bank balances	**28**	–
Sub-total	**28**	–
Total	**(1,164,423)**	(1,443,638)

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.1 Currency risk (Continued)

The 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 and EUR borrowings and RMB increase against those foreign currencies. A negative figure indicates a decrease in profit before tax resulting from RMB appreciating against other foreign currencies as the Company that adopts RMB as its functional currency has assets or liabilities in USD, HKD and EUR; HKD appreciating against other foreign currencies as the Company that adopts HKD as its functional currency has cash and bank balances in USD and RMB; or USD appreciating against other foreign currencies as the Company that adopts USD as its functional currency has assets or liabilities in AUD, HKD, EUR, CAD, RMB, BRL, GBP, CDF, ZAR, SDG. If the relevant functional currency depreciating 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 Currency risk (Continued)

Unit: RMB'000

		2018		2017	
Item	**Changes in exchange rates**	**Effect on profit**	**Effect on shareholders' equity**	Effect on profit	Effect on shareholders' equity
Entities which are denominated in RMB					
Pre-tax profit and equity	Depreciation by 10% of USD against RMB	**3,308**	**3,308**	(13,304)	(13,304)
	Depreciation by 10% of HKD against RMB	**(3)**	**(3)**	(2)	(2)
	Depreciation by 10% of EUR against RMB	**70,618**	**70,618**	70,221	70,221
Entities which are denominated in HKD					
Pre-tax profit and equity	Depreciation by 10% of USD against HKD	**(11,959)**	**(11,959)**	(2,056)	(2,056)
	Depreciation by 10% of RMB against HKD	**(144)**	**(144)**	(143)	(143)
Entities which are denominated in USD					
Pre-tax profit and equity	Depreciation by 10% of AUD against USD	**(19,558)**	**(19,558)**	(4,428)	(4,428)
	Depreciation by 10% of HKD against USD	**(87)**	**(87)**	(361)	(361)
	Depreciation by 10% of EUR against USD	**96.863**	**96.863**	107,168	107,168
	Depreciation by 10% of CAD against USD	**(591)**	**(591)**	(604)	(604)
	Depreciation by 10% of RMB against USD	**(38)**	**(38)**	(38)	(38)
	Depreciation by 10% of BRL against USD	**(20,569)**	**(20,569)**	(11,631)	(11,631)
	Depreciation by 10% of GBP against USD	**(330)**	**(330)**	(448)	(448)
	Depreciation by 10% of CDF against USD %	**(14)**	**(14)**	(8)	(8)
	Depreciation by 10% of ZAR against USD	**(1,052)**	**(1,052)**	–	–
	Depreciation by 10% of SGD against USD	**(3)**	**(3)**	–	–

The management of the Group believes that currency risk at the end of year cannot reflect the currency risk for the year. Sensitivity analysis cannot reflect inherent 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 as the management considers the risk exposure related to fair value interest rate is low.

The Group's risk in changes in cash flow of financial instruments arising from changes in interest rate relates primarily to bank borrowings with a float interest rate (see Note (V).30 & 19). The Group paid close attention to the impact on cash flow change risks from the changes in interest rate and also hedged part of the interest rate risk assumed by the Group through interest rate swap contracts (see Note (V).59).

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

- Changes in market interest rates affect the interest income or expense of float interest 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:

Unit: RMB'000

		2018		2017	
Item	**Changes in interest rates**	**Effect on profit**	**Effect on shareholders' equity**	Effect on profit	Effect on shareholders' equity
Float interest rate	Increase 50 base points of interest rate	**(79,319)**	**(79,319)**	(27,751)	(27,751)
Float interest rate	Decrease 50 base points of interest rate	**79,319**	**79,319**	27,751	27,751

(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 un-pricing 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.

Unit: RMB'000

		2018		2017	
Item	**Increase/ (Decrease) percentage**	**Effect on profit**	**Effect on shareholders' equity**	Effect on profit	Effect on shareholders' equity
Market price of copper	5%	**12,073**	**12,073**	19,884	19,884
Market price of copper	(5%)	**(12,073)**	**(12,073)**	(19,884)	(19,884)

Unit: RMB'000

		2018		2017	
Item	**Increase/ (Decrease) percentage**	**Effect on profit**	**Effect on shareholders' equity**	Effect on profit	Effect on shareholders' equity
Market price of cobalt	5%	**26,643**	**26,643**	54,413	54,413
Market price of cobalt	(5%)	**(26,643)**	**(26,643)**	(54,413)	(54,413)

1.1.4. Other price risk

The equity instrument investments held by the Group, including financial assets classified as other non-current 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 and profit or loss of the Group will increase or decrease by RMB111,275,000 at the end of the year (excluding the effect 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 2018, 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 balance sheet of the Group.

In order to minimize the credit risk, the Company has delegated special personnel of credit management department to responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of financial assets at each balance sheet date to ensure that adequate expected credit loss provisions are made for the related financial assets. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

Please refer to Note (III)10.2.1, Note (III)10.2.2, Note (III)10.2.3 and Note (III)10.2.4 in respect of the specific methods to assess whether the credit risk has been increased remarkably since initial recognition, the basis to determine whether a credit impairment has happened to the financial assets, the combination methods to divide the financial instruments in a combination as base assessment of anticipated credit risk, and the policies to write down the financial instruments directly.

The credit risk on cash and bank balances is low because they are deposited with banks with high credit ratings.

The Group holds bank acceptances and trade acceptances. As most of bank acceptances are drawn by the banks with high credit ratings, so the management of the Group considers that the credit risk on bank acceptances is low; the management of the Group accounts for the impairment provision for credit risk on trade acceptances according to the level of credibility of the counterparty as the customers of trade acceptances are those that have long-term cooperation relationship with the Group. Refer to Note (V) 2 for details.

The Group only trades with well-known and creditworthy third parties. Total amount of top five entities with the largest balances of accounts receivable as at 31 December 2018 takes 55.05% (31 December 2017: 63.72%) of the amount of total accounts receivable. 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. For the details of analysis related to credit risk, refer to Note (V).2.

To credit risk arising from the other receivables, other current assets and other non-current assets, 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. For the details of analysis related to credit risk, refer to Note (V).4, 6 & 18.

(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

2018	**Within 1 year**	**1–2 years**	**2–5 years**	**More than 5 years**	**Total**
Non-derivative financial liabilities					
Borrowings	**5,490,073**	**3,737,189**	**16,024,195**	**2,082,353**	**27,333,810**
Held-for-trading financial liabilities	**4,250,711**	**–**	**–**	**–**	**4,250,711**
Notes and accounts payable	**1,148,073**	**–**	**–**	**–**	**1,148,073**
Other payables	**1,027,782**	**–**	**–**	**–**	**1,027,782**
Non-current liabilities due within one year	**2,993,231**	**–**	**–**	**–**	**2,993,231**
Bonds payable	**84,400**	**84,400**	**2,168,800**	**–**	**2,337,600**
Other non-current liabilities	**–**	**3,439,836**	**68,632**	**–**	**3,508,468**
Derivative financial liabilities (settled as net)					
Derivative financial liabilities	**75,423**	**–**	**–**	**–**	**75,423**
Non-current derivative financial liabilities	**–**	**–**	**20,133**	**–**	**20,133**
Total	**15,069,693**	**7,261,425**	**18,281,760**	**2,082,353**	**42,695,231**

Unit: RMB'000

2017	Within 1 year	1–2 years	2–5 years	More than 5 years	Total
Borrowings	2,307,797	4,440,284	9,781,424	10,021,787	26,551,292
Held-for-trading financial liabilities	1,500,833	2,091,354	–	–	3,592,187
Notes and accounts payable	1,000,436	–	–	–	1,000,436
Other payables	632,660	–	–	–	632,660
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

