

The logo for CMOC (China Molybdenum Co., Ltd.) features the letters 'CMOC' in a bold, sans-serif font. The 'C' is green, the 'M' is purple, and the 'O's are blue. To the right of the letters, the Chinese characters '洛阳钼业' are written in a dark blue, serif font.

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

(A joint stock company incorporated in the People's Republic of China with limited liability)

2021 ANNUAL REPORT



Build CMOC into a respected and modern
resource corporation in the world

Stock Code: 3993

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THIS ANNUAL REPORT INCLUDES FORWARD-LOOKING STATEMENTS. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACTS, THAT ADDRESS BUSINESS ACTIVITIES, EVENTS OR DEVELOPMENTS THAT THE COMPANY EXPECTS OR ANTICIPATES MAY OR WILL OCCUR IN THE FUTURE (INCLUDING BUT NOT LIMITED TO PROJECTIONS, TARGETS, ESTIMATES AND BUSINESS PLANS) ARE FORWARD-LOOKING STATEMENTS. THE COMPANY'S ACTUAL RESULTS OR DEVELOPMENTS MAY DIFFER MATERIALLY FROM THOSE INDICATED BY THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS VARIABLES AND UNCERTAINTIES. THE COMPANY MAKES THE FORWARD-LOOKING STATEMENTS IN THIS ANNUAL REPORT FOR THE YEAR REFERRED TO HEREIN AS AT 18 MARCH 2022 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 engages in the non-ferrous metal industry, mainly the mining and processing business, which includes mining, beneficiation, smelting and refining of base and rare metals, and mineral trading business. With its main business located over five continents: Asia, Africa, South America, Oceania and Europe, the Company is the world’s leading producer of tungsten, cobalt, niobium and molybdenum and a major copper producer. It is also a leading producer of phosphate fertilizer in Brazil. In terms of trading business, the Company is among the top three base metal traders in the world. The Company ranks 1,046 among the top 2,000 global listed companies by Forbes 2021 and 15 among top 40 global mining companies (by market value) in 2021.

The Company’s vision is to become a “highly respected, modern and world-class resource company”. In the context of global strategy of carbon neutrality, the Company has formulated a “three-step” development path, of which the first step is to “lay a foundation of low cost and high efficiency” that focuses on system and team building via organization upgrade and a corporate management system that covers global operations. The second step is to “ramp up with multiplying production capacity” as the two world-class projects, TFM mixed ore project and KFM project, complete construction and start production. This step aims at a modern and effective corporate governance structure with clear division of responsibilities and a stronger team that is tested through involvement in world-class projects that are launched to expand our production capacity. The third step is to achieve “stellar growth” towards a world-class company and our vision when new milestones are achieved in business size and cash flows, when teams and project pipelines are more robust, and when we are ready to seek greater growth around our strategic goals in key regions and key products.

FINANCIAL HIGHLIGHTS

I. SUMMARISED FINANCIAL INFORMATION

Unit: yuan Currency: RMB

Major accounting information	2021	2020	Increase or decrease as compared to last year (%)	2019
Operating revenue	173,862,586,154.82	112,981,018,624.55	53.89	68,676,565,008.79
Net profit attributable to shareholders of listed company	5,106,017,249.81	2,328,787,511.92	119.26	1,857,014,210.98
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed company	4,103,233,118.22	1,090,576,448.35	276.24	746,685,213.05
Net cash flow from operating activities	6,190,648,051.98	8,492,453,630.20	-27.10	1,704,827,883.87

Major accounting information	2021	2020	Increase or decrease as compared to last year (%)	2019
Net assets attributable to shareholders of listed company	39,845,286,626.30	38,891,780,788.15	2.45	40,802,774,133.85
Total assets	137,449,772,623.15	122,441,249,889.87	12.26	116,862,226,476.73

II. MAJOR FINANCIAL INDICATORS

Major financial indicators	2021	2020	Increase or decrease as compared to last year (%)	2019
Basic earnings per share ("EPS") (RMB Yuan per Share)	0.24	0.11	118.18	0.09
Diluted EPS (RMB Yuan per Share)	0.24	N/A	N/A	N/A
Basic EPS after deduction of non-recurring profits or losses (RMB Yuan per Share)	0.19	0.05	280.00	0.03
Weighted average return on net assets (%)	12.93	5.83	increased by 7.10 percentage points	4.54
Weighted average return on net assets after deduction of non-recurring profits or losses (%)	10.39	2.78	increased by 7.61 percentage points	1.85

FINANCIAL HIGHLIGHTS

III. ITEMS AND AMOUNTS OF NON-RECURRING PROFITS OR LOSSES

Unit: yuan Currency: RMB

Non-recurring Items	2021	Explanation	2020	2019
Profits or losses from disposal of non-current assets	-5,274,617.13		-812,670.82	-64,265,650.01
Government grants included in profit and loss for the current 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	58,214,845.39	Including subsidies for low grade scheelite project of RMB7 million	38,232,080.76	20,903,479.63
Gains on acquisitions of subsidiaries and associates where the investment cost is less than the shares of the fair value of the identifiable net assets	0.00		0.00	133,096,178.59
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, 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	-3,663,615,218.75	Including RMB-3,889 million change in fair value of derivative financial instruments of IXM metal trading business	-1,934,640,418.79	2,828,166,471.97
Other profit or loss in changes of fair value	11,320,945.27		-9,404,961.04	-4,029,238.41
Loss on impairment of long-term assets	-35,158,285.06		0.00	0.00
Donation expenditure	-15,571,939.10		-12,200,813.25	-27,034,716.53
Other non-operating income or expenses other than the above items	-17,787,595.90		-58,907,802.74	27,175,239.04
Other profit/loss items falling within the definition of non-recurring profit and loss	1,165,641.55	Gains on disposal of subsidiaries	-187,269,402.18	37,464,818.80
Other non-operating profit or loss in relation to IXM's metal trading business	4,867,724,256.55		3,621,955,093.95	-1,581,795,820.24
Less: Income tax effects	198,826,642.76		241,903,714.24	267,238,522.05
Effects of minority interests (after tax)	-592,741.53		-23,163,671.92	-7,886,757.14
Total	1,002,784,131.59		1,238,211,063.57	1,110,328,997.93

FINANCIAL HIGHLIGHTS

IV. CONSOLIDATED FINANCIAL STATEMENTS

(I) Consolidated Balance Sheet

Unit: yuan Currency: RMB

Item	31 December 2021	31 December 2020	Increase (decrease)
Current assets:			
Cash and bank balances	24,318,024,989.56	16,947,648,080.87	43.49%
Held-for-trading financial assets	7,117,297,565.38	7,435,128,840.50	-4.27%
Derivative financial assets	1,830,819,434.83	2,060,111,110.42	-11.13%
Accounts receivable	745,903,478.74	702,193,713.91	6.22%
Financing receivables	662,973,657.80	405,697,607.38	63.42%
Prepayments	1,473,068,744.38	1,405,838,288.25	4.78%
Other receivables	2,158,421,687.51	1,676,752,484.31	28.73%
Including: Interests receivable	409,454,105.99	344,628,170.18	18.81%
Dividends receivable	900,000.00	0.00	100.00%
Inventories	26,959,964,452.91	21,170,188,531.54	27.35%
Non-current assets due within one year	573,733,642.62	0.00	100.00%
Other current assets	5,115,673,898.16	5,436,087,014.38	-5.89%
Total current assets	70,955,881,551.89	57,239,645,671.56	23.96%
Non-current assets:			
Long-term equity investment	1,249,467,501.47	1,348,252,898.68	-7.33%
Other investments in equity instruments	67,772,733.31	86,214,350.23	-21.39%
Other non-current financial assets	3,912,404,655.76	4,678,191,536.17	-16.37%
Fixed assets	24,959,306,845.68	23,328,330,597.04	6.99%
Construction in progress	3,882,051,384.27	3,958,981,388.37	-1.94%
Right-of-use assets	358,652,931.81	487,786,129.11	-26.47%
Intangible assets	19,398,989,322.92	21,511,518,662.57	-9.82%
Long-term inventory	6,111,544,354.19	5,845,918,877.35	4.54%
Goodwill	387,204,155.33	396,265,256.07	-2.29%
Long-term prepaid expenses	178,843,869.89	127,533,613.45	40.23%
Deferred tax assets	987,702,345.62	497,166,341.93	98.67%
Other non-current assets	4,999,950,971.01	2,935,444,567.34	70.33%
Total non-current assets	66,493,891,071.26	65,201,604,218.31	1.98%
Total assets	137,449,772,623.15	122,441,249,889.87	12.26%

FINANCIAL HIGHLIGHTS

Item	31 December 2021	31 December 2020	Increase (decrease)
Current liabilities:			
Short-term borrowings	26,911,899,635.42	20,464,481,097.49	31.51%
Held-for-trading financing liabilities	4,402,513,686.53	4,291,950,709.21	2.58%
Derivative financial liabilities	2,636,505,095.30	5,021,779,572.93	-47.50%
Notes payable	2,906,023,727.49	627,937,567.02	362.79%
Accounts payable	1,260,247,972.87	876,914,865.30	43.71%
Contract liabilities	637,933,776.57	371,984,342.17	71.49%
Employee benefits payable	897,749,900.38	769,350,564.51	16.69%
Taxes payable	2,704,678,920.67	845,217,960.37	220.00%
Other payables	2,918,190,968.03	1,599,240,517.18	82.47%
Including: Interests payable	161,655,596.08	222,893,031.58	-27.47%
Dividends payable	27,885,796.67	27,885,796.67	0.00%
Non-current liabilities due within one year	4,954,382,332.64	5,329,646,086.38	-7.04%
Other current liabilities	429,943,105.54	2,159,431,822.36	-80.09%
Total current liabilities:	50,660,069,121.44	42,357,935,104.92	19.60%
Non-current liabilities:			
Long-term borrowings	13,610,578,855.09	15,360,372,820.17	-11.39%
Bonds payable	1,150,000,000.00	3,631,225,000.00	-68.33%
Non-current derivative financial liabilities	357,204,494.71	417,159,248.94	-14.37%
Lease liabilities	233,937,993.67	247,794,476.14	-5.59%
Long-term employee benefits payable	308,472,990.96	323,797,716.11	-4.73%
Provision	3,081,821,758.57	2,750,507,412.49	12.05%
Deferred income	53,103,694.70	60,587,483.62	-12.35%
Deferred tax liabilities	6,136,296,210.55	6,269,305,883.30	-2.12%
Other non-current liabilities	13,594,075,166.39	3,687,709,740.77	268.63%
Total non-current liabilities	38,525,491,164.64	32,748,459,781.54	17.64%
Total liabilities	89,185,560,286.08	75,106,394,886.46	18.75%
Shareholders' equity (or equity interest)			
Paid-in capital (or Share capital)	4,319,848,116.60	4,319,848,116.60	0.00%
Capital reserve	27,645,855,518.39	27,582,794,983.23	0.23%
Less: treasury share	876,357,019.96	193,840,466.48	352.10%
Other comprehensive income	-6,406,227,030.65	-3,585,690,161.76	-78.66%
Special reserve	487,314.82	230,899.06	111.05%
Surplus reserve	1,463,370,956.65	1,295,599,051.54	12.95%
Retained profits	13,698,308,770.45	9,472,838,365.96	44.61%
Total equity attributable to owners of the parent company	39,845,286,626.30	38,891,780,788.15	2.45%
Non-controlling interests	8,418,925,710.77	8,443,074,215.26	-0.29%
Total shareholders' equity (or equity interest)	48,264,212,337.07	47,334,855,003.41	1.96%
Total liabilities and shareholders' equity (or equity interest)	137,449,772,623.15	122,441,249,889.87	12.26%

FINANCIAL HIGHLIGHTS

(II) Consolidates Income Statement

Unit: Yuan Currency: RMB

Item	2021	2020	Increase (decrease)
I. Total operating revenue	173,862,586,154.82	112,981,018,624.55	53.89%
Including: Operating revenue	173,862,586,154.82	112,981,018,624.55	53.89%
II. Total operating costs	161,808,822,844.14	108,328,837,499.80	49.37%
Including: Operating costs	157,539,542,348.74	104,536,006,657.71	50.70%
Taxes and levies	1,256,077,808.20	892,221,743.36	40.78%
Selling expenses	89,749,939.10	73,456,574.59	22.18%
Administrative expenses	1,556,010,571.73	1,330,306,248.91	16.97%
Research and development expenses	272,384,715.46	173,582,899.01	56.92%
Financial expenses	1,095,057,460.91	1,323,263,376.22	-17.25%
Including: Interest expenses	1,764,472,539.36	1,787,719,461.87	-1.30%
Interest income	748,777,605.00	691,961,398.68	8.21%
Add: Other income	58,214,845.39	38,182,004.23	52.47%
Investment income (losses are indicated by "-")	110,295,857.36	408,815,417.07	-73.02%
Including: Income from investments in associates and joint ventures	-2,281,770.77	-11,735,678.34	80.56%
Gains from changes in fair value (losses are indicated by "-")	-3,367,748,632.59	-1,915,935,321.09	-75.78%
Credit impairment losses (losses are indicated by "-")	148,459.55	11,726,548.03	-98.73%
Asset impairment losses (losses are indicated by "-")	-60,725,346.54	-246,808,770.60	75.40%
Income from the disposal of assets (losses are indicated by "-")	-5,274,617.13	-812,670.82	-549.05%
III. Operating profit (losses are indicated by "-")	8,788,673,876.72	2,947,348,331.57	198.19%
Add: Non-operating income	19,162,108.50	14,694,897.50	30.40%
Less: Non-operating expenses	52,521,643.50	85,753,436.96	-38.75%
IV. Total profit (total losses are indicated by "-")	8,755,314,341.72	2,876,289,792.11	204.40%
Less: Income tax expenses	3,327,700,999.16	397,649,247.09	736.84%
V. Net profit (net losses are indicated by "-")	5,427,613,342.56	2,478,640,545.02	118.98%
(1) Classified by operation continuity			
1. Net profit from continuing operations (losses are indicated by "-")	5,427,613,342.56	2,478,640,545.02	118.98%
(2) Classified by ownership			
1. Net profit attributable to shareholders of the parent company (losses are indicated by "-")	5,106,017,249.81	2,328,787,511.92	119.26%
2. Non-controlling interest (losses are indicated by "-")	321,596,092.75	149,853,033.10	114.61%

FINANCIAL HIGHLIGHTS

Item	2021	2020	Increase (decrease)
VI. Other comprehensive income, net of tax	-3,066,390,685.93	-3,759,485,512.45	18.44%
(I) Other comprehensive income attributable to owners of the parent company, net of tax	-2,885,808,367.60	-3,213,314,637.04	10.19%
1. Other comprehensive income cannot be reclassified into the profit or loss subsequently	17,782,366.26	-29,210,113.06	160.88%
(1) Remeasurement of changes in defined benefit plans	31,667,410.20	-21,466,231.83	247.52%
(2) Changes in fair value of other equity instrument investments	-13,885,043.94	-7,743,881.23	-79.30%
2. Other comprehensive income that will be reclassified subsequently into the profit or loss	-2,903,590,733.86	-3,184,104,523.98	8.81%
(1) Cash flow hedge reserve	-2,094,684,175.28	-1,318,514,045.16	-58.87%
(2) Foreign exchange differences from translation of financial statements	-808,906,558.58	-1,865,590,478.82	56.64%
(II) Other comprehensive income, net of tax attributable to non-controlling shareholders	-180,582,318.33	-546,170,875.41	66.94%
VII. Total comprehensive income	2,361,222,656.63	-1,280,844,967.43	284.35%
(I) Attributable to owners of the parent company	2,220,208,882.21	-884,527,125.12	351.01%
(II) Attributable to non-controlling shareholders	141,013,774.42	-396,317,842.31	135.58%
VIII. Earnings per share			
(I) Basic earnings per share (<i>RMB Yuan per Share</i>)	0.24	0.11	118.18%
(II) Diluted earnings per share (<i>RMB Yuan per Share</i>)	0.24	N/A	/