(IX) DISCLOSURE OF FAIR VALUE

1. The closing fair value of assets and liabilities measured at fair value

Unit: RMB'000

Item	Fair value on 31 December 2018 Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
1. Persistent fair value measurement				
(I) Other equity instrument:				
– Equity instrument investments	–	–	448,174	448,174
(2) Inventories:				
– Consumable biological assets	–	–	42,907	42,907
(3) Accounts and notes receivable:				
– Accounts receivable	–	774,327	–	774,327
– Notes receivable	–	–	1,623,841	1,623,841
(4) Other non-current assets:				
– Other wealth management products by non-banking financial institutions	–	–	951,566	951,566
– Others	–	–	2,955,055	2,955,055
(5) Non-current derivative financial assets:				
– Forward contracts	–	3,179	–	3,179
The total assets measured continuously at fair value	–	777,506	6,021,543	6,799,049
(6) Held-for-trading financial liabilities:				
– Forward commodity contract and gold lease liabilities measured at fair value	–	3,009,556	–	3,009,556
– Contingent consideration at fair value	–	–	550,037	550,037
– Liabilities from float interest rate foreign currency loan contract and forward foreign exchange contract measured at fair value and forward rate swap contract	–	691,117	–	691,117
(7) Derivative financial liabilities:				
– Forward contracts	–	98,736	–	98,736
The total liabilities measured continuously at fair value	–	3,799,409	550,037	4,349,446

2. Determination basis of market price for items that are continuously measured at Level 2 fair value

Items that are continuously measured at Level 2 fair value are the accounts receivable classified as at FVTPL and debt instruments at fair value. The related fair value is determined with reference to the closing price and forward 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, other equity instrument, other non-current 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 other equity instrument and other non-current financial assets are 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	Fair value on 31 December 2018	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					
Other equity instrument/other non-current financial assets	3,403,229	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	42,907	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	951,566	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
Contingent consideration measured at fair value	550,037	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 and accounts receivable, other receivables, other current assets, short-term borrowings, notes and accounts payable, other payables, long-term borrowings due within one 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 company of the Company

Name of the parent company	Place of registration	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent company	Proportion of the Company's voting power held by the parent company
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, 2018, 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).2.

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
Natural Resources Investment Fund	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 a 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	2018	2017
Luoyang Shenyu Molybdenum	Sales of products	**20,796,836.34**	14,004,221.04
Yulu Mining	Sales of products	**5,419.18**	3,280.77
Yulu Mining	Services provided	**10,315,355.16**	10,672,592.60
Luoyang Fuchuan Mining	Sales of products	**21,330.00**	–
Luoyang Shenyu Molybdenum	Services provided	**277,777.78**	–
High-Tech	Purchases of products	**1,831,718.24**	2,155,555.55
Gécamines	Provision of technical support	**115,974,552.91**	102,940,174.80
IXM	Sales of products	**861,666,921.37**	–

(2) Compensation for key management personnel

Unit: RMB'000

Item	2018	2017
Compensation for key management personnel	**22,250**	16,610

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

Unit: RMB

Item	Related party	31 December 2018 Book balance	31 December 2018 Bed debt provision	31 December 2017 Book balance	31 December 2017 Bed debt provision
Accounts receivable	Luoyang Shenyu	**–**	**–**	1,673,384.53	–
Accounts receivable	Yulu	**–**	**–**	3,838.50	–
Prepayments	High-Tech	**–**	**–**	4,098.49	–
Receipts in advance	IXM	**5,777,674.29**	**–**	–	–
Accounts receivable	Luoyang Shenyu	**291,666.66**	**–**	–	–
Accounts receivable	Fuchuan	**24,742.80**	**–**	–	–
Other current assets *(Note 2)*	NSR	**960,848,000.00**	**–**	–	–
Interest receivable *(Note 2)*	NSR	**12,964,129.33**	**–**	–	–
Other current assets *(Note 1)*	Gécamines	**43,096,220.58**	**–**	109,488,939.47	–
Other non-current assets *(Note 1)*	Gécamines	**334,381,507.50**	**–**	336,086,433.05	–
Other payables	Fuchuan	**11,384,276.00**	**–**	11,384,276.00	–
Other payables	Gécamines	**5,921,146.67**	**–**	42,090,109.74	–
Other non-current liabilities	Gécamines	**68,632,000.00**	**–**	65,342,000.00	–

Note 1: 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, there were no increased borrowings which were lend to Gécamines by TFM and the interest accrued was USD18,720,933.01.

Note2: The above amounts due to related parties were lent by NREIL to NSR, and NREIL collected interest according to the agreed interest rate. In the current year, NREIL additionally lent USD155,000,000.00 to NSR, and has collected repaid principal of USD15,000,000.00. At the end of period, the interest payable is USD1,888,933.64.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors

Emoluments of each director for the year 2018 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 *(Note 1)*	–	360.00	3,000.00	52.71	66.03	3,478.74
Li Faben *(Note 1)*	–	360.00	2,000.00	30.76	32.65	2,423.41
Non-executive directors:						
Ma Hui *(Note 1)*	90.00	–	–	–	–	90.00
Yuan Honglin *(Note 1)*	90.00	–	–	–	–	90.00
Cheng Yunlei *(Note 1)*	90.00	–	–	–	–	90.00
Independent non-executive directors:						
Bai Yanchun *(Note 2)*	116.67	–	–	–	–	116.67
Xu Shan *(Note 2)*	116.67	–	–	–	–	116.67
Cheng Yu *(Note 2)*	116.67	–	–	–	–	116.67
Wang Yougui *(Note 1)*	125.00	–	–	–	–	125.00
Yan Ye *(Note 1)*	125.00	–	–	–	–	125.00
Li Shuhua *(Note 1)*	125.00	–	–	–	–	125.00
Total	995.01	720.00	5,000.00	83.47	98.68	6,897.16

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

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 Yunlei	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

Note 1: In accordance with the resolution made on the first general meeting of shareholders of China Molybdenum in 2018, Li Chaochun and Li Faben were elected as executive directors of the Company, Ma Hui, Yuan Honglin and Cheng Yunlei were elected as non-executive directors, and Wang Yougui, Yan Ye and Li Shuhua were elected as independent non-executive directors, all of whom had a tenure for three years from 3 August 2018.

Note 2: Bai Yanchun, Xu Shan and Cheng Yu left their posts from directors on 3 August 2018 as their term of office expired.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

Emoluments of each supervisor for the year 2018 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**	**1,700.00**	**30.76**	**30.31**	**2,081.07**
Total	**500.00**	**1,700.00**	**30.76**	**30.31**	**2,261.07**

Emoluments of each supervisor for the year 2017 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	1,700.00	23.81	24.80	2,068.61
Total	500.00	1,700.00	23.81	24.80	2,248.61

None (2017: None) of the top five of 2018 remunerations are directors or supervisors of the Company, and the range of emoluments of the top 5 staffs (2017: 5) are as follows:

Range of emoluments	**Number of the current year**	Number of the prior year
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)	**3**	1
HK$5,000,001 to HK$5,500,000 (equivalent to RMB4,180,000 to RMB4,597,000)	**1**	–
HK$5,500,001 to HK$6,000,000 (equivalent to RMB4,597,000 to RMB5,015,000)	**–**	2
HK$12,000,001 to HK$12,500,000 (equivalent to RMB10,032,000 to RMB10,450,000)	**1**	–
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

	2018	2017
Contracted but not recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	**1,099,082**	294,582
– Commitment for external investment *(Note)*	**3,764,321**	343,424
Total	**4,863,403**	638,006

Note: The above commitment for external investment includes the relevant consideration to acquire 100% equity of NSRC for which the Group and the Natural Resources Investment Fund have concluded an acquisition agreement. Refer to Note (I), 3 for details.

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

	31 December 2018	31 December 2017
Minimum lease payment under irrevocable operating leases:		
First year after the balance sheet date	**45,654**	45,319
Second year after the balance sheet date	**41,114**	38,680
Third year after the balance sheet date	**28,269**	37,835
Fourth year after the balance sheet date	**10,537**	29,654
Subsequent years	**109,943**	123,140
Total	**235,517**	274,628

(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 2018.

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 USD0.0569 per kilowatt-hour from January 2016 (the original electricity price was $0.0350 per kilowatt-hour) and to pay USD10 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 2018, 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 RMB159,220,000). The relevant business venture agrees to any liability of the business compulsory executed from this guarantee. As at 31 December 2018, no material guarantee responsibility was undertaken.

(XI) COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(3) Significant tax matters

In accordance with the new mining act issued and implemented by Congo (DRC) in 2018, should a single product meet the threshold condition that its average effective selling price within one accounting year rise over 25% more than its average selling price in such year as predicated in its project economic feasibility study report, excess profit taxes is imposed on a tax base that is the difference between the EBITDA of the product and the predicted in the feasibility report in such accounting year with applicable tax rate at 50% from June 2018. The management of the Group believes that it is significantly uncertain how to calculate and determine the tax base of excess profit tax in respect of the local mining enterprises in Congo (DRC) including TFM, the subsidiary of the Group in Congo (DRC) as no supportive documents including the rules for the implementation and instructional tax returns are not issued with the relevant new mining act.

(XII) EVENTS AFTER THE BALANCE SHEET DATE

1. Dividend distribution plan of 2018

According to the proposal of the board of directors, the Company will distribute a cash dividend of RMB0.11 (2017: RMB0.076) per share to all shareholders based on the issued shares of 21,599,240,583(book value of RMB0.2 per share) for the year of 2018.

2. Acquisition of the remaining equity of High-Tech

At 27 December 2018, the Company and another shareholder of associate High-tech concluded an equity transfer agreement by which the Company would acquire all the equities held by the shareholder in High-tech at a price of RMB120,395,000.00. After transaction is completed, the Company will hold 100% equity of High-tech, and the relevant transaction is expected to be completed in 2019.

(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 since 1 January 2018. The Group's management evaluates the operating results of these segments regularly, in order to determine the allocation of resources and assess their performance. Before 2018, the management divided the Group's business into six operating segments, namely molybdenum tungsten related products, copper and gold-related products, niobium related products, phosphorus related products, copper and cobalt related products and others. The Group has disclosed the segment report information in 2017 in accordance with the division method of the operating segments in 2018.

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.

(XIII) OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(2) Reporting segment's financial information

Unit: RMB'000

2018	Molybdenum & tungsten related products	Copper & gold related products	Niobium & phosphorus related products	Copper & cobalt related products	Others	Unallocated item	Inter-segment eliminations	Total
Operating revenue								
External revenue	4,749,130	1,458,264	4,976,722	14,373,798	404,949	–	–	25,962,863
Inter-segment revenue	–	–	–	–	–	–	–	–
Total segment operating revenue	4,749,130	1,458,264	4,976,722	14,373,798	404,949	–	–	25,962,863
Total operating revenue in the financial statements	4,749,130	1,458,264	4,976,722	14,373,798	404,949	–	–	25,962,863
Operating cost	1,888,847	1,030,876	3,832,223	9,172,220	256,081	–	–	16,180,247
Taxes and levies	313,678	64,197	37,038	583,349	–	20,531	–	1,018,793
Selling expenses	13,536	10,319	24,171	46,295	–	2,501	–	96,822
Administrative expenses	–	17,003	74,152	44,112	–	798,079	–	933,346
R & D expenses	–	–	–	–	–	254,356	–	254,356
Financial expenses	–	70,129	159,864	(257,523)	–	670,576	–	643,046
Impairment losses on assets	41,261	3,918	7,001	13,954	–	449	–	66,583
Impairment losses on credit	8,290	–	4,481	–	–	5,022	–	17,793
Add: Gains (losses) from changes in fair values	–	–	(4,092)	–	–	126,500	–	122,408
Investment income	–	–	–	–	–	202,270	–	202,270
Gains (losses) from disposal of assets	–	(11,612)	2,807	(14,199)	–	(8,118)	–	(31,122)
Other income	–	–	–	–	–	12,551	–	12,551
Segment operating profit	2,483,518	250,210	836,507	4,757,192	148,868	(1,418,311)	–	7,057,984
Operating profit in the financial statements	2,483,518	250,210	836,507	4,757,192	148,868	(1,418,311)	–	7,057,984
Add: Non-operating income	–	–	–	–	–	2,578	–	2,578
Less: Non-operating expenses	–	1,488	–	–	–	69,217	–	70,705
Total profit	2,483,518	248,722	836,507	4,757,192	148,868	(1,484,950)	–	6,989,857
Less: Income tax expense	354,090	52,675	359,175	1,535,155	–	(461,280)	–	1,839,815
Net profit	2,129,428	196,047	477,332	3,222,037	148,868	(1,023,670)	–	5,150,042

(XIII) OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(2) Reporting segment's financial information (Continued)

Unit: RMB'000

2017	Molybdenum & tungsten related products	Copper & gold related products	Niobium & Phosphorus related products	Copper & cobalt related products	Others	Unallocated item	Inter-segment eliminations	Total
Operating revenue								
External revenue	3,772,287	1,663,826	4,504,268	13,844,637	362,540	–	–	24,147,558
Inter-segment revenue	–	–	–	–	–	–	–	–
Total segment operating revenue	3,772,287	1,663,826	4,504,268	13,844,637	362,540	–	–	24,147,558
Total operating revenue in the financial statements	3,772,287	1,663,826	4,504,268	13,844,637	362,540	–	–	24,147,558
Operating cost	1,819,355	1,145,761	3,713,568	8,302,166	231,091	–	–	15,211,941
Taxes and levies	286,583	55,259	2,486	–	–	–	–	344,328
Selling expenses	24,006	59,926	33,004	97,905	–	–	–	214,841
Administrative expenses	–	10,180	484,546	32,507	–	530,067	–	1,057,300
R & D expenses	–	–	–	–	–	101,794	–	101,794
Financial expenses	–	73,585	(30,540)	1,185	–	1,372,744	–	1,416,974
Impairment losses on assets	–	3,695	6,520	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
Gains (losses) from disposal of assets	–	(420)	(16,650)	(2,460)	–	2,038	–	(17,492)
Other income	–	–	–	–	–	13,859	–	13,859
Segment operating profit	1,642,343	315,000	282,426	5,395,813	131,449	(2,389,952)	–	5,377,079
Operating profit in the financial statements	1,642,343	315,000	282,426	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	282,426	5,395,813	131,449	(2,395,326)	–	5,381,817
Less: Income tax expense	273,674	128,442	93,425	1,426,984	–	(136,323)	–	1,786,202
Net profit	1,368,669	196,670	189,001	3,968,829	131,449	(2,259,003)	–	3,595,615

(XIII) OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(2) Reporting segment's financial information (Continued)