FINANCIAL HIGHLIGHTS

(III) Consolidated Statement Of Cash Flow

Unit: Yuan Currency: RMB

Items	2021	2020	Increase (decrease)
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering services	178,911,705,871.18	124,430,020,607.24	43.79%
Cash received from tax refund	210,603,969.12	201,729,168.37	4.40%
Cash received related to other operating activities	755,068,590.12	4,433,968,969.06	-82.97%
Sub-total of cash inflows from operating activities	179,877,378,430.42	129,065,718,744.67	39.37%
Cash paid for purchasing goods and receiving labour services	164,689,040,889.30	112,356,590,717.10	46.58%
Cash paid to employees and paid for employees	2,821,176,646.71	2,186,110,884.36	29.05%
Taxes and fees paid	4,441,568,895.75	3,730,988,386.09	19.05%
Cash paid for other operating activities	1,734,943,946.68	2,299,575,126.92	-24.55%
Sub-total of cash outflow from operating activities	173,686,730,378.44	120,573,265,114.47	44.05%
Net cash flow from operating activities	6,190,648,051.98	8,492,453,630.20	-27.10%
II. Cash flows from investing activities:			
Cash received from recovery of investment	9,357,480,545.74	14,828,067,938.53	-36.89%
Cash received from investment income	202,617,528.10	610,308,701.04	-66.80%
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	21,282,617.12	114,105,741.51	-81.35%
Net cash received from disposals of subsidiaries and other operating units	55,505,000.00	0.00	100.00%
Cash received related to other investing activities	1,077,853,530.69	2,491,976,308.57	-56.75%
Sub-total of cash inflows from investment activities	10,714,739,221.65	18,044,458,689.65	-40.62%
Cash paid for acquiring or construction of fixed assets, intangible assets and other long-term assets	4,281,675,570.51	7,621,789,128.23	-43.82%
Cash paid for acquiring investments	9,239,478,169.67	16,139,927,989.55	-42.75%
Cash paid on acquisition or disposal of subsidiaries and other operating units	0.00	597,959,999.97	-100.00%
Cash paid for other investment activities	2,085,385,035.55	3,089,577,857.70	-32.50%
Sub-total of cash outflow from investment activities	15,606,538,775.73	27,449,254,975.45	-43.14%
Net cash flows from investment activities	-4,891,799,554.08	-9,404,796,285.80	47.99%
III. Cash flows from financing activities:			
Cash received from investment contribution	1,004,559,574.00	0.00	100.00%
Cash received from borrowings	45,430,966,241.84	37,658,074,610.27	20.64%
Cash received from other financing activities	11,762,118,200.00	3,715,446,908.04	216.57%
Sub-total of cash inflows from financing activities	58,197,644,015.84	41,373,521,518.31	40.66%
Cash repayments of borrowings	45,227,614,462.85	33,554,165,884.84	34.79%
Cash paid for distribution of dividends, profits and interest Including: dividends and profits paid by subsidiaries to non- controlling shareholders	2,600,708,171.47	2,678,785,191.37	-2.91%
	165,166,381.80	41,759,360.00	295.52%
Cash paid for other financing activities	2,480,683,943.05	4,718,269,511.52	-47.42%
Sub-total of cash outflow from financing activities	50,309,006,577.37	40,951,220,587.73	22.85%
Net cash flow from financing activities	7,888,637,438.47	422,300,930.58	1,768.01%
IV. Effect of exchange rate changes on cash and cash equivalents	-243,745,530.93	-453,255,348.58	46.22%
V. Net decrease in cash and cash equivalents	8,943,740,405.44	-943,297,073.60	1,048.14%
Add: Balance of cash and cash equivalents at the beginning of period	11,448,950,438.25	12,392,247,511.85	-7.61%
VI. Balance of cash and cash equivalents at the end of period	20,392,690,843.69	11,448,950,438.25	78.12%

CEO'S STATEMENT

Dear Shareholders,

Thank you for your continued care, support, and trust in CMOC.

2021 marks an extraordinary year, as the pandemic brought great uncertainty to the world economy and no individual nor company could survive this global disaster alone. Despite demanding challenges, we managed to deliver satisfactory business results while protecting health of our employees and maintaining stable operations based on our strengths in global logistics network and production automation and our defenses built against COVID-19 in both pandemic prevention and control and in provision of supplies.

Financial highlights – In 2021, CMOC achieved an operating revenue of RMB173.863 billion, representing a year-on-year increase of 53.89%; the net profit attributable to the parent company was RMB5.106 billion, representing a year-on-year increase of 119.26%; the net profit attributable to the Company after non-recurring items amounted to RMB4.103 billion, representing a year-on-year increase of 276.24%. The total revenue and net profit reached a record high. All core business units maintained stable operation amid the pandemic, recording a significant drop in frequency of safety incident and new highs in output of key products, while IXM realized best-ever performance, a demonstration of the success that we will continue to achieve via the path of the new “mining + trading” business model.

More importantly, we also consolidated the groundwork to look ahead to the future. The “5233” management concept was practiced, the organizational upgrading and cultural reshaping were basically completed, and headquarter functions were further improved. We rebuilt the management processes and established a global management framework. Digitalization programs were rolled out to support the global business. All these helped lay a solid foundation for our growth going forward.

The pandemic itself is a trigger for people to rethink the relationship between humanity and the world, as well as for us to consider more broadly about the nature of the mining industry and our core competitiveness. Facing the new business environment and technology solutions, the traditional mining industry has been endowed with new connotations. Based on the history of the Company's development and our understanding of the industry, we have officially updated the Company's vision to “highly respected, modern, and world-class resources company” in accordance with the standards of international first-class mining companies.

Being “respected” represents our aspiration and pursuit that could be interpreted from three dimensions:

First is commercial success. This is the reason and purpose of the incorporation of any business entity like CMOC. To ride the tide of the new energy revolution, we will increase our production capacity and increase mineral resources and ore reserves to maintain industry-leading profitability. Sustained commercial success is the cornerstone to enhance our influence in the industry and consolidate our leading position in the global supply of battery metals and EV raw materials, enabling us to play an important role in the global energy transition.

Second is all-round people development. We are committed to becoming an international company of excellence that upholds a corporate culture which makes our employees happy and proud and empowers them to realize their value and a successful and exciting career at CMOC.

Third is best practice in sustainability. We exercise the strictest safety, environmental, and social standards and cherish the natural resources to achieve sustainable development and maximum value for all stakeholders.

Being “modern” indicates our methodology and approach to business operations. This is a key trait that distinguishes us from traditional mining companies and requires outperformance in three aspects:

First is modern mine production. In line with the latest round of industrial revolution, we vigorously promote digital and intelligent mine development to modernize mining, beneficiation, and smelting processes. In addition, we refine mine production and improve resource utilization efficiency. Our ambition is to achieve harmonised development of the natural resources, by protecting natural environment and the communities that host our business.

CEO'S STATEMENT

Second is leverage the financial market and financial tools to avoid risks and gain profits based on a healthy balance sheet. The mining industry is quasi-financial, thus the ability to employ financial tools is a core competence of mining companies and is an advantage that we have already demonstrated in our track record. We will continue to leverage this advantage to support growth of the mining business. We will focus on balance sheet and prioritize liquidity management with a clear mind in the context of the cyclical nature of the industry.

Third is greater synergy of mining and trading. We will further leverage the synergy between upstream mines and IXM's metal trading by taking advantage of IXM's global network and persistently explore the potential of the "mining + trading" business model.

Being "world-class" is our goal and will be the natural course of development should we keep on the right track.

This necessitates a strong presence in the international mining arena and commercial success in a free and open economic system as a mature and confident player. In addition to world-class resources, industry-leading profitability, and pricing power over important resources, our teams, organizational structure, operational efficiency, corporate culture, and branding also need to be competitive by international standard. We are also dedicated to playing a leading role in new energy metals such as copper, cobalt and nickel and specialty metals such as molybdenum, tungsten, and niobium.

We are keenly aware that to realize our vision, we need to be down-to-earth and take one step at a time. Therefore, we have formulated a "three-step" development path, of which the first step is to "lay a foundation" of low cost and high efficiency. Through the organization upgrade and the establishment of global control system, we will improve mechanism, attract mining elites for business operation and future expansion. The second step is to "ramp up" with multiplying production capacity. With the improvement of production capacity, the staff team has been tempered in the construction of world-class projects; with modern governance methods, our subsidiaries have been effectively controlled; with clear responsibilities and rights, and clear boundaries, the level of global governance has been raised in an all-round way. The third step is to achieve "stellar growth" towards being a world-class company, to improve our business size and cash flows to a new level and to build our talent team and increase our project reserves to meet new requirements; focusing on key regions and categories and seeking great improvement to achieve our vision in accordance with our strategic goals. Today, we are at the crunch time to transit from step 1 to step 2. As 2022 is featured as a year of construction, we will speed up the construction of two world-class mines in the DRC to maximize resources value and lay a solid foundation for the Company to achieve leapfrog development.

We are also aware that culture can be a driving force for productivity and a flexible value network bonding individuals with each other and with organizations. A healthy corporate culture can spark productive cooperation among excellent talents. After more than a year of discussion, the framework of our corporate culture has taken shape. Based on our history, this framework is built as an active response to the ever-changing environment and challenges ahead; it is an important guideline for business units worldwide to practice in their operations, in establishing rules and regulations, setting up code of conduct, fulfilling social responsibilities, and promoting brand image. It is a guidance for all employees to embrace and follow and a banner to unify thoughts, reach consensus, and motive and inspire employees. We believe that supported by such corporate culture, we will be ushered in a promising future to build our strongest moat.

The world is undergoing profound changes and we are confident that we will become a respected, modern, and world-class resources company amid the global industrial and energy revolutions. The worldwide economy is gaining momentum to recover from the subsiding COVID-19 impacts. We believe that we could weather any crisis and challenges as long as we stay true to our aspiration, follow the rules, adapt ourselves to changes, and continue to create value for all stakeholders.

The best way to predict the future is to create it! In this era of greatness, we rise to the challenges and remain resolute in pursuing our goals and vision by keeping the path of high-quality growth. We will live up to our mission and will continue to deliver results to maximize returns for shareholders!

Sun Ruiwen
CEO

MARKET REVIEW AND PROSPECTS

During the reporting period, the Company generated revenue mainly from the sales of copper, cobalt, molybdenum, tungsten, niobium, phosphates and other relevant products. The Company's operating results are mainly subject to the fluctuations in the prices of the above resources. At the same time, the Company also has sales of gold as a by-product in NPM, and the fluctuation of the prices in gold would also have certain impact on the results of the Company.

1. COMPARISON OF PRICES OF MAJOR RELEVANT METAL PRODUCTS OF THE COMPANY FOR THE YEAR OF 2021 AS COMPARED WITH THE PREVIOUS YEAR

Domestic market price of the relevant products of the Company

Products	2021	2020	Increase/ decrease on a year-on- year basis (%)
Molybdenum Molybdenum concentrates (RMB/metric tonne unit)	2,023	1,453	39.23
Ferromolybdenum (RMB0'000/tonne)	13.67	9.99	36.84
Tungsten Wolframite concentrates (RMB/metric tonne unit)	1,557	1,290	20.70
APT (RMB0'000/tonne)	15.38	12.76	20.53

Note: Data from the average prices quoted on the website of Comelant (product standard: 47.5% for molybdenum concentrate, 60% for ferromolybdenum, grade I for wolframite concentrate, APT GB-0).

International market price of relevant products of the Company

Products	2021	2020	Increase/ decrease on a year-on- year basis (%)
Copper Copper cathode (USD/tonne)	9,317	6,186	50.61
Cobalt Cobalt metal (USD/lb)	23.98	15.37	56.02
Molybdenum Molybdenum oxide (USD/lb of molybdenum)	15.9	8.7	82.76
Tungsten APT (USD/metric tonne unit)	290.85	225.35	29.07
Niobium Ferroniobium (USD/kg of niobium)	42.54	24.79	71.60
Phosphate MAP (USD/tonne)	694	337	105.93
Lead Lead metal (USD/tonne)	2,206	1,825	20.88
Zinc Zinc metal (USD/tonne)	3,007	2,269	32.53
Aluminum Aluminum metal (USD/tonne)	2,480	1,704	45.54
Nickel Nickel metal (USD/tonne)	18,487	13,789	34.07

Note: the price of molybdenum oxide is the average price quoted on the Metals Week; the prices of copper, lead, zinc and molybdenum are the spot average price on LME (London Metal Exchange); cobalt price is the average low price of MB (Metal Bulletin) standard grade cobalt; phosphate fertilizer price is from Argus Media.

MARKET REVIEW AND PROSPECTS

2. MARKET REVIEW ON EACH METAL SEGMENT IN 2021

(1) Copper market

The Company mainly sells copper cathode and copper concentrate to the international markets. In 2021, the annual average LME copper spot settlement price was USD9,317 per tonne, representing a year-on-year increase of 50.61%. In the first quarter, the production and transportation of copper in South America were impacted by COVID-19 pandemic and global supply chain disruption. On the other hand, overseas economy gradually recovered from pandemic, and stimulus policies were introduced in many countries to promote economic recovery. LME inventory fell to the historic low, and the price showed a significant upward shift. In the second quarter, the production and transportation of copper in South America resumed gradually but risks remained. With the acceleration of overseas vaccination and economic revival, the USD index was relatively weak with ample liquidity. LME spot settlement price peaked to the highest point throughout the year of USD10,724.5 per tonne in mid-May. In the third quarter, with eased supply chain, the TC/RC of copper concentrate rebounded significantly. The National Food and Strategic Reserve Administration released 110,000 tonnes of copper reserve in four batches to stabilize market amid surging metal prices. With higher expectation in inflation overseas, the USD index rebounded and the copper price oscillated at high levels. In the fourth quarter, the domestic consumption resumed under the circumstance of ensured supply and stable price, the copper scrap supply tightened up, and the consumption of refined copper increased, while the rapid decline in inventories supported copper prices in spite of the macro weakness overseas. Impacted by global supply chain disruptions, premium of LME spot copper touched its high over USD1,000 per tonne, pushing LME spot settlement price to reach the second highest point throughout the year at USD10,652 per tonne in mid-October.

(2) Cobalt market

The Company sells intermediate products of cobalt hydroxide to the international markets. In 2021, the annual average MB metal cobalt price was USD23.98 per tonne, representing a year-on-year increase of 56.02%. In the first quarter, African cobalt raw material exports were restricted, resulting in a tightening of supply, while domestic demand was strong. Cobalt price showed a significant increase, and low-range quote for MB standard grade cobalt reached the high point of USD25.3/lb in the first half in early March. In the second quarter, supply was increased with relief in African logistics. Followed with off-season demand, cobalt price went downward. Subsequently, the price stabilised with the coming of summer holiday overseas and recovery of stock demand. In the third quarter, under the demand increase from aviation and military industry overseas, electric cobalt was in tight supply and the price oscillated at high levels. In the fourth quarter, the pandemic in South Africa triggered market concerns over the supply of raw materials again, meanwhile, buyers' concerns over tight spot supply in the subsequent market made them to lock the volume in advance during the offtake negotiation process, resulting in the continuous increase in cobalt price. The low range quote for MB standard grade cobalt reached a high point of the year at USD33.5/lb by the end of the year.

(3) Molybdenum market

The major molybdenum product of the Company is ferromolybdenum, which is sold mainly in China. In 2021, the annual average ferromolybdenum price was RMB136,700 per tonne, representing a year-on-year increase of 36.84%. In the first quarter, the recovery of overseas economy combined with supply chain disruption led significant upwards in international molybdenum oxide and domestic molybdenum concentrate prices. In the second quarter, a significant increase in demand for ferromolybdenum purchases from domestic steel manufacturers, coupled with weakening overseas supply trend, promoted a significant increase in global molybdenum prices. In the third quarter, domestic supply declined due to severe weather and tightening environmental regulations, but steel manufacturers' procurement demands remained strong over the same period, stimulating ferromolybdenum prices to a ten-year high of around RMB165,000 per tonne. In the fourth quarter, prosperity index of the steel industry declined as a result of the controls on energy consumption and intensity, leading to a significant drop in demand of molybdenum products and a rapid fall of molybdenum price to RMB125,000 per tonne. Later driven by the anticipation of a rebound in steel manufacturer output, molybdenum price gradually returned to the level of RMB155,000 per tonne.

MARKET REVIEW AND PROSPECTS

(4) Tungsten market

The major tungsten products of the Company are ammonium paratungstate (APT), which are sold in the domestic market in China. In 2021, the annual average APT price was RMB153,800 per tonne, representing a year-on-year increase of 20.53%. In the first quarter, the domestic tungsten market was affected by the Spring Festival holiday and the Two Sessions, demonstrating price trend of a high level followed by a lower one. In the second quarter, the domestic APT price stabilised due to the rebound in international demand. In the third quarter, APT price increased rapidly to around RMB170,000 per tonne, driven by stronger downstream demands, coupled with tighter supply and new highs being hit by international bulk metals. In the fourth quarter, electricity restriction and increase in auxiliary material price led to higher processing cost, and APT price increased to the highest point of the year at around RMB174,000 per tonne.

(5) Niobium market

The major niobium product of the Company is ferroniobium, which is sold to the international market and domestic market. In 2021, the annual average ferroniobium price was RMB201,500 per tonne, basically flat year on year. In the first quarter, the global economy recovered rapidly and crude steel production and its demand for ferroniobium increased significantly, resulting in a slight upward trend in ferroniobium price. In the second quarter, ferroniobium price experienced a slight retreat due to the global chip shortage and the poor performance of the real estate sector in China. In the third quarter, the global logistics disruption began to impact the niobium market, particularly in the European market where there was an extreme shortage of spot ferroniobium, which prompted domestic and international ferroniobium prices increasing to all-year highs of RMB210,000/tonne and USD47/kg respectively in August. Subsequently, ferroniobium prices gradually retreated against the backdrop of production restriction of steel manufacturers in China and poor international demand. In the fourth quarter, the resurgence of the international pandemic led to a slight downward trend in domestic and overseas ferroniobium prices.

(6) Phosphate market

The major phosphate products of the Company are phosphate fertilizer (MAP, DAP), phosphoric acid and DCP, which are sold in the Brazil market. In 2021, MAP CFR Brazil (Brazil delivered price) was USD694/tonne, representing a year-on-year increase of 105.93%. In the first quarter, global crop prices experienced a sharp increase against the backdrop of the economic recovery, coupled by strong downstream operating margins, the headroom for phosphate price increase is sufficient. MAP price reached USD600/tonne. In the second quarter, in terms of the supply side, with the end of spring planting season in China, and driven by high international phosphate fertilizer price, Chinese suppliers had sufficient momentum to export large quantities of phosphate fertilizer into Brazil market, resulting in a slight decrease in MAP price. In the third quarter, under the peak demand season in Brazil and the possibility that China may introduce policies to restrict phosphate fertilizer exports, concerns over tight spot supply drove prices further up to more than USD760/tonne. In the fourth quarter, with the implementation of Chinese phosphate fertilizer export restriction policies, coupled with Russian announcement of a cap on phosphate fertilizer exports and strong demand from India, MAP price was up further to more than USD850/tonne.

(7) Mineral trading market

IXM is the third largest trader of base metals in the world, which mainly deals with copper, lead and zinc concentrate and refined metals including copper, aluminium, zinc and nickel as well as battery material metals and special metals such as cobalt and niobium. Overview for 2021:

In the lead and zinc markets, lead and zinc concentrates were in short supply and spot processing fees were relatively stable throughout the year. Zinc concentrate processing fee ranged from USD70 to USD90 per dry tonne and lead concentrate varied from USD50 to USD60 per dry tonne. Given that some zinc smelters shut down under the European energy crisis, the short supply pushed up zinc price to record high. Lead ore processing fee varied considerably among different quality products, the high silver and high lead ore processing fees were as low as USD20 to 50 per dry tonne while low silver and low lead ore processing fees increased to USD100 to 110 per dry tonne.

MARKET REVIEW AND PROSPECTS

In the aluminum market, price of LME aluminum registered strong increase on the back of continued global supply chain disruptions and tight aluminum supply in 2021. Recurring global pandemic, turbulences in the real estate market in China, European energy crisis and other factors drove volatility of aluminum price.

In the early first quarter, driven by strong consumption of new energy and stainless steel, the nickel market steadily went upward. In early March, the market expected that the supply of nickel sulfate would continue to be guaranteed, and nickel prices plummeted. In the second quarter, domestic and overseas stainless steel consumption was strong, Indonesia's NPI (nickel pig iron) supply was lower than expected, and nickel prices fluctuated at high level. In the fourth quarter, stainless steel exports were strong, accompanied by the disruption on the supply side, and nickel prices continued to rise.

MARKET PROSPECTS FOR EACH METAL SEGMENT IN 2022

1. Copper market

On the supply side, there will be a certain amount of incremental production from copper mines, but geopolitical and community risks have left uncertainty over the progress of new projects put into production. While smelting capacity has also increased, however at a slower rate than the mining side. On the demand side, copper demand for renewable energy and new energy vehicles is expected to grow optimistically as carbon neutrality and carbon peak goals are reached. Given the uncertainty of the COVID-19 pandemic, the global supply chain bottleneck is expected to ease in the second half of 2022 and global copper inventories will remain low overall, supporting copper prices.

2. Cobalt market

On the supply side, there will be incremental production of DRC cobalt raw material and the HPAL nickel project in Indonesia will also bring certain amounts of incremental cobalt. On the demand side, new energy vehicles will remain the main source of incremental cobalt demand. Although the growth rate of LFP batteries was faster than that of ternary batteries during the reporting period, the significant increase in new energy vehicle production will continue to expand demand for cobalt. The pandemic in South Africa is expected to continue to have a negative impact on cobalt raw material shipments from Africa, supporting cobalt prices.

3. Molybdenum market

On the supply side, major international producers in South America are expected to reduce production, and domestic copper and molybdenum-associated mines will bring a certain amount of incremental production. On the demand side, demand for speciality steel containing molybdenum is expected to remain strong, despite the cap on steel production capacity against the backdrop of carbon neutral and carbon peaking.

4. Tungsten market

On the supply side, there will be no incremental production from overseas mines as international supply is particularly low in proportion and the pandemic is recurring; domestic environmental protection policies are tightening and some mines are limiting supply due to the experience of declining grades. On the demand side, the automotive segment is expected to recover as the chip shortage eases; the machine segment is expected to see a 10-year replacement peak between 2021 and 2025, and demand for carbide tipped tools is expected to increase, which will support tungsten prices.

5. Niobium market

On the supply side of the niobium industry, the global market concentration continues to be high, with incremental production being kept within a moderate range. On the demand side, the steel industry is expected to restructure against the backdrop of carbon neutral and carbon peaking, and the proportion of alloyed structural steel in infrastructure is expected to increase; demand from the automotive sector is also expected to improve. Niobium prices are expected to maintain a stable trend.

MARKET REVIEW AND PROSPECTS

6. Phosphates market

On the supply side, exports will resume by mid-year in line with the export restrictions policies of China and Russia, which could lead to a correction in phosphate fertiliser prices. On the demand side, crop prices have moderated somewhat but are still at historically high levels, and crop acreage in Brazil is growing at a more stable and moderate rate. Phosphate prices are expected to oscillate in the high range.

7. Mineral trading

In the lead market, lead concentrate will remain in short supply and domestic preference for high lead and high silver concentrates is likely to continue, refined lead is relatively balanced on the globe and domestic exports are expected to remain unchanged.

In the zinc market, zinc concentrate is expected to be in surplus with some downstream smelters shutting down due to the European energy crisis, while stronger domestic demand for refined zinc and tight global container shipping are likely to continue, keeping spot in tight.

In the aluminium market, on the supply side, the overseas energy crisis in Europe has led to the possibility of further production cuts in Europe, while domestic carbon neutral carbon peaking has limited electrolytic aluminium production capacity. On the demand side, the chip shortage will be eased at the margin, supporting the demand of the automotive segment. Global supply chain bottlenecks may continue to create market dislocations.

In the nickel market, on the supply side, Indonesia's low-cost nickel production capacity is gradually being released, but uncertainty remains over ESG issues in the pyrometallurgy process, declining nickel ore grades and possible trade barriers. On the demand side, stainless steel production growth is expected to slow down, but the battery segment will support nickel demand with the expected significant growth in new energy vehicle production and the trend towards higher nickel for ternary batteries.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW ON EACH METAL SEGMENT IN 2021

Principal products	Production volume of 2021	Production volume of 2020
TFM copper metal (<i>tonne</i>)	209,120	182,597
Cobalt metal (<i>tonne</i>)	18,501	15,436
Molybdenum metal (<i>tonne</i>)	16,385	13,780
Tungsten metal (excluding Yulu Mining) (<i>tonne</i>)	8,658	8,680
Niobium metal (<i>tonne</i>)	8,586	9,300
Phosphate fertilizer (HA+LA) (<i>0'000 tonne</i>)	112	109
NPM copper metal (80% equity interest of NPM) (<i>tonne</i>)	23,534	26,997
NPM gold (80% equity interest of NPM) (<i>ounce</i>)	19,948	20,897
Concentrate products (<i>0'000 tonne</i>) (<i>trade volume</i>)	288.4	274
Refined metal products (<i>0'000 tonne</i>) (<i>trade volume</i>)	361.3	260

OPERATION REVIEW FOR THE YEAR OF 2021

1. Steady improvement in production and operation

During the reporting period, the outbreak of the COVID-19 pandemic in China was effectively controlled, but the situation outside China remained relatively serious. Adhering to the concept of “safety of life outweighs all else”, the Company continued to increase its efforts in pandemic prevention and control through strengthening protection and control, and ensured the orderly operation of all business segments, thereby leading to a significant growth in operating results and record production of many products. A number of products recorded high levels, including a four-year high in TFM copper output, a three-year high in cobalt, the highest production of phosphate fertilizer since commissioning of the production facility and a record physical trading volume by IXM.

The Company has set up a safety production committee and established a sound safety and environmental management system, achieving zero safety fatalities and zero major environmental incidents, with the best HSE level in history.

2. Further breakthroughs in cost reduction and efficiency

Following the completion of the target of three-year cost reduction of US\$500 million in 2020 ahead of schedule, the Company continued to carry out cost reduction and efficiency activities in all operating units to consolidate its low-cost operating advantage and improve profitability. In 2021, the Company's mineral extraction and processing achieved a year-on-year reduction in production and operating costs of over RMB1.6 billion.

TFM is committed to capacity upgrading and further exploring measures for cost reduction and efficiency. In 2021, total savings and benefits from cost and efficiency programs is about US\$188 million. Brazil introduced bold and decisive management changes, reducing production and operating costs by BRL177 million for the year. China continued to promote firm-wide centralized procurement, further reduced procurement costs, implemented technical upgrade and debottlenecking initiatives, reduced material consumption and implemented efficiency improvement programs and achieved reduction in production and operation costs of RMB95.61 million for the year.

BUSINESS REVIEW AND PROSPECTS

3. Remarkable team building

A global management team has been established with the CEO as the core, with a clear management structure and accurate authority and responsibilities. The Company continued to empower its overseas operating unit by delegating core Chinese personnel to the DRC, Australia, Brazil and IXM, so as to upgrade management levels. During the reporting period, the KFM management team was established with core management staff in place to provide management support for the project, and the management team in Brazil was reorganised to promote management improvement that made an initial achievement. Meanwhile, we implemented the concept of achievement sharing and constructed an annual performance management plan of “one company, one policy” for our operating units, and motivate our employees by providing incentives.

Based on the needs of organisational upgrade, we rolled out talent pooling and talent mapping programs, talent map, took various measures to build staff growth paths in each unit and optimised the cadre management system, representing a solid groundwork on talent team to support the Company's growth.

4. Careful planning when reviewing M&A opportunities

In line with the carbon peaking and carbon neutrality policy and our global layout, the Company formulated new strategic objectives and visions. Focusing on new energy metals, the mining and trading business segments centered around the short-to medium-term strategic goals of the Company, accelerated market research in key regions such as Africa, South America, and Southeast Asia, and promoted market research and review of key projects to gain an advantage in the new energy sector by identifying any possible M&A opportunities.

5. Highly-effective promotion for project construction

In order to seize the market cycle, the Company strengthened the supervision and guidance of key projects according to the Company's strategic objectives, and all operating units worked hard to overcome the impact of the pandemic to accelerate the pace of construction of key projects, confronted the impossible and carefully organized operation. During the reporting period, while the 10K project and the potential enhancement project reached full production and the TFM mixed ore project progressed rapidly, the first line of the nickel and cobalt project in Indonesia was successfully commissioned, with significant progress made in the Company's presence in nickel metal and a new energy metal added to Company's portfolio.

6. Substantial growth enabled by a new business model

During the reporting period, the Company grew a stronger confidence in taking the modern mining business model of mining + trading as IXM achieved a profit before tax of US\$160 million, with all product lines achieving higher-than expected performance. At the same time, the Company has taken advantage of IXM trading to secure sales of its own products. IXM has taken over sales of TFM copper and cobalt, niobium, and a certain portion of NPM copper concentrates to ensure market expansion and generate greater revenue contribution.

7. Strategic lines of defense reinforced

Liquidity management provides the impetus for the two-wheel drive, and the Company dynamically managed its balance sheet to enhance financing for major projects. As at the end of 2021, the total balance of cash and cash equivalents was RMB24.3 billion. The total credit facility reached RMB140.9 billion from a total of 72 state-owned banks, large joint-stock commercial banks, and large foreign banks.

Ongoing commitment to ESG underpinned the quality of development. Each unit continued to fulfil its social responsibility by further strengthening its energy transformation, embracing green development and providing protection for biodiversity. Our two mines in China were awarded the as National Green Mines, and the third generation of unmanned intelligent equipment was put into operation. The Company's MSCI ESG Rating was upgraded from BBB to A, the same level as Rio Tinto, BHP Billiton and Anglo America, leading the domestic and international mining industry.

BUSINESS REVIEW AND PROSPECTS

Information technology for efficient working. In September 2021, the Company launched the corporate SAP project to build a unified global platform for “production + procurement + sales”. Direct connection between the domestic and overseas treasury system was enabled, adding visibility to and stronger control over the Company’s global funding flows. While the expenses control system was successfully launched, a unified platform for expenses approval was built.

The Company has taken internal control and internal audit as the starting point, initiated the construction of a comprehensive risk prevention and control system, launched various types of audits and internal control self-assessments. In addition, with legal compliance as a pillar, the Company strengthened in-house legal expertise, relied on international legal resources and strives to safeguard its strategic investments and financing and property rights compliance of mines in and outside China.

2022 BUSINESS PROSPECT

1. Based on future economic and market dynamics, the budget objectives set by the Company are as follows:

Major products	Production guidance for 2022 (0'000 tonnes)
TFM copper metal	22.7-26.7
Cobalt metal	1.75-2.05
Molybdenum metal	1.28-1.51
Tungsten metal (excluding Yulu Mining)	0.61-0.72
Niobium metal	0.82-0.95
Phosphate fertilizer (HA+LA)	104-122
NPM copper metal (80% equity interest)	2.25-2.62
NPM gold (80% equity interest)	17,300-20,200 ounces
Physical trade volume	770-910

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 is subject to uncertainty.

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

2. Priorities of the Company for 2022:

(1) *Prevent and control pandemic, strengthen management foundation, maintain stable production and operation, to ensure completion of annual targets*

In the face of the normalisation of the global pandemic, the Company will continue to intensify the deployment of pandemic prevention and control, coordinate global resources to ensure on-site protection and vaccination of business segments, ensure the safety of employees worldwide and maintain stable business operations. We will continue to improve our “5233” management structure, take active action to explore the effective integration of the Chinese management model with overseas practices, and consolidate our cost reduction and efficiency improvement targets through process re-engineering.

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BUSINESS REVIEW AND PROSPECTS

(2) *Turn resource advantages into capacity advantages, significantly enhancing profitability and cash flow generation*

We will accelerate the construction and production of major projects, consolidate the advantageous resource layout of DRC, push forward TFM mixed ore and the milestone plan of KFM, strengthen the resource sharing between KFM and TFM production and construction, and strive to significantly increase the annual production capacity of copper and cobalt through two years. The molybdenum and tungsten segment will focus on the stabilisation of targets and the improvement of comprehensive recovery, promoting the technical development to overcome difficult ore in Shangfanggou and Sandaozhuang, the industrial production of comprehensive fluorspar recovery and new breakthroughs in revenue generation. In terms of niobium-phosphorus, we will focus on the planning of tailings ponds and large-scale production expansion, and the long-term development of the entire industrial chain. In terms of copper and gold segment, we will focus on optimising mine supply and long-term planning, improving the planning of each ore body, accelerating putting into full production of E26L1N, so as to ensure production capacity and improve the feed grade. All business segments are working in tandem to capture the market cycle and bring the Company's overall profitability and operating cash flow to a new level.

(3) *Deepen the integration and coordination of mining and trading, and give full play to IXM's competitiveness in the field of global trade*

The Company will continue to deepen the integration of the mining and processing sector and the mineral trading sector, and promote the production and sales coordination between IXM and various operating units, business coordination with various departments in the Group headquarters, investment and financing coordination with financial institutions, resource coordination with upstream and downstream customers. At the same time, the Company will further promote the logistics cooperation in key regions such as Africa, improve the sourcing and procurement integration of bulk raw materials, and give full play to IXM's advantages in international logistics, warehousing, quality inspection, risk control and so on. To build IXM into a new profit growth point of the Company and enhance the industry and market influence of the Company, the Company will continue to give IXM strong support to broaden its product line and expand its global market share, especially focus on the metal and commodity fields related to the new energy industry.