(a) 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

	2018	2017
Revenue		
China	**7,999,501**	6,135,861
Japan	**1,042,170**	965,173
Brazil	**2,825,405**	2,838,114
Switzerland	**9,095**	11,201
Finland	**5,196,062**	3,701,722
Korea	**208,302**	462,103
South Africa	**4,790,132**	5,709,141
Zambia	**2,532,595**	3,098,449
Belgium	**320,860**	308,158
U.S.A.	**241,625**	241,525
Others	**797,116**	676,111
Total	**25,962,863**	24,147,558

(3) External revenue by location of resources and non-current assets by location

Unit: RMB'000

Item	**2018**	2017
External revenue from Chinese business	**6,009,999**	4,280,055
External revenue from Australian business	**1,474,194**	1,686,559
External revenue from Brazil business	**4,104,872**	4,336,306
External revenue from Congo (DRC) business	**14,373,798**	13,844,638
Sub-total	**25,962,863**	24,147,558

Unit: RMB'000

Item	**31 December 2018**	31 December 2017
Non-current assets located in China	**7,463,578**	5,437,789
Non-current assets located in Australia	**4,229,002**	4,298,676
Non-current assets located in Brazil	**10,182,430**	11,033,758
Non-current assets located in Congo (DRC)	**35,293,150**	34,466,622
Sub-total	**57,168,160**	55,236,845

Note: The above non-current assets exclude deferred tax assets, other equity instrument investment, other non-current financial assets, and non-current derivative financial assets.

(XIII) OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(4) Reliance on major clients

The revenue of two major customers from copper-cobalt-related product segment in the year was RMB5,222,100,515.88 and RMB2,942,817,318.82 respectively, accounting for 20.11% and 11.33% of operating income of the Group in 2018 (2017: 15.37% and 13.18%).

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

1. Cash and bank balances

Unit: RMB

	31 December 2018			31 December 2017		
Item	**Amount in foreign currency**	**Exchange rate**	**Amount in RMB**	Amount in foreign currency	Exchange rate	Amount in RMB
Cash:			**22,398.59**			35,255.97
RMB	**–**	**–**	**22,398.59**	–	–	35,255.97
USD	**–**	**–**		–	–	–
Bank balances:			**12,329,516,593.36**			11,364,812,472.13
RMB	**–**	**–**	**12,190,929,776.21**	–	–	11,231,644,794.86
USD	**20,177,660.27**	**6.8632**	**138,483,316.06**	20,304,196.18	6.5575	133,143,802.96
HKD	**28,560.86**	**0.8762**	**25,025.03**	28,560.86	0.8359	23,874.31
EUR	**10,000.39**	**7.8473**	**78,476.06**	–	–	–
Other cash and bank balances			**2,436,964,394.85**			6,122,383,303.62
RMB	**–**	**–**	**2,436,964,394.85**	–	–	6,122,383,303.62
Total			**14,766,503,386.80**			17,487,231,031.72

2. Notes and accounts receivable

Unit: RMB

Category	**31 December 2018**	31 December 2017
Notes receivable	**1,610,443,851.38**	1,752,050,995.29
– Measured at amortised cost	**–**	1,752,050,995.29
– At FVTOCI	**1,610,443,851.38**	–
Accounts receivable	**178,457,336.22**	300,925,339.67
– Measured at amortised cost	**178,457,336.22**	300,925,339.67
Total	**1,788,901,187.60**	2,052,976,334.96

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

2. Notes and accounts receivable (Continued)

(1) Notes receivable

(a) Categories of notes receivable:

Unit: RMB

Category	31 December 2018	31 December 2017
Bank acceptances	**1,290,166,178.96**	1,580,380,995.29
Trade acceptances	**320,277,672.42**	171,670,000.00
Total	**1,610,443,851.38**	1,752,050,995.29

(b) Notes receivable endorsed or discounted by the Company as at the end and beginning of the year but not yet due at the balance sheet date:

Unit: RMB

Category	Amount derecognised as at the end of the year
Bank acceptance	**1,206,560,239.49**
Total	**1,206,560,239.49**

(2) Accounts receivable

Credit risk of accounts receivable:

2018:

The Group recognised the loss provision for the accounts receivable based on ECL in 2018 as follows:

Unit: RMB

Book balance	Impairment provision	Book value
182,232,367.03	3,775,030.81	178,457,336.22

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

2. Notes and accounts receivable (Continued)

(2) Accounts receivable (Continued)

2017:

Unit: RMB

Categories	Amount	Proportion (%)	31 December 2017 Bad debt provision	Proportion (%)	Book value
Accounts receivable that are individual significant and for which bad debts are provided for individually	304,234,908.97	98.48	4,229,626.57	1.39	300,005,282.40
Accounts receivable for which bad debt are provided based on credit risk characteristics portfolio	4,695,088.08	1.52	3,775,030.81	80.40	920,057.27
Total	308,929,997.05	100	8,004,657.38	2.59	300,925,339.67

3. Prepayments

Aging analysis of prepayments is as follows

Unit: RMB

Aging	31 December 2018 Amount	31 December 2018 Proportion (%)	31 December 2017 Amount	31 December 2017 Proportion (%)
Within 1 year	**29,999,441.55**	**59.63**	34,779,055.04	89.81
1 to 2 years	**19,856,592.96**	**39.47**	3,921,672.44	10.13
2 to 3 years	**446,384.92**	**0.89**	–	–
Over 3 years	**3,580.00**	**0.01**	25,000.00	0.06
Total	**50,305,999.43**	**100.00**	38,725,727.48	100.00

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

4. Other receivables

Unit: RMB

Item	31 December 2018	31 December 2017
Interests receivable	**378,516,688.14**	866,213,586.08
Dividends receivable	**44,006,084.08**	44,006,084.08
Other receivables	**4,360,653,754.98**	2,002,815,737.36
Total	**4,783,176,527.20**	2,913,035,407.52

Other receivables disclosed by categories:

2018:

The Group recognised the loss provision for the other receivables based on ECL in 2018 as follows:

Unit: RMB

	Book balance	Bad debt provision	Book value
Other receivables of which the loss provision is recognised based on ECL	**4,388,983,555.56**	**28,329,800.58**	**4,360,653,754.98**

At 31 December 2018, the management of the Group believes that there's no ECL on other receivables except for the receivables amounting to RMB28,329,800.58 that has credit-impaired and of which impairment has been provided fully.

2017:

Unit: RMB

			31 December 2017		
Categories	Amount	Proportion *(%)*	Bad debt provision	Proportion *(%)*	Carrying value
Other receivables that are individual significant and for which bad debts are provided for individually	2,007,849,392.58	98.85	16,722,670.13	0.83	1,991,126,722.45
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	23,455,449.56	1.15	11,766,434.65	50.17	11,689,014.91
Total	2,031,304,842.14	100	28,489,104.78	1.4	2,002,815,737.36

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

5. Inventories

Categories of inventories:

Unit: RMB

Item	31 December 2018 Book balance	31 December 2018 Provision for decline in value of inventories	31 December 2018 Book value	31 December 2017 Book balance	31 December 2017 Provision for decline in value of inventories	31 December 2017 Book value
Raw materials	67,080,374.16	1,945,548.70	65,134,825.46	57,707,964.87	–	57,707,964.87
Finished goods	77,183,323.62	–	77,183,323.62	82,399,442.69	–	82,399,442.69
Total	144,263,697.78	1,945,548.70	142,318,149.08	140,107,407.56	–	140,107,407.56

6. Available-for-sale financial assets

Available-for-sale financial assets

Unit: RMB

Item	31 December 2018 Book balance	31 December 2018 Provision for impairment	31 December 2018 Book value	31 December 2017 Book balance	31 December 2017 Provision for impairment	31 December 2017 Book value
Available-for-sale equity instruments measured at cost	–	–	–	200,004,928.00	–	200,004,928.00
Total	–	–	–	200,004,928.00	–	200,004,928.00

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

7. Long-term equity investments

Details of long-term equity investment as follows:

Unit: RMB

Investee	Initial investment cost	31 December 2018	31 December 2017
Equity Method			
Yulu Mining	20,000,000.00	**86,593,518.79**	92,494,720.24
High-tech	135,000,000.00	**70,029,342.89**	77,095,493.01
Huan Yu	973,335,000.00	**678,636,686.95**	723,111,792.29
Luoyang Shenyu	1,500,000.00	**1,007,760.31**	1,185,576.97
Sub-total	1,129,835,000.00	**836,267,308.94**	893,887,582.51
Cost Method-subsidiaries			
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	1,869,455,300.96	**1,869,455,300.96**	1,869,455,300.96
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 *(Note)*	50,000,000.00	**50,700,000.00**	50,000,000.00
Qi Xing	46,963,636.00	**46,963,636.00**	46,963,636.00
CMOC Ltd *(Note)*	575,797,299.48	**17,064,973,809.48**	15,096,649,809.48
Schmocke	500,000,000.00	**660,000,000.00**	500,000,000.00
Beijing YongBo	10,000,000.00	**267,800,000.00**	167,800,000.00
CMOC Mining Pty Limited *(Note)*	–	**39,000,000.00**	–
Sub-total	5,376,385,127.41	**22,328,163,875.82**	20,060,139,875.82
Total		**23,164,431,184.76**	20,954,027,458.33
Less: Provision for impairment losses			–
Net amount of long-term equity investments	–	**23,164,431,184.76**	20,954,027,458.33

Note: The Company provided guarantees for the USD loans of subsidiaries in the year, and recognised an investment cost according to the fair value of the guarantee.

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

8. Other equity instruments investments

Unit: RMB

Item	31 December 2018	31 December 2017
Equity U	**194,111,260.26**	–
Total	**194,111,260.26**	–

For details of the other equity instruments investments of the Company, please refer to Notes (V).9.

9. Other non-current financial assets

Unit: RMB

Item	31 December 2018	31 December 2017
Other wealth management products by non-banking financial institutions	**951,566,173.88**	–
Others	**4,928.00**	–
Total	**951,571,101.88**	–

For details of other non-current assets of the Company, please refer to Notes (V).10.

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

10. Fixed assets

Unit: RMB

Item	Buildings and mining engineering	Machinery equipment	Electronic furniture and fixtures	Transportation equipment	Total
I. Total original carrying amount:					
1. Opening balance	2,622,179,572.31	835,394,388.89	156,516,043.38	125,519,899.08	3,739,609,903.66
2. Increase during current year	62,662,690.06	22,516,454.27	2,970,503.32	5,291,873.66	93,441,521.31
(1) Purchasing	6,940,070.57	18,534,262.04	2,718,506.42	5,291,873.66	33,484,712.69
(2) Transferred from construction-in-progress	55,722,619.49	3,982,192.23	251,996.90	–	59,956,808.62
3. Reduction during current year	–	8,226,504.90	–	4,372,492.90	12,598,997.80
(1) Disposal or retirement	–	8,226,504.90	–	4,372,492.90	12,598,997.80
4. Closing balance	2,684,842,262.37	849,684,338.26	159,486,546.70	126,439,279.84	3,820,452,427.17
II. Accumulated depreciation					
1. Opening balance	1,502,421,772.98	608,431,912.30	115,041,302.85	115,314,720.06	2,341,209,708.19
2. Increase during current year	94,642,748.49	40,117,543.16	9,884,304.08	1,866,755.64	146,511,351.37
(1) Provision	94,642,748.49	40,117,543.16	9,884,304.08	1,866,755.64	146,511,351.37
3. Reduction during current year	–	6,474,092.58	–	3,482,176.72	9,956,269.30
(1) Disposal or retirement	–	6,474,092.58	–	3,482,176.72	9,956,269.30
4. Closing balance	1,597,064,521.47	642,075,362.88	124,925,606.93	113,699,298.98	2,477,764,790.26
III. Impairment provision					
1. Opening balance	–	3,945,202.39	–	–	3,945,202.39
2. Increase during current year	–	–	–	–	–
(1) Provision	–	–	–	–	–
(2) Transferred from construction-in-progress	–	–	–	–	–
3. Reduction 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	1,087,777,740.90	203,663,772.99	34,560,939.77	12,739,980.86	1,338,742,434.52
2. Carrying amount at the beginning 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

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

11. 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	327,749,522.82	408,985,700.00	1,286,750.00	83,974,165.18	10,338,314.51	832,334,452.51
2. Increase during current year	–	–	–	–	386,169.64	386,169.64
(1) Purchasing	–	–	–	–	386,169.64	386,169.64
3. Reduction during current year	–	–	–	–	–	–
(1) Disposal	–	–	–	–	–	–
4. Closing balance	327,749,522.82	408,985,700.00	1,286,750.00	83,974,165.18	10,724,484.15	832,720,622.15
II. Accumulated amortization						
1. Opening 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
2. Increase during current year	6,795,418.84	27,719,369.48	–	8,414,885.04	864,351.77	43,794,025.13
(1) Provision	6,795,418.84	27,719,369.48	–	8,414,885.04	864,351.77	43,794,025.13
3. Reduction during current year	–	–	–	–	–	–
(1) Disposal	–	–	–	–	–	–
4. Closing balance	78,289,641.17	335,705,556.92	1,066,468.89	56,623,085.52	5,481,366.47	477,166,118.97
III. Impairment provision						
1. Opening balance	–	–	–	–	–	–
2. Increase during current year	–	–	–	–	–	–
(1) Provision	–	–	–	–	–	–
3. Reduction 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	249,459,881.65	73,280,143.08	220,281.11	27,351,079.66	5,243,117.68	355,554,503.18
2. Carrying amount at the beginning 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

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

12. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets or liabilities listed in net value after offsetting

Unit: RMB

Item	31 December 2018	31 December 2017
Deferred tax assets:		
Impairment provision on assets	**7,653,918.65**	6,065,844.69
Deferred income from government grants	**2,876,037.29**	2,754,162.55
Net accrued and unpaid expenses	**33,598,814.96**	42,258,777.73
Scrap of fixed assets without recording	**3,510,509.81**	3,510,509.81
Gains or losses from changes in fair value	**14,516,353.69**	–
Sub-total	**62,155,634.40**	54,589,294.78
Deferred tax liabilities:		
Interest income	**32,144,307.27**	100,173,729.48
Sub-total	**32,144,307.27**	100,173,729.48
Deferred tax assets/liabilities after offsetting	**30,011,327.13**	(45,584,434.70)

(2) Temporary differences corresponding to the assets/liabilities causing temporary differences

Unit: RMB

Item	Temporary differences	
	31 December 2018	31 December 2017
Impairment provision on assets	**51,026,124.34**	40,438,964.55
Deferred income from government grants	**19,173,581.90**	18,361,083.64
Gains or losses from changes in fair value	**96,775,691.28**	–
Net accrued and unpaid expenses	**223,992,099.76**	281,725,184.88
Scrap of fixed assets without recording	**23,403,398.76**	23,403,398.76
Interest income	**(214,295,381.86)**	(667,824,863.17)
Sub-total	**200,075,514.18**	(303,896,231.34)