(4) *Increase and speed up the layout in key regions and key varieties, and cultivate new business and profit growth drivers in the future*

Relying on the Company's existing layout in Africa, South America and Southeast Asia, and with the help of IXM's global network, the Company will focus on resources related to the new energy industry and domestic shortages. In addition, the Company will actively search, screen and review high-quality projects at different stages, and increase investment and mergers & acquisitions. Drawing on the experience of IXM trade finance, the Company will try different models of investment methods and structures. While maintaining prudence and self-discipline, the Company will focus on the long-term changes in the industry's supply and demand structure and the Company's long-term development and to cultivate new business and profit growth points in the future as soon as possible.

(5) *Further consolidate our leading position in ESG in the global industry and continuously improve our sustainable development governance model*

According to the latest environmental, social and governance disclosure requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company will further improve its strategic planning in sustainable development and consolidate its leading position in the industry. At the same time, the Company will continue to promote sustainable development risk governance and focus on continuously strengthening the responsible supply chain for minerals, especially by continuing to promote the benchmarking of its DRC operations against advanced international responsible supply chain standards and enhancing the transparency of the minerals supply chain through collaboration with industry partners to develop new technologies such as blockchain. In addition, the Company will further play a leading role in ESG in the global mining industry by strengthening dialogue with various stakeholders and promoting best practices in ESG.

BUSINESS REVIEW AND PROSPECTS

(6) *Dynamically manage the balance sheet around the development strategy and speed up the construction of information system*

Liquidity management and a healthy balance sheet are the basis of realizing the Company's long-term development strategy. The Company will continue to strengthen cooperation with financial institutions, broaden financing channels, and ensure the financial support required for various strategic projects while considering liquidity and ensuring a stable asset balance sheet.

In 2022, the Company will continue to further promote the construction of integrated information network, promote the completion of SAP phase I project, and realize the opening of 8 professional modules in the headquarters and China; At the same time, the Company will start the construction of SAP phase II to efficiently promote the integration of all SAP modules in DRC, Australia and IXM. Moreover, the Company will take SAP as the unified enterprise management language to realize the standardization and unification of various data, and achieve the landing of vertical control and horizontal business collaboration. The global business segments will be controlled through information tools.

(7) *Accelerate the construction of incentive system and strengthen the strategic reserve of talents*

The Company is committed to establishing an effective, three-dimensional and multi-level salary incentive system, and will continue to improve various effective mechanism, including business incentive, equity incentive, immediate incentive, long-term incentive and so on. Each business segment has formed a relatively mature salary system and long-term and short-term incentive policies in line with local laws and regulations and trade union policies.

In order to cover more key employees in management, business and technology and establish a long-term mechanism of risk sharing and benefit sharing, the Company has completed the second phase of repurchase plan and will launch follow-up employee stock ownership plans and other stock ownership and incentive plans in due time.

According to the rapid development needs of the Company's global business, at the headquarters level, the Company will continue to promote organizational upgrade, adjust the structure, optimize the talent team, build and cultivate the Group talent pool, implement the "5233" management concept, and strive to build three key talent teams: a team of managers with international vision and modern enterprise management ability; a team of technical experts who master the core technology of the industry and have strong R&D and innovation ability; a team of highly skilled talents who are proficient in specialized knowledge, technology and exquisite operation skills.

(8) *Strengthen corporate culture construction and internal and external communication to enhance global brand influence*

Culture construction is the cornerstone to ensure the long-term and stable development of the Company. With the deepening of global layout, the Company puts forward the new mission of becoming a "highly respected, modern and world-class resource company", and updated its corporate culture to one that integrates the inherent merits of the Company and the requirements to propel a stronger global presence and one that reflects both the uniqueness of CMOG and the common characteristics of the mining industry. With the new corporate culture as the soul, the Company will continue to promote brand upgrading and enhance the Company's global brand image and influence around the four dimensions of "more responsible", "full of vitality", "internationalization" and "modernization".

Based on the principle of "being factual, open and transparent", the Company will further strengthen investor communication and continuously broaden investor communication channels. Moreover, to create a good external environment for the development of the Company, the Company will be more proactive in information disclosure and interpretation, to foster broader recognition, deepen understanding, and gain stronger support from our investors.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the reporting period, the Company's net profit increased from approximately RMB2,479 million in 2020 to approximately RMB5,428 million in 2021, increased by approximately RMB2,949 million or 118.96%. Among them: net profit attributable to shareholders of the parent company amounted to approximately RMB5,106 million, representing an increase of approximately RMB2,777 million or 119.24% from approximately RMB2,329 million for the year 2020. This was mainly due to the increase in copper and cobalt market prices during the period, resulting in a significant increase in profits from the copper and cobalt operations.

PRINCIPAL BUSINESSES BY INDUSTRY, PRODUCT AND REGION

Unit: Yuan Currency: RMB

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 (%)
Mineral extraction and processing	25,358,200,175.29	14,131,081,583.35	44.27	37.24	4.05	Increased by 17.18 percentage points
Mineral trading (Note)	147,993,095,536.58	142,969,071,879.80	3.39	57.32	57.78	Decreased by 0.28 percentage point
Others	103,948.23	95,822.23	7.82	-97.52	-97.72	Increased by 8.41 percentage points

Principal businesses by product						
By product	Operating revenue	Operating cost	Gross profit margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
Mineral extraction and processing						
Molybdenum and tungsten	5,350,413,902.79	3,162,552,021.69	40.89	50.68	42.10	Increased by 3.57 percentage points
Copper and gold	1,652,687,869.50	1,111,003,201.84	32.78	15.08	9.36	Increased by 3.52 percentage points
Niobium and phosphate	5,086,841,778.80	3,615,904,038.10	28.92	-2.09	-2.21	Increased by 0.09 percentage points
Copper and cobalt	13,268,256,624.20	6,241,622,321.72	52.96	59.97	-6.04	Increased by 33.05 percentage points
Mineral trading (Note)						
Concentrate products	42,477,651,076.36	39,714,777,592.69	6.50	8.49	9.79	Decreased by 1.12 percentage points
Refined metal products	105,515,444,460.22	103,254,294,287.11	2.14	92.14	89.66	Increased by 1.28 percentage points
Others	103,948.23	95,822.23	7.82	-97.52	-97.72	Increased by 8.41 percentage points

MANAGEMENT DISCUSSION AND ANALYSIS

By region	Principal businesses by region			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 (%)
	Operating revenue	Operating cost	Gross profit margin (%)			
Mineral extraction and processing						
China	5,350,413,902.79	3,162,552,021.69	40.89	50.68	42.10	Increased by 3.57 percentage points
Australia	1,652,687,869.50	1,111,003,201.84	32.78	15.08	9.36	Increased by 3.52 percentage points
Brazil	5,086,841,778.80	3,615,904,038.10	28.92	-2.09	-2.21	Increased by 0.09 percentage points
DRC	13,268,256,624.20	6,241,622,321.72	52.96	59.97	-6.04	Increased by 33.05 percentage points
Mineral trading (Note)						
China	46,302,023,727.12	44,364,865,987.75	4.18	263.77	238.94	Increased by 7.02 percentage points
Outside China	101,691,071,809.46	98,604,205,892.05	3.04	25.02	27.19	Decreased by 1.65 percentage points
Others						
China	103,948.23	95,822.23	7.82	-97.52	-97.72	Increased by 8.41 percentage points

Note: IXM engages in the metal trading business which combines futures trading and spot trading of commodities. The Group only included the corresponding cost of the spot trading in accordance with the requirements of the PRC GAAP when calculating the operating cost of the metal trade; the profit and loss related to the futures business is reported in gains from changes in fair value. The gross profit margin for the period for mineral trading under IFRS was 1.22%.

ANALYSIS OF PRODUCTION AND SALES VOLUME OF PRINCIPAL PRODUCTS

Principal products	Unit	Production volume	Sales volume	Inventory volume	YoY increase or decrease of production volume as compared to last year (%)	YoY increase or decrease of sales volume as compared to last year (%)	Increase or decrease of inventory volume as compared to the end of last year (%)
Mineral extraction and processing (Note 1)							
Molybdenum	Tonnes	16,385	16,562	1,481	18.90	21.41	-1.95
Tungsten	Tonnes	8,658	8,366	1,183	-0.25	-2.61	35.99
Niobium	Tonnes	8,586	8,489	610	-7.68	-12.25	-80.81
Phosphate fertilizer (HA+LA)	Tonnes	1,117,007	1,129,770	133,423	2.41	-0.96	-9.33
Copper (TFM)	Tonnes	209,120	205,081	57,190	14.53	10.45	51.70
Cobalt	Tonnes	18,501	17,085	9,048	19.86	-1.43	-22.30
Copper (80% equity interest of NPM)	Tonnes	23,534	23,557	100	-12.83	-13.26	-82.52
Gold (80% equity interest of NPM)	Ounces	19,948	19,650	N/A	-4.54	-8.83	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

Principal products	Unit	Purchase volume	Sales volume	Inventory volume	YoY increase or decrease of purchase volume as compared to last year (%)	YoY increase or decrease of sales volume as compared to last year (%)	Increase or decrease of inventory volume as compared to the end of last year (%)
Mineral trading							
Concentrate products (Note 2)	Tonnes	2,791,904	2,884,191	334,445	-2.24	5.42	-9.74
Refined metal products (Note 3)	Tonnes	3,634,617	3,613,308	527,825	29.89	39.00	16.32

Note 1: Data relating to production volume, sales volume and inventory in the mining and processing sector of the mines is the self-production data of each mine, and the inventory volume of TFM copper and cobalt includes the inventory volume of self-production held by IXM.

Note 2: It represents the primary products of metal minerals, which are mainly the concentrates.

Note 3: Refined metals and chemical products.

COMPONENT OF COST OF PRINCIPAL PRODUCTS

Unit: '000 Currency: RMB

By industry	Component of cost	By Industry			Percentage over total cost for last year (%)	Percentage of changes in amount as compared to last year (%)	Explanation
		Amount for the current year	Percentage over total cost for the current year (%)	Amount for last year			
Mineral extraction and processing	Materials	6,081,319	41.46	5,735,124	40.84	6.04	
	Labour	1,558,382	10.62	1,544,223	11.00	0.92	
	Depreciation	3,926,159	26.76	3,748,701	26.69	4.73	
	Energy	767,905	5.23	690,865	4.92	11.15	
Mineral trading	Manufacturing fees	2,337,102	15.93	2,324,708	16.55	0.53	
	Purchase cost	157,835,380	100.00	99,793,383	100.00	58.16	Increase in size of business

MANAGEMENT DISCUSSION AND ANALYSIS

By product	Component of cost	By Product				Percentage of changes in amount as compared to last year (%)	Explanation
		Amount for the current year	Percentage over total cost for the current year (%)	Amount for last year	Percentage over total cost for last year (%)		
Mineral extraction and processing							
Molybdenum and tungsten related products	Materials	1,180,659	44.70	856,265	41.87	37.88	Year-on-year increase in purchase prices
	Labour	356,798	13.51	330,645	16.17	7.91	
	Depreciation	169,443	6.41	155,575	7.61	8.91	
	Energy	274,996	10.41	237,552	11.62	15.76	
	Manufacturing fees	659,613	24.97	464,903	22.73	41.88	
Copper and gold related products	Materials	232,634	21.86	184,138	18.82	26.34	Year-on-year increase in mining right amortization and fixed asset depreciation
	Labour	174,400	16.39	160,270	16.38	8.82	
	Depreciation	393,639	36.99	391,579	40.03	0.53	
	Energy	111,151	10.44	111,042	11.35	0.10	
	Manufacturing fees	152,406	14.32	131,150	13.42	16.21	
Niobium and phosphate related products	Materials	1,150,077	33.08	916,094	26.49	25.54	
	Labour	433,809	12.48	481,150	13.91	-9.84	
	Depreciation	692,459	19.92	728,618	21.07	-4.96	
	Energy	119,268	3.43	122,604	3.55	-2.72	
	Manufacturing fees	1,080,859	31.09	1,209,313	34.98	-10.62	
Copper and cobalt related products	Materials	3,517,949	46.98	3,778,627	49.96	-6.90	
	Labour	593,375	7.92	572,159	7.57	3.71	
	Depreciation	2,670,618	35.66	2,472,930	32.70	7.99	
	Energy	262,490	3.51	219,666	2.90	19.49	
	Manufacturing fees	444,224	5.93	519,342	6.87	-14.46	
Mineral trading							
Concentrate products	Purchase cost	39,714,778	100.00	36,582,556	100.00	8.56	
Refined metal products	Purchase cost	118,120,602	100.00	63,210,827	100.00	86.87	Increase in size of business

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING REVENUE

For the year ended 31 December 2021, the operating revenue of the Group amounted to approximately RMB173,862.59 million, representing an increase of approximately RMB60,881.57 million or 53.89% from approximately RMB112,981.02 million for the same period in 2020, mainly driven by the increase in market prices for copper and cobalt and the growth in the size of the basic metals trading business during the period which led to a significant increase in the operating revenue.

OPERATING COSTS

For the year ended 31 December 2021, the operating costs of the Group amounted to approximately RMB157,539.54 million, representing an increase of approximately RMB53,003.53 million or 50.70% from approximately RMB104,536.01 million for the same period in 2020, mainly driven by the growth in the size of the base metal trading business during the period which led to a significant increase in the operating costs.

RESEARCH AND DEVELOPMENT EXPENSES

For the year ended 31 December 2021, research and development expenses of the Group amounted to approximately RMB272.38 million, representing an increase of approximately RMB98.8 million or 56.92% from approximately RMB173.58 million for the same period in 2020, mainly due to a year-on-year increase in research and development expenses during the period.

TAXES AND SURCHARGES

For the year ended 31 December 2021, the taxes and surcharges of the Group amounted to approximately RMB1,256.08 million, representing an increase of approximately RMB363.86 million or 40.78% from approximately RMB892.22 million for the same period in 2020, mainly due to the significant increase in the revenue of copper and cobalt business in current period, resulting in the year-on-year increase of relevant taxes.

INVESTMENT INCOME

For the year ended 31 December 2021, investment income of the Group amounted to approximately RMB110.30 million, representing a decrease of approximately RMB298.52 million or 73.02% from approximately RMB408.82 million for the same period in 2020, mainly due to a year-on-year decrease in holding and disposal gains on financial assets in the period.

GAINS FROM CHANGES IN FAIR VALUE

For the year ended 31 December 2021, gains from changes in fair value of the Group amounted to approximately RMB-3,367.75 million, representing a decrease of approximately RMB1,451.81 million or 75.78% from approximately RMB-1,915.94 million for the same period in 2020, mainly due to a year-on-year increase in changes in fair value of derivative financial instruments during the current period.

IMPAIRMENT GAINS ON ASSETS

For the year ended 31 December 2021, the impairment gains on assets of the Group amounted to approximately RMB-60.73 million, representing an increase of approximately RMB186.08 million or 75.39% from approximately RMB-246.81 million for the same period in 2020, mainly due to the fact that impairment loss on goodwill was made in the same period of the previous year while there was no further impairment during the current period.

INCOME TAX EXPENSES

For the year ended 31 December 2021, the income tax expenses of the Group amounted to approximately RMB3,327.70 million, representing an increase of approximately RMB2,930.05 million or 736.84% from approximately RMB397.65 million for the same period in 2020, mainly due to a significant increase in profits from copper and cobalt operations during the period, resulting in a year-on-year increase in income tax expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 31 December 2021, the total assets of the Group amounted to approximately RMB137,449.77 million, comprising non-current assets of approximately RMB66,493.89 million and current assets of approximately RMB70,955.88 million. Equity attributable to shareholders of the parent company increased by approximately RMB953.51 million or 2.45% from RMB38,891.78 million as at 31 December 2020 to approximately RMB39,845.29 million as at 31 December 2021.

CURRENT ASSETS

As at 31 December 2021, the current assets of the Group increased by approximately RMB13,716.23 million or 23.96% to approximately RMB70,955.88 million as at 31 December 2021 from approximately RMB57,239.65 million as at 31 December 2020.

NON-CURRENT ASSETS

Non-current assets of the Group increased by approximately RMB1,292.29 million or 1.98% to approximately RMB66,493.89 million as at 31 December 2021 from approximately RMB65,201.60 million as at 31 December 2020.