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

13. Breakdown of impairment provision on assets

Unit: RMB

Item	1 January 2018	Increase in current year	Decrease in current year Reversal	Write-off	31 December 2018
I. Bad debt provision	–	1,945,548.70	–	–	**1,945,548.70**
II. Impairment provision on fixed assets	3,945,202.39	–	–	–	**3,945,202.39**
Total	3,945,202.39	1,945,548.70	–	–	**5,890,751.09**

14. Other non-current assets

Unit: RMB

Item	31 December 2018	31 December 2017
Fixed time deposit over one year	**200,000,000.00**	–
Prepaid farmland occupation tax	**18,836,266.71**	29,709,022.42
Total	**218,836,266.71**	29,709,022.42

15. Short-term borrowings

Categories of short-term borrowings:

Unit: RMB

Item	31 December 2018	31 December 2017
Credit loan	**2,006,257,000.00**	560,000,000.00
Total	**2,006,257,000.00**	560,000,000.00

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

16. Held-for-trading financial liabilities

Details of held-for-trading financial liabilities are as follows:

Unit: RMB

Item	Closing fair value	Opening fair value
1. Liabilities from float interest rate foreign currency loan contract and forward foreign exchange contract measured at fair value and forward interest rate swap contract	**691,117,466.05**	–
2. Forward commodity contract and gold lease liabilities measured at fair value	**3,009,556,448.79**	3,000,757,420.00
Total	**3,700,673,914.84**	3,000,757,420.00

For details of held-for-trading financial liabilities of the Company, please refer to Notes (V). 20.

17. Derivative financial liabilities

Unit: RMB

Item	31 December 2018	31 December 2017
Derivative financial liabilities		
– Forward foreign exchange contract	**70,753,781.72**	–
Total	**70,753,781.72**	–

18. Notes and accounts payable

Unit: RMB

Category	31 December 2018	31 December 2017
Notes payable	**20,000,000.00**	–
Accounts payable	**134,109,971.43**	149,731,043.78
Total	**154,109,971.43**	149,731,043.78

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

19. Taxes payable

Unit: RMB

Item	31 December 2018	31 December 2017
Corporate income tax	**48,791,823.82**	1,005,737.97
Value added tax	**35,659,014.99**	–
Urban maintenance and construction tax	**1,724,770.33**	(1,633,951.24)
Resource tax	**25,677,555.75**	39,529,339.99
Education surcharges	**1,034,862.20**	(947,145.18)
Other taxes	**4,474,520.05**	3,435,411.52
Total	**117,362,547.14**	41,389,393.06

20. Other payables

Unit: RMB

Item	31 December 2018	31 December 2017
Interests payable	**72,907,618.95**	105,983,609.81
Other payables	**2,106,994,602.12**	1,012,766,375.74
Total	**2,179,902,221.07**	1,118,749,985.55

21. Other current liabilities

Unit: RMB

Item	31 December 2018	31 December 2017
Accrued expenses	**67,452,554.97**	91,016,307.04
Financial guarantee contracts *(Note (XIV). 7)*	**107,547,334.02**	144,096,269.23
Total	**174,999,888.99**	235,112,576.27

The Company accounted for the financial guarantee contracts to subsidiaries in other current liabilities according ECL model. At 31 December 2018, the management of the Group believes that the relevant guarantee contracts have a low credit risk combined with the level of credibility of the guaranteed enterprises.

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

22. Provisions

Unit: RMB

Item	31 December 2018	31 December 2017
Land restoration and rehabilitation fee *(Note (V).33)*	**47,570,371.67**	47,570,371.67
Total	**47,570,371.67**	47,570,371.67

23. Operating income and operating costs

Unit: RMB

Item	2018	2017
Main business income	**3,799,725,807.80**	3,134,739,523.23
Other business income	**91,138,444.69**	63,264,723.70
Main business costs	**1,165,414,585.73**	1,186,204,106.58
Other business costs	**93,164,314.23**	65,735,416.41

24. Taxes and levies

Unit: RMB

Item	2018	2017	Calculation and payment standards
Urban maintenance and construction tax	**24,465,846.82**	19,523,625.16	*Note (IV)*
Education surcharges	**14,662,813.21**	11,714,175.09	*Note (IV)*
Resource tax	**279,395,155.83**	216,027,160.28	*Note (IV)*
Others	**23,590,621.66**	23,131,521.64	
Total	**342,114,437.52**	270,396,482.17	

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

25. Administrative expenses

Unit: RMB

Item	2018	2017
Salary, bonus and allowances	**90,635,533.49**	44,370,373.31
Depreciation and amortisation	**14,069,745.91**	22,091,180.41
Consulting and agency fees	**195,366,970.85**	138,053,721.42
Entertainment expenditures	**8,306,413.06**	9,288,915.35
Others	**56,316,925.73**	54,647,180.51
Total	**364,695,589.04**	268,451,371.00

26. Financial expenses

Unit: RMB

Item	2018	2017
Interest expenses on bonds	**93,400,000.00**	180,002,333.16
Discount interest of notes receivable	**19,526,129.62**	7,335,850.05
Interest expenses of bank loans	**159,513,633.70**	241,512,950.46
Total interest expenses:	**272,439,763.32**	428,851,133.67
Less: Interest income	**803,909,376.38**	642,661,098.09
Exchange differences	**(78,533,999.42)**	23,858,539.21
Gold lease charges	**115,799,546.91**	121,559,742.96
Others	**(33,707,429.80)**	(7,317,866.59)
Total	**(527,911,495.37)**	(75,709,548.84)

27. Impairment losses on assets

Unit: RMB

Item	2018	2017
Losses on decline in value of inventories	**1,945,548.70**	–
Bad debt losses	**–**	8,352,425.07
Total	**1,945,548.70**	8,352,425.07

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

28. Impairment losses on credit

Unit: RMB

Sources of impairment losses on credit	2018	2017
Impairment losses on notes and accounts receivable	**8,120,845.28**	–
Impairment losses on other receivables	**(159,304.20)**	–
Total	**7,961,541.08**	–

29. Investment income

Unit: RMB

Item	2018	2017
Income from long-term equity investments under equity method	**62,379,726.43**	44,256,449.15
Investment income from other non-current financial assets in the current period *(Note (V). 10)*	**47,233,314.62**	2,308,688.29
Investment income on disposal of held-for-trading financial liabilities	**–**	76,095,119.34
Total	**109,613,041.05**	122,660,256.78

30. Non-operating income

Unit: RMB

Item	2018	2017
Government grants	**1,100,000.00**	9,582,040.00
Others	**108,319.54**	178,057.80
Total	**1,208,319.54**	9,760,097.80

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

31. Non-operating expenses

Unit: RMB

Item	2018	2017
External donations	**58,410,000.00**	22,508,000.00
Others	**4,262,322.64**	4,525,929.35
Total	**62,672,322.64**	27,033,929.35

32. Income tax expenses

Unit: RMB

Item	2018	2017
Current tax expenses calculated according to tax laws and relevant requirements	**330,100,520.25**	133,634,892.45
Differences arising on settlement of income tax for the previous year	**8,875,080.29**	(17,388,693.90)
Adjustments to deferred income tax	**(74,610,440.37)**	30,445,651.65
Total	**264,365,160.17**	146,691,850.20