SCOPE OF RESTRICTED ASSETS

As at the end of the Reporting Period, details of the Group's major restricted assets are set out in the Note (V) of the Notes to the consolidated financial statements set forth in this report, namely "1. Cash And Bank Balances" "2. Held-For-Trading Financial Assets", "5. Financing Receivables", "8. Inventories" and "9. Other current assets".

CURRENT LIABILITIES

The current liabilities of the Group increased by approximately RMB8,302.13 million or 19.60% to approximately RMB50,660.07 million as at 31 December 2021 from approximately RMB42,357.94 million as at 31 December 2020.

NON-CURRENT LIABILITIES

The non-current liabilities of the Group increased by approximately RMB5,777.03 million or 17.64% to approximately RMB38,525.49 million as at 31 December 2021 from approximately RMB32,748.46 million as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPLANATION TO THE BALANCE SHEET ITEMS

Unit: Yuan Currency: RMB

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	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
Cash and cash equivalents	24,318,024,989.56	17.69	16,947,648,080.87	13.84	43.49	Increase in the operating cash inflow of the mining segments, and meanwhile the increase in the liquidity reserves for the current period
Other non-current assets	4,999,950,971.01	3.64	2,935,444,567.34	2.40	70.33	Increase in time deposits more than one year for the current period
Short-term borrowings	26,911,899,635.42	19.58	20,464,481,097.49	16.71	31.51	Increase in the borrowings for the current period
Derivative financial liabilities	2,636,505,095.30	1.92	5,021,779,572.93	4.10	-47.50	Increase in fair value and decrease in due settlement of derivative financial instruments for the current period
Notes payable	2,906,023,727.49	2.11	627,937,567.02	0.51	362.79	Increase in basic metal trading business, and increase in the payment via issuing bank notes during the period
Accounts payable	1,260,247,972.87	0.92	876,914,865.30	0.72	43.71	Increase in the accounts payable for mining segments for the current period
Taxes payable	2,704,678,920.67	1.97	845,217,960.37	0.69	220.00	Increase in enterprise income tax payable for copper and cobalt business for the current period
Other payables	2,918,190,968.03	2.12	1,599,240,517.18	1.31	82.47	Receipt of the performance bond related to part of the equity transfer of Kisanfu copper-cobalt business during the current period
Other current liabilities	429,943,105.54	0.31	2,159,431,822.36	1.76	-80.09	Repayment of ultra short-term financing bonds due during the current period
Bonds payable	1,150,000,000.00	0.84	3,631,225,000.00	2.97	-68.33	Transfer of US dollar bonds and medium-term notes due within one year to current liabilities for the current period
Other non-current liabilities	13,594,075,166.39	9.89	3,687,709,740.77	3.01	268.63	Increase in the long-term advance receipt for the current period
Other comprehensive income	-6,406,227,030.65	-4.66	-3,585,690,161.76	-2.93	-78.66	Changes in the cash flow hedging reserve and translation differences of financial statements denominated in foreign currencies

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENCIES

(1) Pending litigation

The Copper-Cobalt business in the DRC

The Group's Copper-Cobalt business in the DRC involves some lawsuits, claims and liability claims in the daily business activities. 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 Niobium and Phosphate business in Brazil

The Niobium and Phosphate business in Brazil might be involved into various litigation or lawsuits in its daily operations and business activities. The management team, based on legal advice from legal professionals, evaluates each of the cases. For those that might incur outflow of economic benefits with certainty on the amounts, the Company accrues estimated liabilities accordingly, and for those that only have fairly low possibility to incur outflow of economic benefits, no estimated liabilities accrues. The Company has disclosed the potential outflow of economic benefits in the Notes of Financial Report.

(2) Guarantees

As at 31 December 2021, the Group provides guarantees for the Australian Northparkes copper and gold mine business to New South Wales government of Australia, with guaranteed amount of AUD46,940,000 (equivalent to RMB217,140,000). The JV partners agreed to compulsory execution of the guarantee for any liability that may arise from the relevant business. As at 31 December 2021, no material guarantee liability has arisen.

During the year 2020, IXM, a subsidiary of the Group, provided a guarantee to a supplier in the PRC to assist it obtaining bank credit facility in the total amount of US\$50 million. The maximum amount of guarantee undertaken by IXM, a subsidiary of the Group, under the relevant guarantee arrangement was limited to 5.0% of the total outstanding principal and interest under the relevant credit facility without obligation for the remaining portion of the principal and interest under the credit facility. As at 31 December 2020, the amount corresponding to the guarantee obligations undertaken by the Group was US\$1.53 million (equivalent to RMB9.98 million) and corresponding interest. As at 31 December 2021, the guarantee obligation had expired.

(3) Issue relating to additional royalties for the reserve increase of TFM copper and cobalt business in the DRC

The Group calculated and paid the additional royalties for the reserve increase to minority shareholder, Gecamines, in accordance with the first addendum to the amended and restated shareholders' agreement signed by the then shareholders and TFM in 2010 (the **"2010 First Addendum to the Shareholders' Agreement"**). Since the fourth quarter of 2021, the Group and the management team of TFM kept ongoing communications via conferences with the Special Committee formed by the DRC President's Office on the issues involving the relationship between the two shareholders of TFM, which include the ore reserves of TFM and the corresponding additional royalties paid and payable to non-controlling shareholder, Gecamines, based on the reserves.

Taking into account the interpretation of the 2010 First Addendum to the Shareholders' Agreement, all available evidences and the professional opinions of external legal advisers, the management of the Group believes that its previous operation and the payment of the royalties for the reserve increase are in compliance with the 2010 First Addendum to the Shareholders' Agreement. As of 31 December 2021 and the date of this announcement, the communications between the Group and the Special Committee of DRC President's Office did not result in the Group having any significant current obligations at the end of the year apart from the relevant additional royalties accrued or paid recorded in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

This communication process was complex and dynamic. Gecamines pursued its claims through various means including legal approaches, and the Group also defended its interests in the TFM copper cobalt business in the DRC through various means including multi-level communications with the DRC government and Gecamines. At present, consensus has not been achieved in terms of some details between the Group and the non-controlling shareholder, and in the future the two shareholders will jointly engage an international independent third party to verify the reserve increase and resolve the differences through fair and impartial negotiation. The Group is currently unable to accurately predict or estimate the impact of this event on the financial statements (timing and amount incurred). As of the date of this announcement, TFM copper cobalt business operated normally.

GEARING RATIO

The gearing ratio (total liabilities divided by total assets) of the Group increased to 64.89% as at 31 December 2021 from 61.34% as at 31 December 2020.

CASH FLOW

As at 31 December 2021, cash and cash equivalents of the Group increased by approximately RMB8,943.74 million or 78.12% to approximately RMB20,392.69 million from approximately RMB11,448.95 million as at 31 December 2020. For the year ended 31 December 2021, net cash inflow generated from operating activities of the Group was approximately RMB6,190.65 million; net cash outflow from investment activities was approximately RMB4,891.80 million; and net cash inflow generated from financing activities was approximately RMB7,888.64 million.

The following table sets forth the cash flow position of the Group:

Unit: Yuan Currency: RMB

Item	Amount of the current year	Amount of last year	Percentage of Change (%)	Explanation
Cash received from sales of goods and rendering services	178,911,705,871.18	124,430,020,607.24	43.79	Year-on-year increase in the sales and collection of the basic metal trading business for the current period
Cash received related to other operating activities	755,068,590.12	4,433,968,969.06	-82.97	Advance receipts from metal flow business received in the same period of last year
Cash paid for purchasing goods and receiving labour services	164,689,040,889.30	112,356,590,717.10	46.58	Year-on-year increase in the payment of the basic metal trading business for the current period
Cash received from recovery of investment	9,357,480,545.74	14,828,067,938.53	-36.89	Year-on-year decrease in the recovery of the structured deposits due at maturing and wealth management products
Cash paid for acquiring or construction of fixed assets, intangible assets and other long-term assets	4,281,675,570.51	7,621,789,128.23	-43.82	Year-on-year decrease in the payment for the purchase and construction of long-term assets for the current period
Cash payments to acquire investments	9,239,478,169.67	16,139,927,989.55	-42.75	Year-on-year decrease in purchase of structured deposit and wealth management products
Cash received from investment contribution	1,004,559,574.00	0.00	100.00	Receipt of the performance bond related to part of the equity transfer of Kisanfu copper-cobalt business during the current period
Other cash receipts relating to financing activities	11,762,118,200.00	3,715,446,908.04	216.57	Year-on-year increase in advance receipt in the current period
Other cash payments relating to financing activities	2,480,683,943.05	4,718,269,511.52	-47.42	Year-on-year decrease in the repayment of gold leases for the current period

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The Group maintains sound capital structure and credit rating by equity and debt financing to ensure normal production and operating activities. The Group might make adjustments to the capital structure in due course in light of changes in the economic environment by way of borrowing new debts or issuing new shares.

As at 31 December 2021, the equity interests of shareholders of the Company amounted to approximately RMB48.264 billion, among which the equity attributable to shareholders of the parent company was approximately RMB39.845 billion. There was no change in the capital of the Company during 2021.

As at 31 December 2021, the Company issued 21,599,240,583 shares, comprising 17,665,772,583 A shares and 3,933,468,000 H shares.

Details of borrowings of and issuance of corporate bonds by the Group as at 31 December 2021 are set out in note (V).23, note (V).32, note (V).34 and note (V).35 to the consolidated financial statements.

FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and bank balances, financial assets held for trading, derivative financial assets, financing receivables and accounts receivable, other receivables, non-current assets due within one year, other current assets, other equity instrument investment, other non-current 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) to the consolidated financial statements set forth in this report.

SHORT-TERM BORROWINGS

Details of the Group's short-term borrowings are disclosed in Note (V).23 to the consolidated financial statements set forth in this report.

LONG-TERM BORROWINGS

Details of the Group's long-term borrowings are disclosed in Note(V).34 to the consolidated financial statements set forth in this report.

BONDS PAYABLE

Details of the Group's bonds payable are disclosed in Note (V).35 to the consolidated financial statements set forth in this report.

RESOURCES AND RESERVES

1. BASIC INFORMATION OF PROPRIETARY MINES

As at 31 December 2021, the information about the Company's ore resources and ore reserves is as follows:

Name of mine	Main category	Resources			Reserves			Processing volume (mt)	Remaining years of mining life for the resources (years)	Validity period of the exploration right/License (years)
		Ore (mt)	Grade (%)	Metal (kt)	Ore (mt)	Grade (%)	Metal (kt)			
TFM copper and cobalt mine in the DRC	Copper	845.2	2.9	24,510.8	170.1	2.06	3,504.1	6.67	25.5	4-13
	Cobalt	845.2	0.29	2,451.1	170.1	0.29	493.3			
KFM copper and cobalt mine in the DRC	Copper	365	1.72	6,278.0	-	-	-	-	-	25
	Cobalt	365	0.85	3,102.5	-	-	-			
Brazil Mine area I	Niobium	137.41	1.05	1,442.8	42.92	0.96	412.0	2.17	19.8	According to the Brazilian mining law, mining concessions have no expiration date.
Brazil Mine area II	Niobium	429.22	0.23	987.2	176.75	0.23	406.5	5.26	33.6	
Brazil Mine area II	Phosphate	429.22	11.6	49,789.5	176.75	12.65	22,358.9			
Shangfanggou Molybdenum Mine	Molybdenum	451.39	0.139	627.4	32.96	0.191	63.0	4.5	7.3	12
	Iron	22.75	19.01	4,324.8	1.345	30.01	403.6			
Xinjiang Molybdenum Mine	Molybdenum	441	0.115	507.1	141.58	0.139	196.8	-	38	23

Basic information about NPM copper and gold mine

Category	Resource (mt)	Copper (%)	Grade		Processing volume (mt)	Remaining years of mining life for the resources	Validity period of the exploration right/License
			Gold (g/t)	Silver (g/t)			
Measured	249.4	0.55	0.24	2.01	6.84	18.4 years	7-15 years
Indicated	300.5	0.54	0.19	1.86			
Inferred	57.5	0.57	0.19	1.70			
Category	Reserve (mt)	Copper (%)	Grade		6.84	18.4 years	7-15 years
Proven	31.5	0.48	0.28	1.56			
Probable	94.5	0.56	0.23	2.02			
Proven and probable	126.0	0.54	0.24	1.90			

Notes:

- (1) The Company obtained the renewal of the mining license of Sandaozhuang Molybdenum and Tungsten Mine on 18 November 2021, with a mining area of 2.0031 square kilometers and a throughput capacity of 9.9 million tons/year. According to the requirements of the Ministry of Natural Resources, the Company is carrying out the verification of resources and reserves in the mining area and will verify the relevant reserve information after the completion of the above work.

RESOURCES AND RESERVES

- (2) Calculation of remaining years of mining life for resources: calculated by dividing the recoverable reserve in the mine under exploration at the end of 2021 by the actual annual throughput in 2021. Update on the reserves and changes in the actual throughput (due to technology, equipment, etc.) of the Company will affect the changes in the remaining exploitable years of resources of the Company. Of which, the remaining exploitable years of resources of Xinjiang Molybdenum Mine is based on design life of mine.
- (3) The Shangfanggou Molybdenum Mine is owned by Luoyang Fuchuan Mining Company Limited, a joint venture of the Company. With the approval of the general meeting of Fuchuan Mining, Fuchuan Mining resumed ("**Fuchuan Mining**") its production in 2019, and its operation was entrusted to CMOC.
- (4) Overseas mines are prepared in accordance with Joint Ore Reserves Committee (JORC) Code and domestic mines are prepared in accordance with the recommended guidelines of the PRC standard. The above mineral resources, including ore reserves, have been confirmed by internal expert of the Company.
- (5) The processing volume is the actual ore consumption during the reporting period. The niobium in Brazil Mine area II came from the utilization of tailings of phosphate in Brazil Mine area II, and other mines did not include the comprehensive utilization of tailings.
- (6) The amount of metal was calculated by multiplying the corresponding ore grade and the ore amount of resources and reserves. According to the JORC Code, the recovery rate shall be considered in calculating the recoverable proven and probable metal reserves. Taking into account the copper recovery rate in 2021, TFM's recoverable proven and probable copper reserves were 3.13 million tonnes.
- (7) The feasibility study report of TFM mixed ore development project has been completed, based on which part of the amount of resources will be categorized as reserves. The verification of incremental reserves is in progress, upon completion of which, the relevant reserves information will be updated.

2. EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

(1) Exploration

① **TFM copper and cobalt mine in the DRC:** During the reporting period, exploration activities were mainly carried out around the copper and cobalt and limestone deposit. During the reporting period, total drill was 50,569.93 meters and geological exploration activities were mainly carried out in DDPN, Pumpi west, Kamalondo south, Fungurume Hill, Kansalawile south, Mambilima and Mofya.

KFM copper and cobalt mine in the DRC: During the reporting period, exploration was mainly around the industrial plant in the east, geological characteristics and resources distribution characteristics of the ore body in the northwest of the mining area, verification of the authenticity and reliability of the historical analysis results of main ore body from previous drilling holes and samples in the first mining area. A total of 14 drilling holes were completed with a total drilling footage of 4,937.5 meters.

② **Niobium and Phosphate Mine in Brazil**

Niobium: During the reporting period, medium- and long-term geological drilling was conducted in the Boa Vista Mine for the purpose of improving geological and geotechnical understanding, transforming the inferred mineral resources to indicated mineral resources, and improving the continuity of mineralization in the northeastern part of the mining area. A total of 13 drilling holes were completed, with a total drilling footage of 4,004 meters. In the short-term drilling work of Boa Vista Mine, the mining plan was implemented and grade control was carried out. A total of 909 reverse circulation (RC) drills totaling drilling footage of 23,618 meters were completed, and seven holes totaling drilling footage of 2,315 meters were implemented in the eastern part of the niobium mine to verify the historical drilling database in this area.

Phosphate: During the reporting period, all work related to short and medium-term drill plans were carried out, including geological description and technical characteristics description, aiming at improving the credibility of the geological model and transforming mineral resources from inferred value to indicated and measured value. 60 drilling holes were investigated, totaling 2,764.35 meters.

RESOURCES AND RESERVES

③ **Mines in the PRC**

Sandaozhuang Molybdenum: During the reporting period, production exploration of mines were conducted in the northern area, with drilling work conducted on the surface of the open pit mine. The Company drilled 30 holes with core drilling rigs for a total footage of 3,095.5 meters. In order to prevent geological disasters and ensure the safety of open-pit mining, mined-out exploration of mines were carried out in the northern and southern area, with drilling on the surface of the open pit mine. A total of 61 drilling holes were completed with reverse circulation drill rigs, with a total footage of 3,475.5 meters.

Shangfanggou Molybdenum Mine: During the reporting period, facing the complicated lithology and uneven mineralization of the Shangfanggou Molybdenum Mine of our joint venture Fuchuan Mining, and in order to improve the degree of exploration and ensure stability of the ore supply, production exploration has been carried out in key production area, dug drilling on the surface of the opencast mine. The Company completed 65 drilling holes with core drill rigs, with a total footage of 15,078.7 meters; In order to ensure the production safety, mined-out area exploration were carried out in the horizontal mined-out areas 1,202 meters deep and 1,180 meters deep, using the reverses circulation drill rigs to dig 39 exploration holes for mined-out area, with a total footage of 3,462.8 meters.

Xinjiang Molybdenum Mine: During the reporting period, no exploration activities were carried out.

④ **NPM Copper and Gold Mine in Australia:** During the reporting period, a total of 27 diamond drilling were performed on NPM mining rights and EL5801, with a drilling footage of 9,656.0 meters. The underground resources drill of E26 and E22 deposits on ML1247 mining rights were carried out. On E26, in order to further evaluate the resources of MJH and Lift2NN, infill drilling was completed. Two drilling holes were carried out on E22 to provide additional metallurgical test samples for its upper resources. The exploration of the target area of near-surface mineralization have been completed in White Rock Quarry exploration area on ML1247 mining right and the Roselands area on ML1367 mining right. Two holes were drilled in the RDMT3-15 exploration area on the EL5801 mining right to test the deep of the target area. In addition, another phase of surface geophysical survey (10100 gravity stations) was completed on the EL5323 and EL5801 mining rights.

(2) Development

① **TFM Mine in the DRC:** During the reporting period, stripping and preparation for exploration were completed at pits KANZ, SHINK1, SHINK3, PUMP3, FWAL4, Kato2, KASA3 for development and expansion, and the external roadway construction at Mudi, Zoro and SHINK have been completed; the surface extension and stripping at Mofya, Mamb, Pump, KASA have been completed, and the earthworks for railway relocation were completed. Infrastructure works are underway for mixed ore development. 23 dewatering wells have been completed during the year, totaling 2,954 meters. The management of surface water was carried out in the vicinity of the mining area, the dumps and the communities in the mining area. A total of 5,123 meters of protective embankment controlling surface water, and 562 meters of roads and drainage culverts were installed to effectively resolve the impact of water environment and the problem of puddle on roads in the mining area.

KFM Mine in the DRC: During the reporting period, the Company started the surface stripping for infrastructure; the preliminary exploration and detailed exploration of tailing storage geotechnical engineering have been completed; the preliminary preparation work for the construction of industrial plant area and living area were in progress; the feasibility study report on high voltage power supply in industrial plant area was completed, and the power supply contract was entered into with SNEL, and the relevant preliminary preparation work is progressing steadily.

② **Niobium and Phosphate Mine in Brazil**

Niobium: During the reporting period, the waste rock was disposed of in the northwest dump of Boa Vista Mine, which ensured the implementation of work plan and optimized the transportation distance. According to the provisions of environmental legislation in Brazil, hydrogeological instrument testing and hydroseeding were carried out in the waste rock site.

RESOURCES AND RESERVES

Phosphate: During the reporting period, the secondary crushing project was completed in order to improve particle size control and improve the ore performance at concentration plant. The China team also tested new reagents in the second half of the year. According to the provisions of environmental legislation in Brazil, hydrogeological instrument testing and hydroseeding were carried out in the waste rock site.

③ **Mines in the PRC:**

Sandaozhuang Molybdenum: During the reporting period, in order to optimize the transportation distance and reduce the transportation cost, a new crushing station was built; the ecological restoration work was further strengthened with the area of greening restoration up to 381,000 square meters. Besides, we have reclaimed the land on the Guanlitai slope and Bijijian slope with a total area of 16,200 square meters; hardened road of 1,686 meters; repaired hardened road for one-side drainage ditch and Bijijian interception ditches, with an area of 6,223 meters.

Shangfanggou Molybdenum Mine: During the reporting period, our joint venture company Fuchuan Mining completed the land reclamation and ecological restoration in areas covering greening area of the mine dump of Xiaosiyuanguo, greening area of No. 1 industrial plant and both sides of slag discharge roads, with an area of 152,000 square meters. We also completed road hardening with an area of 220 meters, and repaired and constructed interception ditches with an area of 680 meters.

Xinjiang Molybdenum Mine: No development activities were conducted during the reporting period.

④ **NPM Copper and Gold Mine in Australia:** The E26L1N project will be completed three months ahead of schedule, including a 11,736-meter drilling footage, ore crushing and material handling system, which will be commissioned in the beginning of 2022. At present, the No. 3 tailing storage facility has been in use with certain closeout works yet to be done.

(3) Mining Activities

Unit: kt

Domestic mining activities	
Production volume of Sandaozhuang Molybdenum and Tungsten Mine	19,752.3
Production volume of Shangfanggou Molybdenum Mine	4,545.9
Overseas mining activities	
Production volume of TFM Copper and Cobalt Mine in the DRC	16,600
Production volume of KFM Copper and Cobalt Mine in the DRC	66
Production volume of Niobium Mine in Brazil	3,295.2
Production volume of Phosphate Mine in Brazil	5,274.0
Production volume of NPM Copper and Gold Mine in Australia	5,365

(4) Costs of Exploration, Development and Mining

Projects	Mining costs	Exploration costs	Development costs
	Domestic mines (RMB0'000)		
Sandaozhuang Molybdenum and Tungsten Mine	55,818.71	178.09	9,151.52
Shangfanggou Molybdenum Mine	17,592.42	694.80	744.49
Overseas mines (USD million)			
TFM Copper and Cobalt Mine in the DRC	242.85	11.39	32.25
KFM Copper and Cobalt Mine in the DRC	48.79	0.61	-
Niobium Mine in Brazil	27.04	0.77	1.22
Phosphate Mine in Brazil	24.58	0.24	1.51
NPM Copper and Gold Mine in Australia	28.92	4.82	56.84

MATERIAL EVENTS

I. MATERIAL EVENTS

1. Successful acquisition of 95% equity of the Kisanfu copper cobalt mine in the DRC

Despite the challenges and restrictions on the global investment and acquisition business due to the pandemic, the Company still actively explored the path of development and looked for opportunities to improve global asset allocation.

The “Resolution on the Acquisition of the Kisanfu Copper and Cobalt Mine Project in the DRC” was considered and approved at the 17th meeting of the third session of the Investment Committee of the Company on 1 December 2020. The Company acquired the DRC Kisanfu copper cobalt project with US\$550 million. The total resource of the project is about 365 million tonnes of ore. The average copper grade is about 1.72%, and the copper metal contained is about 6.28 million tonnes; the average cobalt grade is about 0.85%, and the cobalt metal contained is about 3.1 million tonnes. Kisanfu copper-cobalt mine is rich in resources and has high average grade of copper and cobalt, having a potential to become a world-class cobalt ore in the future. The acquisition will be highly coordinated with the existing business in the DRC, and further consolidate the Company’s position in the field of electric vehicles and battery metals.

2. Signing of a Strategic Cooperation Agreement with Brunp CATL

In order to establish a close relationship with downstream customers, on 11 April 2021, the Company entered into a Strategic Cooperation Agreement with Brunp CATL, a company indirectly controlled by Contemporary Amperex Technology Co., Limited. Brunp CATL plans to acquire 23.75% equity interests of the Kisanfu copper cobalt mine from the Company through its wholly owned subsidiary Hong Kong Brunp CATL New Energy Co., Ltd. for a total consideration of US\$137.5 million, and will cooperate on product purchase and sale and establish a comprehensive strategic partnership for the development of new energy metal resources. Through the signing of such cooperation agreement, not only that the Company will become the long-term cobalt product supplier of the world’s largest power battery manufacturer, but also it will strengthen the Company’s long-term strategic synergy with world-class battery raw material procurement customers. The strong cooperation between the Company and its partners will boost the future development and construction of KFM project, and therefore contribute to all stakeholders and the new energy industry.

At present, the equity interests transfer is being steadily promoted.

3. Successful launch of the first phase of 2021 employee stock incentive plan

On 5 May 2021, the “Resolution on the First Phase of Employee Stock Incentive Plan of China Molybdenum Co., Ltd. in 2021 (Draft)” was considered and approved at the seventeenth extraordinary meeting of the fifth session of the Board. The aim was to further improve the corporate governance structure, fully mobilize the enthusiasm of the Company’s management and core employees, and promote the long-term, sustainable and healthy development of the Company. The source of shares under the Employee Share Incentive Plan is ordinary A Shares of China Molybdenum repurchased through the Company’s special account for repurchase. The size is 48,513,287 shares, and the price of the shares to be obtained by the holders is RMB2 per share, no less than 50% of the actual cost of the Company’s repurchase. The launch of the plan will further improve the level of corporate governance and fully integrate the long-term development of the Company with the interests of employees.

4. TFM mixed ore project in the DRC is being steadily promoted

On 6 August 2021, the “Resolution on the Mixed Ore Development Project in relation to TFM Copper/Cobalt Mine in the DRC” was approved at the second extraordinary general meeting of the sixth session of the Board. To further enhance the core competitiveness of the Company in the international copper and cobalt industry, increase the revenue of copper and cobalt and efficiently recover the cobalt resources in copper and cobalt mines, the Board agreed to implement the mining development project in TFM Copper and Cobalt Mixed Mine within the total investment amount not more than US\$2.51 billion. The project was a key project of the Company in DRC to increase production and improve efficiency. The purpose was to enhance internal potential of the Company and turn our resource advantage into productivity advantage. This is an important measure to enhance the Company’s profitability and core competitiveness.

MATERIAL EVENTS

5. Successful completion of A Share Repurchase (Phase II)

On 13 July 2021, the Company convened the first extraordinary meeting of the sixth session of the Board to consider and approve the resolution in relation to termination of the repurchase of A shares of the Company through centralized price bidding (phase I), agreeing to terminate the Implementation of A Share Repurchase Plan (Phase I). On the same day, the meeting considered and approved the resolution in relation to the repurchase of A shares of the Company through centralized price bidding (phase II), agreeing that the Company uses self-owned funds of no more than RMB800 million to repurchase A shares of the Company at the price of no more than RMB8 per share, which will be subsequently used to implement share incentive plan or employee stock ownership plan. The total amount of the shares to be repurchased will be no less than 50 million and no more than 100 million, accounting for approximately 0.23% to 0.46% of total share capital of the Company prior to the repurchase.

In the announcement published by the Company on 17 December 2021, the Company has completed A Share Repurchase Plan (Phase II) with an aggregate of 99,999,964 shares through centralized price bidding, representing 0.46% of the current total share capital of the Company. The highest transaction price was RMB7.28 per share and the lowest transaction price was RMB5.67 per share, with an average repurchase price of RMB6.84 per share and a total transaction amount of RMB684,117,491.95.

For details of the above, please refer to the relevant announcement published on the Company's website, designated media and the websites of the Shanghai Stock Exchange and the Stock Exchange.

II. HONOURS

During the reporting period:

The Company was awarded "Industry-University-Research Collaboration Innovation and Promotion of China" (中國產學研合作創新成果獎) with its "5G-based Key Technology and Equipment for Unmanned and Efficient Green Mining in Metal Open Pit Mine" (基於5G的金屬露天礦無人高效綠色開採關鍵技術與裝備);

"A method to reduce soluble WO_3 in leaching slag of white tungsten ore" (一種降低白鎢礦浸出渣中可溶 WO_3 的方法) innovated by the Company was honored Second Prize for the third session of "Henan Provincial Patent Awards" (第三屆河南省專利二等獎);

The Company's "Key Technology and Engineering Demonstration of Low-Grade Complex White Tungsten Concentration Associated with Floating Molybdenum Tailings" (浮鉬尾礦伴生低品位複雜白鎢選冶關鍵技術及工程示範) was awarded Second Prize for Henan Provincial Science And Technology Progress (河南省科技進步二等獎);

"A highly-efficient method for recycling of rhenium from molybdenum smelting waste acids" (一種從鉬冶煉廢酸中高效回收鉷的方法) won excellence award for China Patent Invention (中國專利發明優秀獎);

The Company was honored as the "2021 Head of Manufacturing Enterprise in Henan Province" (二零二一年河南省製造業頭雁企業).

III. DOMESTIC AND OVERSEAS INDUSTRY POLICIES

1. Within the PRC

(1) *Energy and mineral security*

On 18 November 2021, the Political Bureau of the Central Committee of the CPC put forward "ensuring the energy and mineral security" when holding a conference to deliberate the National Security Strategy (2021 to 2025). This was the first time in top meetings to align mineral security with energy security, raising mineral safety to a national strategic level.

(2) *Indicators for controlling the aggregate mining volume of tungsten mines*

On 22 March 2021, the Natural Resources Bureau of Luanchuan County issued the total Amount Control Indicators of Tungsten Mining for the Year 2021 (First Batch), and the Company's production control target was 5,900 tonnes; on 14 December 2021, the Natural Resources Bureau of Luanchuan County issued total Amount Control Indicators of Tungsten Mining for the Year 2021 (Second Batch), and the Company's production control target was 4,700 tonnes.

MATERIAL EVENTS

(3) *Resource tax*

On 31 July 2020, the Standing Committee of the People's Congress of Henan Province considered and approved the decision on Applicable Tax Rate and Other Matters of Resource Tax in Henan Province, which came into force on 1 September 2020. The Resource Tax Law stipulates that a range of tax rates, with specific applicable rates of 8% for molybdenum (beneficiation) and 6.5% for tungsten (beneficiation); where the taxpayer mines associated ore, the associated ore is exempt from resource tax if the sales of the associated ore and the main ore product are accounted for separately; the recycling of the tailings in the tailings pond is exempt from resource tax.

2. Overseas

(1) *Copper and cobalt business in the DRC*

During the reporting period, there were no significant amendments or additions to the laws, regulations and policies governing the DRC. Details of the DRC mining policy and its amendments can be referred to the relevant sections disclosed at the Company's previous periodic reports. With the rise in commodity prices, people from all walks of life in DRC had some discussion on mining policy, hoping to better promote economy development, create more jobs and realize the re-balance of their interests. During the reporting period, the Company kept ongoing communication with relevant parties in the DRC on the issue of royalties for the reserve increase of TFM, and discussed the reserve increase of TFM and corresponding additional royalties for the reserve increase that should be paid to non-controlling shareholder, Gecamines, based on the reserves increase. This communication process was complex and dynamic, and TFM copper cobalt business operated normally. At present, consensus has not been achieved in terms of some details between the Company and the non-controlling shareholder, and in the future the two shareholders will jointly engage an international independent third party to verify the reserve increase and resolve the differences through fair and impartial negotiation. The Company will pay close attention to updates on circumstances for mining industry development in the DRC, strengthen communication with the DRC government, and actively protect its legitimate and reasonable interests.

(2) *Niobium and phosphates in Brazil*

In Brazil, the operations (mines and plants) are regulated by the National Mining Agency in Brazil ("Agência Nacional de Mineração"/"ANM") together with labour, environmental and other agencies. The municipal, state and federal governments and the public prosecutor's office and other administrative departments and judicial authorities at all levels are responsible for the enforcement of the relevant laws and regulations.

In terms of labour law, Brazil adopted several labour-related laws and regulations in November 2021 to streamline the legal process to improve efficiency in the relevant areas. These legal reforms have improved the certainty of labour-related laws and regulations and provided greater flexibility for companies to deal with labour disputes, which will help reduce the impact of employee abuse on the normal operations of companies. Therefore, it is a good news for companies operating in Brazil.

As for the legislation of the mineral sector, after the dam accidents in Mariana/MG and Brumadinho/MG, Brazilian government and relevant agencies have given much more attention to the legislation of the mineral sector. In 2021, one of the key objectives of the Brazilian National Mining Agency (ANAM) is to re-examine the existing mining laws and regulations, including optimisation of safety performance indicators for tailings dams, a greater focus on social and environmental responsibility, and establishment of standards that are clearer and in line with advanced international practice. The State Mining Administration is expected to issue new safety standards for tailings dams in 2022 and propose regulations that will make the approval criteria for the construction of new tailings dams or the expansion of existing tailings dams more stringent. At the same time, public prosecutor's office is focusing on the minerals sector and has filed numerous public interest lawsuits against companies in the minerals sector, increasing the pressure on the minerals companies. At present, the Company has put all relevant controls in place and been fully compliant with the limitation requirements of relevant laws and regulations.