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

Unit: RMB

Item	2018	2017
Accounting profit	**2,186,420,101.30**	1,427,610,059.79
Income tax expenses calculated at 15% (2017: 15%)	**327,963,015.20**	214,141,508.97
Effects of non-deductible expenses for tax purpose	**3,171,316.72**	4,047,084.33
Effects of tax-free income for tax purpose	**(75,644,252.04)**	(54,108,049.20)
Difference arising on settlement of income tax for the previous years	**8,875,080.29**	(17,388,693.90)
Total	**264,365,160.17**	146,691,850.20

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

33. Supplementary information for cash flow statement

Unit: RMB

Supplementary information	2018	2017
1. Reconciliation of net profit into cash flow from operating activities:		
Net profit	**1,922,054,941.13**	1,280,918,209.59
Add: Provision for impairment losses of assets	**1,945,548.70**	8,352,425.07
Impairment provision on credit	**7,961,541.08**	–
Depreciation of fixed assets	**146,511,351.37**	156,220,107.25
Amortisation of intangible assets	**43,794,025.13**	43,731,309.03
Amortisation of long-term prepaid expenses	**21,000,769.84**	17,689,457.06
Losses on disposal of fixed assets, intangible assets and other long-term assets	**1,664,197.21**	(634,474.01)
Losses on changes in fair value (less gains)	**119,912,602.50**	47,462,821.24
Financial expenses (income is filled in column with "-")	**477,781,171.96**	642,053,373.70
Investment losses (income is filled in column with "-")	**(109,613,041.05)**	(122,660,256.78)
Decrease in deferred tax assets (increase is filled in column with "-")	**(74,610,440.37)**	30,445,651.65
Decrease in inventories (increase is filled in column with "-")	**(4,156,290.22)**	39,278,273.51
Decrease in operating accounts receivable items (increase is filled in column with "-")	**649,765,651.07**	(518,337,807.61)
Increase in operating accounts payable items (decrease is filled in column with "-")	**485,643,038.22**	(318,549,398.31)
Amortisation of deferred income	**(385,585.80)**	(385,585.80)
Increase in special reserve (decrease is filled in column with "-")	**(4,413,776.96)**	(841,175.89)
Decrease in restricted bank deposits (increase is filled in column with "-")	**–**	150,000,000.00
Net cash flow from operating activities	**3,684,855,703.81**	1,454,742,929.70
2. Net changes in cash and cash equivalents:		
Closing balance of cash	**12,329,538,991.95**	11,364,847,728.10
Less: Opening balance of cash	**11,364,847,728.10**	4,535,861,825.71
Add: Closing balance of cash equivalents	**–**	–
Less: Opening balance of cash equivalents	**–**	–
Net increase (decrease) in cash and cash equivalents	**964,691,263.85**	6,828,985,902.39

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

34. Related party relationships and transactions

Please refer to Note (VII).1 for the subsidiaries of the enterprise and Note (V).8 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

Related party	Related transaction type	Content of related party transactions	Related transaction pricing Methods and decision-making process	2018 Amount	2017 Amount
Sales Company	Goods	Sales	Contract price	**670,795,526.49**	516,854,187.69
Ye Lian	Goods	Sales	Contract price	**1,147,294,208.32**	717,715,522.47
Xiao Shou Mao Yi	Goods	Sales	Contract price	**134,208,897.66**	289,102,718.76
Da Chuan	Goods	Sales	Contract price	**–**	–
Da Dong Po	Goods	Sales/provide tailing discharge service	Contract price	**57,697,102.70**	72,626,577.25
Jiu Yang	Goods	Sales	Contract price	**14,419,949.67**	51,486,333.36
San Qiang	Goods	Sales	Contract price	**76,559,482.61**	74,182,092.55
Wu Ye	Goods	Sales	Contract price	**721,185,417.62**	506,852,146.56
Metal Material	Goods	Sales/provide the charge for use of specific technology	Contract price	**844,160,553.80**	693,294,144.76
Total				**3,666,321,138.87**	2,922,113,723.40
San Qiang	Service	Accept services	Contract price	**215,517.24**	295,549.16
Sales Company	Goods	Purchase of goods and materials	Contract price	**2,343,612.42**	–
Da Chuan	Service	Accept services	Contract price	**5,433,962.28**	–
Jiu Yang	Goods	Purchase of goods and materials	Contract price	**890,241.72**	2,120,659.33
HK	Goods	Purchase of goods and materials	Contract price	**10,944,728.85**	–
Fu Run	Service	Accept services	Contract price	**189,826.43**	–
Metal Material	Service/Goods	Accept services/ purchase of goods and materials	Contract price	**–**	31,869,242.53
Xiao Shou Mao Yi	Goods	Purchase of goods and materials	Contract price	**19,755,572.33**	15,933,452.70
Ye Lian	Service	Accept services	Contract price	**–**	238,323.08
Schmocke	Service	Accept services	Contract price	**30,826,441.78**	26,660,000.00
Beijing Yongbo	Service	Accept services	Contract price	**45,434,313.11**	20,530,000.00
International Hotel	Service	Accept services	Contract price	**11,550,354.87**	11,479,245.72
Da Dong Po	Service/Goods	Accept services/ purchase of goods and materials	Contract price	**40,829,044.54**	231,486.86
Mudu Trading	Goods	Purchase of goods and materials	Contract price	**2,471,692.43**	2,794,371.29
Total				**170,885,308.00**	112,152,330.67

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

34. 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	Received during the current year	Closing balance of current year	Lent to during the previous year	Received during the previous year	Closing balance of previous year
Lent to						
Sales Company	–	–	–	–	–	–
Xiao Shou Mao Yi	–	106,143,525.86	–	106,143,525.86	–	106,143,525.86
Ye Lian	1,972,422,086.74	947,807,542.52	1,024,614,544.22	–	–	–
International Hotel	69,822,529.44	84,300,065.34	87,575,912.68	113,999,702.67	137,039,963.52	102,053,448.58
Jiu Yang	4,598,688.10	3,868,756.20	87,297,485.67	417,169,956.49	369,371,351.24	86,567,553.77
CMOC HK	1,359,979,225.08	662,077,959.04	709,037,192.00	9,421,661.00	1,899,766,929.00	11,135,925.96
CMOC Ltd	1,662,109,258.03	857,950,085.75	1,197,179,230.00	945,440,290.00	2,745,122,560.00	393,020,057.72
Qi Xing	380,200.00	–	66,742,227.59	323,490.00	–	66,362,027.59
Schmocke	–	85,935,628.17	980,064,371.83	–	–	1,066,000,000.00
Fu Run	–	6,604,133.75	11,602,469.23	25,000.00	571,590.93	18,206,602.98
Yuehe	271,428.66	–	59,709,008.65	892,000.00	–	59,437,579.99
Total	5,069,583,416.05	2,754,687,696.63	4,223,822,441.87	1,593,415,626.02	5,151,872,394.69	1,908,926,722.45