RISK WARNING

1. As the spreading of the pandemic reaches peak level and the variants of the virus continues to spread, global economic recovery will face uncertainties, which may further lead to exposures to financial and economic risks. The Company continues to pay close attention to the spreading of the pandemic level, and paying more efforts in pandemic prevention and control to ensure the safety and health of all employees and stability of production and operation.
2. The Company has multiple overseas investment projects, which are mainly locating in the DRC, Brazil, Australia and Switzerland. As the political and economic levels vary considerably from country to country, it may lead to risk exposures on policy and political change of different countries.
3. The Company engages in mineral mining and processing, and mineral trading business, and its primary risk exposure are decrease in the grade of mine resources, production safety, price fluctuation in spot products and futures, and natural disasters.
4. The estimated results of mine resources and reserves are determined by many factors, including the complexity of geological characteristic of orebody, the degree of ore body control, the selection of technical indicators, the selection of rules and standards in different areas, concentration recovery. and the risk of deviation from the original predictions exists.
5. The Company's exposure to risks related to foreign exchange rates is primarily arising from assets and liabilities held in foreign currencies other than the functional currency and the international business of IXM. Its assets and liabilities are denominated in functional currencies different from those of the entities and are therefore subject to changes in foreign exchange rates. The Company manages its exchange rates risks with the principle of matching the currencies of assets/revenue with those of liabilities, so the exchange rates risks exposure arising from financing is relatively insignificant. Because currencies used for denominating revenue and cost may be different for certain parts of business, the fluctuation in the short-term exchange rates of different settlement currencies may have a certain effect on the operating results of the Company. The Company has paid close attention to the impact of the changes in exchange rates, and made use of financial instruments, such as forward foreign exchange contracts to hedge against foreign exchange rates risks in due course.

For other details of the Company's "Risk Warning", please refer to the contents of the relevant sections disclosed in the previous periodic reports of the Company.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group has striven 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 all applicable code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2021.

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

THE BOARD

During the year ended 31 December 2021, the Board held 9 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 repurchase of shares by the Company and employee shareholding schemes.

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 for appropriate liability 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 86 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

Sun Ruiwen (*elected at 2020 annual general meeting on 21 May 2021*)

Li Chaochun, Vice-Chairman

CORPORATE GOVERNANCE REPORT

Non-Executive Directors

Yuan Honglin, Chairman
Guo Yimin, Vice-Chairman
Cheng Yunlei

Independent Non-Executive Directors

Wang Gerry Yougui
Yan Ye
Li Shuhua

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).

During the year ended 31 December 2021, 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/her 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 CEO

The roles and duties of the Chairman and the CEO are carried out by different individuals and their respective responsibilities have been clearly specified in writing.

The Chairman, Mr. Yuan Honglin, 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 CEO, Mr. Sun Ruiwen, 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/her appointment/re-election is passed until the conclusion of the annual general meeting of the Company held in 2021, at which meeting, they have retired and been re-elected. On 21 May 2021, the Company held its 2020 annual general meeting and to elect the next session of the Board. The sixth session of the Board is Comprised of Mr. Sun Ruiwen and Mr. Li Chao Chun as executive Directors, Mr. Guo Yimin, Mr. Yuan Honglin and Mr. Cheng Yunlei as non-executive Directors, and Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua as independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

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. During the year ended 31 December 2021, 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 2021 is as follows:

Name of Directors	Laws, Regulations and Corporate Governance	Scope	
		Business of the Group	Role, Function and Duty of Directors
Executive Directors			
Mr. Sun Ruiwen ⁽¹⁾	✓	✓	✓
Mr. Li Chaochun	✓	✓	✓
Mr. Li Faben ⁽²⁾	✓	✓	✓
Non-executive Directors			
Mr. Yuan Honglin	✓	✓	✓
Mr. Guo Yimin	✓	✓	✓
Mr. Cheng Yunlei	✓	✓	✓
Independent Non-Executive Directors			
Mr. Wang Gerry Yougui	✓	✓	✓
Ms. Yan Ye	✓	✓	✓
Mr. Li Shuhua	✓	✓	✓

Notes:

(1) Mr. Sun Ruiwen was appointed as an executive Director at the 2020 annual general meeting on 21 May 2021.

(2) Mr. Li Faben retired from office as an executive Director on 21 May 2021.

CORPORATE GOVERNANCE REPORT

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

Directors' Attendance Records

During the year ended 31 December 2021, the Company convened a total of 9 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 the annual general meeting are set out below:

Name of Directors	Board Meeting	Number of Attendance in Person/Number of Meetings Eligible to Attend				Annual General Meeting ⁽¹⁾
		Remuneration Committee Meeting	Audit and Risk Committee Meeting	Nomination and Governance Committee Meeting	Strategic and Sustainability Committee Meeting	
Mr. Sun Ruiwen ⁽²⁾	5/5	N/A	N/A	N/A	N/A	N/A
Mr. Li Chaochun	9/9	N/A	N/A	N/A	1/1	1/1
Mr. Li Faben ⁽³⁾	4/4	N/A	N/A	N/A	1/1	1/1
Mr. Yuan Honglin	9/9	3/3	5/5	2/2	1/1	1/1
Mr. Guo Yimin	9/9	N/A	N/A	N/A	N/A	1/1
Mr. Cheng Yunlei	9/9	N/A	N/A	N/A	N/A	1/1
Mr. Wang Gerry Yougui	9/9	3/3	N/A	2/2	1/1	1/1
Ms. Yan Ye	9/9	N/A	5/5	2/2	N/A	1/1
Mr. Li Shuhua	9/9	3/3	5/5	2/2	N/A	1/1

Notes:

- (1) The Annual General Meeting was held on 21 May 2021.
- (2) Mr. Sun Ruiwen was appointed as an executive Director on 21 May 2021.
- (3) Mr. Li Faben retired from office as an executive Director on 21 May 2021.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

On 21 May 2021, the Company convened the first meeting of the sixth session of the Board in which a resolution was approved to appoint Ms. Ng Sau Mei of TMF Hong Kong Limited as joint company secretary (together with Mr. Yue Yuanbin as joint company secretaries) with effect from the approval by the Board until the date of the 2023 annual general meeting of the Company to be convened in 2024.

Mr. Yue resigned as joint company secretary and other positions on 30 July 2021 and Ms. Ng continued to serve as company secretary.

Ms. Ng's primary contact person in the Company is Mr. Yuan Honglin. Ms. Ng confirmed that she has undertaken no less than 15 hours of relevant professional training within the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules in respect of dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries, all Directors and Supervisors confirmed that the required standards set out in the Model Code have been complied with during the year ended 31 December 2021.

The Company has also formulated written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code 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 President 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 and 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 2021 are set out in note (X).7 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

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 contact persons 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 during the year ended 31 December 2021, and the matters considered therein included confirmation on the remuneration of senior management. The attendance records are set out under "Directors' Attendance Records" on page 43.

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 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.

CORPORATE GOVERNANCE REPORT

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 2021, 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, 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 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 reports and accounts, half-year reports 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.

CORPORATE GOVERNANCE REPORT

The Audit and Risk Committee held five meetings during the year ended 31 December 2021 and reviewed matters including annual results for the year ended 31 December 2020, the results for the first quarter ended 31 March 2021, the results for the interim period ended 30 June 2021 and the results for the third quarter ended 30 September 2021. 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 and the re-appointment of the external auditors. The attendance records are set out under "Directors' Attendance Records" on page 43.

During the year ended 31 December 2021, 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 non-executive Director, namely Mr. Yuan Honglin. Mr. Wang Gerry Yougui and Mr. Yuan Honglin act as the chairman and the vice chairman of the Nomination and Governance Committee respectively, and the independent non-executive Directors make up more than half of the members of the Nomination and Governance Committee.

The roles and functions of the Nomination 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; 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; 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.

CORPORATE GOVERNANCE REPORT

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 Committee will follow the board diversity policy to consider from a number of aspects the benefit of diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, in order for the Board to maintain appropriate and balanced talent, skill, experience and background. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefit of diversity in the Board. In monitoring the effectiveness of the annual review of the Board, the Nomination 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 all 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.

CORPORATE GOVERNANCE REPORT

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 two meetings during the year ended 31 December 2021. The main topic considered was to review on the Company's compliance with the corporate governance functions, including Directors' profiles, board diversity policy, Directors' professional and sustainability. The attendance records are set out under "Directors' Attendance Records" on page 43.

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. Sun Ruiwen, one independent non-executive Director, namely Mr. Wang Gerry Yougui, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Yuan Honglin acting as the chairman of the committee.

During the year ended 31 December 2021, the Strategic and Sustainability Committee held one meeting; matters considered included 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, etc. The attendance records are set out under "Directors' Attendance Records" on page 43.

CORPORATE GOVERNANCE FUNCTIONS

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

During the reporting period, 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 Corporate Governance Report.

SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company comprises three members, namely Ms. Kou Youmin (chairperson), Mr. Zhang Zhenhao and Mr. Xu Wenhui. The Supervisory Committee is responsible for exercising supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. During the year ended 31 December 2021, the Supervisory Committee held eight 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.

CORPORATE GOVERNANCE REPORT

The terms of office of Supervisors of the Company (including employee 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 2024 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. Ms. Wang Zhengyan has resigned as an employee representative due to the personal work adjustment, with effect from 31 March 2021. On 12 March 2021, Mr. Xu Wenhui was elected as the employee representative Supervisor of the Company at the employee representatives' meeting. On 22 March 2021, two shareholder representatives, Ms. Kou Youmin and Mr. Zhang Zhenhao, were approved to act as Supervisors for the sixth session of the Supervisory Committee at the twelfth meeting of the fifth session of the Board of the Company, together with Mr. Xu Wenhui, to jointly form the sixth session of the Supervisory Committee of the Company. The proposal has been reviewed and approved at the 2020 annual general meeting 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 2021.

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 88.

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 reviewing 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 2021. 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 2021, 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;

CORPORATE GOVERNANCE REPORT

- 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 2021 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 2021 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 2021. 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 2021 of the Company had been published on the websites of the SSE, the Stock Exchange and the Company on 18 March 2022.

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 and Risk Committee on any findings concerning internal control and risk management. The Audit and Risk 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 Group. 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.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

For the year ended 31 December 2021, the remuneration paid to the auditors of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) is set out below:

Types of services	Remuneration paid/ to be paid RMB'000
Annual audit service	9,200
Internal control audit	2,140

Note: For the avoidance of ambiguity, the auditor's remuneration set out above is only the remuneration paid to the auditor Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) who provides annual audit services to the Company, fees paid by the Group to other organizations that provide accounting services were not included.

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 2021, annual financial auditing for the Company's overseas businesses was conducted by Deloitte Touche Tohmatsu (Australia), Deloitte Touche Tohmatsu Auditores Independentes (Brazil), Deloitte Service SARL (DRC) and Deloitte SA (Swiss), the annual financial statements and internal control audit expenses of overseas business amounted to approximately RMB5.2556 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 (the "AGM") on 10 June 2022 and the notice of the AGM 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.

As at the end of the reporting period, in accordance with the latest provisions of relevant laws, regulations, normative documents and the Article of Association, the Company formulated and revised the Articles of Association, General Meeting System, Board Meeting System, Working Rules of the Supervisory Committee, Management System on Third Party Guarantee, Subsidiary Management System, Working Rules of the Investment Committee, Management System Rules on Affiliated Transaction, Outbound Investment Management System, Information Disclosure System, Registration Management System on Inside Information Insider, Internal Accountability System, Major Events Internal Report Management System, and other internal control management, and formulated a series of internal management systems including Internal Control Management System, Comprehensive Risk Management System, Internal Audit Working Manual and Internal Audit System, to regulate the operation of global businesses.

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.cmoc.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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' ENQUIRIES

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Office of the Board at the Company's principal place of business in the PRC (for 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. Gao Fei). 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 annual general meeting held on 21 May 2021. 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 Board of the Company is pleased to present their 2021 annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2021.

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.

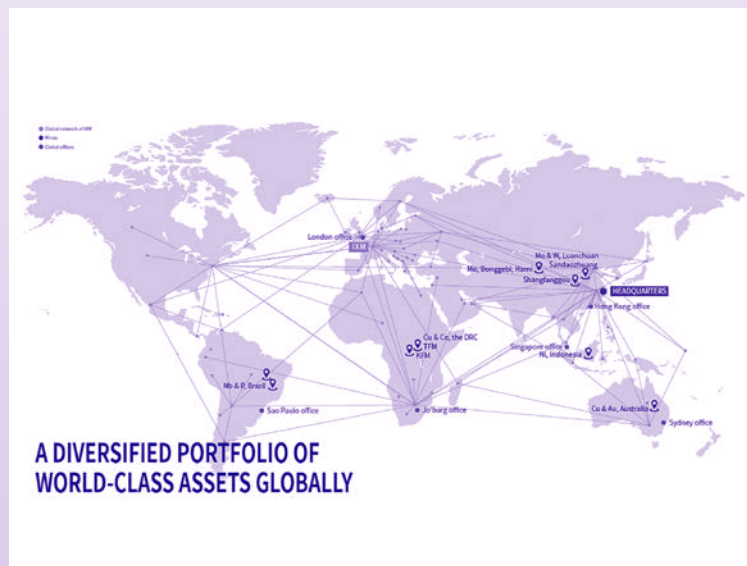
On 26 April 2007, the Company completed its initial public offering of H shares and the H shares of the Company were successfully listed on the Stock Exchange.

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 engages in non-ferrous metal industry, mainly the mining, beneficiation, smelting, refining and trading of base and rare metals. With its main business located in five continents: Asia, Africa, South America Oceania and Europe, the Company is one of the leading tungsten, cobalt, niobium and molybdenum producers, and an important copper producer in the world. It is also the leading producer of phosphatic fertilizers in Brazil. In terms of trading business, the Company is among the third biggest base metals merchants in the world. The Company ranked 1,046th in the Global Top 2,000 Listed Companies of 2021 Forbes and 15th in the 2021 Global Top 40 Mining Companies (market value) rankings.



REPORT OF THE BOARD OF DIRECTORS

1. *Mining and Processing Business*

(1) *Domestic*

During the reporting period, the Company mainly operated Sandaozhuang Molybdenum & Tungsten Mine and Shangfanggou Molybdenum & Iron Mine which belongs to the joint venture in the PRC, being engaged in the mining, smelting, deep processing and scientific research of molybdenum, tungsten metals, and possessed a complete business which integrated upstream and downstream processes including mining, processing, roasting and chemical products, with its main products including ferromolybdenum, ammonium paratungstate, tungsten concentrate and other molybdenum & tungsten related products, as well as the recovery of the by-product concentrates including iron, copper, fluorite and rhenium.

(2) *Overseas*

TFM Copper and Cobalt Mine and KFM Copper and Cobalt Mine operated in the DRC

The Company indirectly holds 80% equity interests in the TFM Copper and Cobalt Mine, which covers an area of over 1,500 square kilometres, and its businesses cover the exploration, mining, refining, processing and marketing, with a complete range of processes and procedures from mining to processing. The main products of TFM are copper cathode and cobalt hydroxide.

The Company indirectly held 95% equity interests in the KFM Copper and Cobalt Mine, (on 11 April 2021, Brunp CATL, a company indirectly controlled by Contemporary Amperex Technology Co., Limited, acquired 23.75% equity interests of the KFM Copper and Cobalt Mine from the Company through Hong Kong Brunp CATL New Energy Co., Ltd., its wholly-owned subsidiary, at a total consideration of US\$137.5 million, and the transfer of the equity interests is currently in steady progress.) The project has further exploration potential and could have significant synergies with TFM. The mine area is still in the pre-development stage and has yet to commence operation. The preliminary work, including supplementary exploration, environmental assessment, river diversion, mineral rights consolidation, feasibility study design optimisation and ground clearance are currently under progress rapidly in the mining area.

CIL Phosphate and NML Niobium Mine operated in the Brazil

The Company indirectly held 100% equity interests in the Brazil CIL Phosphate, covering the whole industry chain of phosphate. The mining of ores adopted open-pit mining. Its main products included: high-analysis phosphate fertilizer (MAP, GTSP), low-analysis phosphate fertilizer (SSG and SSP powder), animal feed supplements (DCP), intermediate products (phosphoric acid and sulfuric acid, the latter mainly used by own use) and relevant by-products (gypsum, fluosilicic acid).