Unit: RMB

	Borrowed from during the current year	Repaid during current year	Closing balance of current year	Borrowed from during the previous year	Repaid during previous year	Closing balance of previous year
Borrowed from						
Sales Company	6,778,424,981.64	6,500,875,725.91	442,773,717.39	4,318,845,310.15	4,398,296,402.08	165,224,461.66
Xiao Shou Mao Yi	206,859,744.67	181,261,071.40	25,598,673.27	55,763,884.09	62,259,037.91	–
Wu Ye	1,000,958,313.30	143,117,302.11	962,879,400.93	215,836,939.40	110,798,549.66	105,038,389.74
Metal Material	2,235,213,347.23	2,325,352,210.76	2,443,424.00	3,456,039,244.80	3,366,083,267.83	92,582,287.53
San Qiang	30,182,825.52	29,551,961.18	630,864.34	434,303,090.53	434,303,090.53	–
Da Dong Po	36,907,051.12	34,103,260.74	3,130,417.38	134,139,750.84	134,797,492.01	326,627.00
Da Chuan	40,963,281.23	39,367,719.95	10,477,988.48	48,583,275.67	55,470,498.12	8,882,427.20
Xin Jiang Luo Mu	22,184,789.02	34,607,666.00	180,334,509.05	2,229,151.49	3,787,536.00	192,757,386.03
Fu Kai	–	4,633.75	11,295,366.25	–	–	11,300,000.00
Hu Qi	–	4,633.75	9,895,366.25	–	–	9,900,000.00
Ye Lian	–	206,605,913.73	–	2,507,906,159.80	2,301,300,246.07	206,605,913.73
Beijing Yongbo	154,452,171.80	2,145,900.00	152,306,271.80	–	–	–
Total	10,506,146,505.53	9,496,997,999.28	1,801,765,999.14	11,173,646,806.77	10,867,096,120.21	792,617,492.89

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

34. Related party relationships and transactions (Continued)

(1) Details on related party transactions (Continued)

(1.3) Interest of related parties

The borrowings/loans with other related parties are as follows:

	2018 *Unit: RMB*	2017 *Unit: RMB*
Net interests paid to (charged from) subsidiaries	**(54,491,893.04)**	(85,855,412.10)

(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.	CMOC Mining	AUD 37,000,000	18 December 2013	21 November 2023	No
China Molybdenum Co., Ltd.	CMOC Mining	USD40,000,000	5 June 2015	5 June 2019	No
China Molybdenum Co., Ltd.	CMOC Mining	USD220,000,000	5 November 2018	16 November 2023	No
China Molybdenum Co., Ltd.	CMOC Ltd	EUR 71,000,000	25 July 2018	24 July 2019	No
China Molybdenum Co., Ltd.	CMOC Ltd	EUR 63,000,000	6 August 2018	5 August 2019	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 Ltd.	USD1,593,000,000	15 November 2016	15 November 2023	No
China Molybdenum Co., Ltd. *(Note 1)*	BHR Newwood Investment Management Limited	USD700,000,000	5 April 2017	5 April 2024	No
China Molybdenum Co., Ltd.	CMOC sales	USD25,000,000	28 August 2018	28 February 2019	No

Note 1: At 11 July 2017, the investment commission resolved and approved that the Company would increase capital equivalent to 1,872,972,510.00 to the wholly-owned subsidiary CMOC Ltd in the form of debt-for-equity swap; and meanwhile, the Company provided guarantee for the USD loan of BHR, a subsidiary subordinate to CMOC Ltd and recognised investment cost accordingly according to the fair value of the guarantee.

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

34. Related party relationships and transactions (Continued)

(2) *Amount due from/to related parties*

Unit: RMB

Item	Related party	31 December 2018	31 December 2017
Accounts receivable	Ye Lian	–	815,511.93
	Da Dong Po	–	7,701,638.76
	San Qiang	11,666,745.16	–
	Jiu Yang	–	48,238.19
	San Qiang	–	–
	Sales Company	64,790,119.90	203,019,897.23
	Wu Ye	101,944,164.01	85,054,119.85
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	59,709,008.65	59,437,579.99
	International Hotel	87,575,912.68	102,053,448.58
	Qi Xing	66,742,227.59	66,362,027.59
	Ye Lian	1,024,614,544.22	–
	Jiu Yang	87,297,485.67	86,567,553.77
	Da Chuan	67,000,000.00	71,000,000.00
	CMOC Ltd	1,197,179,230.00	393,020,057.72
	Shimoke	980,064,371.83	1,066,000,000.00
	Fu Run	11,602,469.23	18,206,602.98
	CMOC HK	709,037,192.00	11,135,925.96
	Xiao Shou Mao Yi	–	106,143,525.86
Interest receivable	CMOC HK	155,175,290.31	147,177,433.97
	Shimoke	11,542,414.22	7,613,680.30
	CMOC Ltd	22,977,840.31	62,644,326.43
Interest payable	Shimoke	11,542,414.22	180,635.03

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

34. Related party relationships and transactions (Continued)

(2) Amount due from/to related parties (Continued)

Item	Related party	31 December 2018	31 December 2017
Other payables	Sales Company	**442,773,717.39**	165,224,461.66
	Xiao Shou Mao Yi	**25,598,673.27**	–
	Wu Ye	**962,879,400.93**	–
	Metal Material	**2,443,424.00**	92,582,287.53
	Da Chuan	**10,477,988.48**	8,882,427.20
	Da Dong Po	**3,130,417.38**	326,627.00
	San Qiang	**630,864.34**	–
	Fu Kai	**11,295,366.25**	11,300,000.00
	Hu Qi	**9,895,366.25**	9,900,000.00
	Xin Jiang Luo Mu	**180,334,509.05**	192,757,386.03
	Xiao Shou Mao Yi	**–**	–
	Shimoke	**–**	28,259,600.00
	Beijing Yongbo	**152,306,271.80**	615,900.00
	Ye Lian	**–**	206,605,913.73
	Wu Ye	**–**	105,038,389.74
Accounts payable	Xiao Shou Mao Yi	**–**	15,870.41
	Da Dong Po	**36,861,068.99**	–
	Mudu Trading	**2,891,880.00**	–
	Metal Material	**–**	60,061,068.55
Receipts in advance	Xiao Shou Mao Yi	**48,567.15**	16,452.50
	Metal Material	**390,000,000.00**	–
	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 28 March 2019.

(XVI) SUPPLEMENTARY INFORMATION

1. Breakdown of Non-Recurring Profit or Loss

Unit: RMB

Item	2018	2017
Net profit	**5,150,041,506.24**	3,595,615,427.82
Add (less): Non-recurring profit or loss items		
– Loss on disposal of non-current assets	**31,121,956.96**	17,491,578.26
– Government grants	**(14,510,421.30)**	(23,795,835.40)
– Donation expenditures	**59,932,740.00**	29,235,336.57
– Income from other non-current assets in the current year	**–**	(2,308,688.30)
– Income from the disposal of available-for-sale financial assets	**–**	(121,636.46)
– Income/(Loss) from the disposal of held-for-trading financial liabilities	**–**	(76,095,119.34)
– Losses on delivery of forward foreign exchange contract	**589,586.35**	–
– Impairment losses on construction in progress	**31,615,388.19**	–
– Loss on changes in fair value of the contingent consideration for the acquisition of Congo (DRC) copper-cobalt business	**(69,465,519.00)**	428,694,671.16
– Income from the disposal of other non-current assets	**(46,591,865.10)**	–
– Loss (Gains) on changes in fair value of other non-current financial assets at FVTPL	**(154,753,873.36)**	–
– Other losses on changes in the fair value	**71,219,571.67**	43,071,210.04
– Loss on debt restructuring	**–**	48,000.00
– Other net non-operating income or expenses other than the above	**10,153,653.92**	(24,084,271.38)
Sub-total	**(80,688,781.67)**	392,135,245.15
Income tax effects from non-recurring profit or loss items	**14,057,397.72**	5,310,009.86
Net profit after deducting non-recurring profit or loss items	**5,083,410,122.29**	3,993,060,682.83
Including: Net profit attributable to shareholders of the parent company	**4,560,178,551.23**	3,125,343,718.95
Net profit attributable to minority interests	**523,231,571.06**	867,716,963.88

(XVI) SUPPLEMENTARY INFORMATION (CONTINUED)

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	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	11.72	0.21	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	11.54	0.21	N/A

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

* For identification purposes only