The Company indirectly held 100% equity interests in the Brazil NML Niobium Mine, covering exploration, mining, refining, processing and marketing of niobium, with main product of ferroniobium.

NPM Copper and Gold Mine operated in the Australia

The Company indirectly held 80% equity interests in the NPM Copper and Gold Mine, covering the mining and processing of copper metal, its main products including copper concentrates and by-products gold and silver.

2. *Mineral Trade Business*

The Company successfully merged and acquired IXM and completed the closing on 24 July 2019. The headquarters of IXM locates in Geneva, Switzerland, which is the third largest base metal trader in the world. IXM and its member units constitute a global metals trading network with operations in over 80 countries, mainly in China, Latin America, North America and Europe, as well as a global logistics and warehousing system. The products are mainly sold to Asia and Europe. Over these years, IXM has deeply developed in the minerals trading industry, accumulated a wealth of experience in the minerals trading industry, built up a good reputation, and established certain barriers in the industry.

REPORT OF THE BOARD OF DIRECTORS

(II) BUSINESS MODEL

1. *Mineral mining and processing business*

The Company's mine business adopts a model of centralized operation and level-to-level management. Besides, the Company has been seeking for investment, merge and acquisition opportunities 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 for materials below the standards for tendering, the Company adopts centralized competitive bidding 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 phosphate and other related products, wherein:

- ① The principal copper and cobalt products are copper cathode, copper concentrate and cobalt hydroxide. During the reporting period, the copper cathode and copper concentrate business has also established a business model of mine-IXM-terminal processing plant and smelter; while cobalt hydroxide is mainly sold to the downstream cobalt smelting plants (including Umicore) and downstream producers in the new energy supply chain through IXM's trading network;
- 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 also established a distribution model of "manufacturer – IXM – consumer", integrating the IXM global sales network and the sales network of ferroniobium customers of the domestic sales team in China, and continuously increasing the profit of ferroniobium sales.
- 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 within Brazil.

2. *Mineral Trading Business*

Spot trading of IXM makes profit mainly by seeking low-risk arbitrage opportunities in the value chain, and hedges the price change risks of spot positions through derivative financial instruments such as futures contracts to reduce potential price risks and gain returns, for example, arbitrage between different qualities and grades of the goods (quality spread), arbitrage between different locations or futures exchanges (location spread) and arbitrage based on different delivery periods (time spread). After discovering the above mismatch opportunities, IXM locked in profits by buying in the cheap market and selling in the expensive market, and simultaneously completed the conversion of commodity space, time and form.

REPORT OF THE BOARD OF DIRECTORS

(1) *Concentrate metal trading*

The gross profit of this business mainly comes from the difference between treatment charge/refining charge (TC/RC). IXM obtains profit from the difference between TC/RC agreed between the mine and the smelter through its deep understanding and prediction of market supply and demand, and the establishment of a strong cooperative relationship with mineral producers and smelters. It accounts for a large proportion of the gross profit of IXM's concentrate business.

(2) *Refined metal trading*

The gross profit of this business mainly comes from changes in basis premiums and discounts and cash arbitrage (the difference between the spot price and the futures price or the difference between the recent and forward futures contracts). With the layout of IXM in the entire value chain, the position-holding cost (including storage, insurance and financing costs, etc.) is kept at a low level. When the profits obtained through the cash basis difference can fully cover the corresponding the position-holding cost, IXM is able to lock profits with lower risks.

(3) *Sourcing, sales and risk control*

IXM is based on a commercial and logistics network in key regions, an integrated supply chain, as well as long- and short-term strategic mining off-takes and downstream investment to ensure that its sourcing and sales strategies are effectively implemented, and the flow of exclusive funds is unblocked. IXM dedicates considerable time and resources to analyzing market balances and seeking possible trading opportunities through regular contact with IXM market research team and research institutes of this field.

IXM has built a diversified supplier and customer portfolio which includes integrated mineral companies, smelters and refined metal retailers, etc, on the basis of the substantial network of contacts all along the supply and sale chains. As part of its strategy, IXM tends to work mostly with proven and performing counterparties.

While IXM conducts spot trading of non-ferrous metals, it also holds futures contracts of the same metal species that can be settled on a net basis. Taking advantage of the strong correlation between spot trading and future businesses, through the combined business model of futures business and spots trading, in the upswing cycle of the spot market, the profits of the spot trading side make up for the losses of the futures business; in the downward cycle of the spot market, the profits of the futures business make up for the losses of the spot trading side. This business model reduces the risks caused by industry cyclical and price fluctuations, creates stable and sustainable profits for enterprises.

IXM has a mature risk management and control system. After the risk prevention and control strategy is approved by the Company, it will be implemented by the risk management and macro strategy committee of IXM. IXM has set up a special risk management department to ensure that IXM's risk control policies can be strictly implemented.

(III) Industry Overview

1. *Copper industry*

The world's copper resources are mainly located in South America and Australia, while China is the world's largest copper consumer, with main copper consumption segments of electricity and electronics, infrastructure construction and household appliances. According to the latest Wood Mackenzie data, the global copper production volume amounted to approximately 24.58 million tonnes in 2021, representing a year-on-year increase of 3.5%, while the demand was approximately 24.45 million tonnes, representing a year-on-year increase of 4.1%. Certain additional production capacity was released in 2021, despite a slight lag in the progress of some copper projects due to supply chain bottlenecks on the supply side. Demand-side growth was due to the low base in 2020, but the rapid recovery of the global economy from the pandemic and the economic stimulus policies of many countries were both favourable to copper consumption.

REPORT OF THE BOARD OF DIRECTORS

2. Cobalt industry

Global cobalt resources are mainly distributed in the DRC in Africa, with production volume in the DRC accounting for over 70% of global production in 2021, while China, other regions of Asia and Europe are the main consumers for cobalt, with main cobalt consumption areas of battery sector, high temperature alloys, cemented carbide and magnetic materials, of which the battery sector accounted for over 50%. According to the latest data from the Commodity Research Unit (CRU) in the UK, approximately 159,000 tonnes of metal cobalt were supplied from raw cobalt materials in 2021, representing a year-on-year increase of 13.17%; approximately 160,000 tonnes were supplied from refined cobalt, representing a year-on-year increase of 15.1%; cobalt demand amounted to approximately 174,000 tonnes, representing a year-on-year increase of 27.0%. The increment of supply side in 2021 still mainly came from the DRC, and certain additional mixed nickel hydroxide cobalt (MHP) production capacity from Indonesia also contributed to the increment. The global supply chain bottlenecks, riots in South Africa and pandemic limited the supply progress of cobalt materials; the demand side has increased significantly on the back of strong growth in global new energy vehicles.

3. Molybdenum industry

China is the country with most abundant molybdenum resources in the world, and also is the major consumer of molybdenum due to the concentration of molybdenum consumption in the steel industry. According to the latest data of Antaike, global molybdenum supply amounted to approximately 264,000 tonnes in 2021, representing a year-on-year decrease of 4.2%, while demand amounted to approximately 266,100 tonnes in 2021, representing a year-on-year increase of 8.2%. There are production disruptions in the overseas copper and molybdenum associated ore in supply side in 2021, resulting in decline in production volume; demand side rebounded on the back of the pandemic easing and global economic recovery.

4. Tungsten industry

The world's tungsten resources are mainly concentrated in China, and China is also the major consumer of tungsten, with exports of some tungsten products to the USA, Europe, South Korea and Japan. Cemented carbide and superheat resistant alloys are the main areas of consumption for tungsten, with major direction in machine tools and automobiles. According to the latest data of China Non-Ferrous Metals Industry Association, national tungsten metal production volume increased slightly in 2021. There was no much change in the production volume of tungsten concentrate under the mining quota restriction.

5. Niobium industry

Niobium resources are mainly concentrated in Brazil, where the supply is highly concentrated and the main consumption area is low-alloy high-strength structural steel. The high concentration of supply structure remained unchanged in 2021, and CBMM accounted for approximately 75% of the global market production volume, with modest growth in incremental expansion; on the demand side, demand for niobium iron gradually increased as the domestic steel industry was restructured and upgraded.

6. Phosphate industry

Brazil is the fourth largest consumer of fertiliser in the world, but its domestic fertiliser production is far from adequate to meet agricultural demand and is often supplemented by imports from countries such as Morocco, Russia and China. According to the data of Argus, the imported fertilizer accounted for more than 80% of consumption in Brazil. On the supply side in 2021, China and Russia have announced their fertilizer export restriction policies and the Brazilian government has expressed its intention to encourage and support its domestic fertilizer enterprises to reduce Brazil's dependence on fertilizer imports; on the demand side, the crop planting area of Brazil was growing at a moderate rate and the high crop prices supported fertilizer demand.

7. Mineral trading industry

IXM is the third largest trader of base metals in the world, which mainly deals with copper, lead and zinc concentrate and refined metals including copper, aluminium, zinc and nickel as well as battery material metals and special metals such as cobalt and niobium. IXM has been maintaining a solid business operation and built up a good reputation and a worldwide operation network.

REPORT OF THE BOARD OF DIRECTORS

In 2021, although the global economy was significantly affected by the COVID-19 and metal prices were highly volatile, IXM fully demonstrated its anti-periodicity nature of its business model and achieved a trading volume of 2,884,000 tonnes of concentrates and 3,613,000 tonnes of refined metal products, contributing to a positive and stable result for the Company.

IXM is responsible for the external sales of all copper and cobalt production from TFM, all niobium production from Brazil and a portion of copper production from NPM, and is also deeply involved in the integration of resources and profit realization at various levels of the Company. Meanwhile, IXM continued to leverage its industry position and channel strength as a trader and assisted the Company to expand its presence and influence in the resources sector. The Company created new profit growth points through synergies with the mining sector and the Company's investment, financing and research capabilities.

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 2021 and discussion on business development in the future which are described on the section headed "Business Review and Prospects" on page 17 to page 21 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 39. Analysis using financial key performance indicators is described in the section headed "Management Discussion and Analysis" on page 22 to page 31 of this annual report. The above discussion forms part of the Report of the Board of Directors.

CORPORATE BONDS

Basic information about issue of corporate bonds is as follow:

Name of bonds	Abbreviation	Code	Issue date	Mature date	Balances of bonds	Interest Rate(%) (%)	Payment method for principal and interest	Trading venues
CMOC CAPITAL LTD.5.48% secured bonds 2022 (5722)	CMOC CAP B2202	5722	2019/02/01	2022/02/01	US\$0	5.48	Full interest payment for half year	The Stock Exchange of Hong Kong Limited
Public issuance of 2019 Corporate Bonds (first tranche) of China Molybdenum Co., Ltd.	19CMOC01	163043.SH	2019/11/28	2022/11/28	RMB1 billion	4.28	Interest payment once a year, one-off payment of principal upon expiry	Shanghai Stock Exchange

- 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 overseas bonds to qualified foreign institutional investor.

As at 1 February 2019, the Company issued US\$0.3 billion bonds with the annual interest rate being 5.48%; and the interests 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.

Approximately US\$297.5 million of net proceeds from the raised funds of issuance of US\$ Bonds after deducting commissions and other estimated expenditures related to the issuance of overseas bonds will be used for the general operating needs of the Company, including but not limited to the repayment for existing obligations of the Company.

REPORT OF THE BOARD OF DIRECTORS

The US\$ bonds matured on 1 February 2022, and CMOC Capital has deposited the outstanding principal amount of US\$250 million together with interests accrued to the maturity date in total of US\$256.85 million into the trustee's designated bank account and has redeemed the amount on schedule. The US\$ Bonds were cancelled and delisted from the Stock Exchange on 4 February 2022.

2. Pursuant to “the proposal in respect of the Company compliance with the conditions for the issuance of bonds”, “the proposal in respect of the Company compliance with the conditions for the issuance of bonds” and “the proposal in respect of seeking authorization from the shareholders' meeting of the Company to the board of directors of the Company to fully handle this public issuance of corporate bonds” were considered and approved by the 2016 annual general meeting, the Company has determined to approve the issuance of corporate bonds with a total nominal amount not exceeding RMB8 billion (inclusive) and with a term of no more than 8 years (inclusive), and the authorization to the board of directors to handle all matters related to this corporate bonds issue.

On 26 April 2019, upon the approval of Zheng Jian Xu Ke [2019] No. 840 published by CSRC, the Company was approved to issue corporate bonds to qualified investors with a total nominal amount not exceeding RMB8 billion. On 28 November 2019, the Company issued the first tranche of corporate bonds on the Shanghai Stock Exchange, with a scale of RMB1 billion and a final nominal rate of 4.28%. After deducting the issuing expenses from the principal and interest of the raised funds of current bonds of the Company, it is intended to improve the debt structure, repay the Company's debts, and supplement the working capital and other purposes in compliance with the legal laws, regulations and relevant provisions.

Please refer to the relevant announcements disclosed by the Company on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.cmoc.com) for details.

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, maintains 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 2021 Environmental, Social and Governance Report of China Molybdenum Co., Ltd., 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 CMOC in terms of environmental, social and governance activities. All information in the report is 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

REPORT OF THE BOARD OF DIRECTORS

Please refer to the 2021 Environmental, Social and Governance Report of China Molybdenum Co., Ltd. disclosed by the Company on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.cmoc.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. To the Directors knowledge, 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). Descriptions of key relationships between employees of the Company, major customers and suppliers are set out on page 55 to page 78 of the Report of the Board of Directors in the annual report.

CORE COMPETITIVENESS

(I) Clear development strategy and development model

The Company's vision is to become highly respected, modern and world-class resources company. The Company has formed a business model of "mining + trading". In the context of global strategy of carbon neutrality and carbon peaks, to realize the vision and goals, the Company has formulated a "three-step" development path, of which the first step is to "lay a foundation of low cost and high efficiency" that focuses on system and team building via organization upgrade and a corporate management system that covers global operations. The second step is to "ramp up with multiplying production capacity" as we expedite construction and production of the two world-class projects, TFM mixed ore project and KFM project. This step aims at a modern and effective corporate governance structure with clear division of responsibilities and a stronger team that is tested through involvement in world-class projects that are launched to expand our production capacity. The third step is to achieve "stellar growth" towards a world-class company and our vision when new milestones are achieved in business size and cash flows, when teams and project pipelines are more robust, and when we are ready to seek greater growth around our strategic goals in key regions and key products.

(II) Leading new energy metal producer, world class resources with high quality

The Company is the leading cobalt producer and the significant 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 over 1,500 sq. km and huge resource potential. KFM Copper and Cobalt Mine adjacent to TFM mining area acquired in 2020 is the world-class greenfield project, with rich resources and high average grade of copper and cobalt ore and huge exploration potential. It further consolidates the Company's position in the field of new energy raw materials, and makes the Company play an important role in the transformation of global green energy industry. The Company holds 30% equity interest of Huayue nickel cobalt project and reimburses a proportionate share of the nickel and cobalt hydroxide products, initially making presence in nickel metal.

With the presence in energy transformation race through copper, cobalt and nickel resources, the Company will be more closely integrated with the end-use customers of the resources, further consolidating its leading position in the field of energy transformation raw material supply and ensuring a reliable supply of energy transformation metals to meet the global energy transformation demand.

(III) Unique and scarce products portfolio to effectively reduce the impact of periodic fluctuation

Except for energy transformation metals, the Company also possesses a unique and scarce product portfolio including molybdenum, tungsten, niobium, phosphate and gold, and has industry-leading positions for each resource variety. The resource varieties cover the basic, special metals and precious metals, which are closely related to the energy transformation and industrial upgrading sectors, and enter into the market of agricultural applications with phosphorus resources.

REPORT OF THE BOARD OF DIRECTORS

Product portfolio with unique and diversified natures enables the Company to better 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.

(IV) Competitive advantage in resource acquisition, development and operation cost

The Company adapted an expansion strategy at low cost against the trend, and successfully acquired a world class mine at the bottom of industry with competitive mining cost due to open pit mining, large reserve and high grade.

The conversion from reserve to production of world class mine at low cost is the baseline for the Company's internal development. In 2019 the Company set a three-year cost reduction target of US\$500 million and achieved this target ahead of schedule in 2020. The Company continued to carry out cost reduction and efficiency activities in all operating units, and adopted advanced modern mining technology, process and equipment to continuously consolidate its low-cost operating advantage through centralized procurement, technology improvement and management reform.

(V) Leading-industry sustainable development to escort the Company's long-term strategy

The Company is fully aware of the importance of sustainability to its access to resources, markets and capital, and has nurtured and actively implemented it as our new core competitiveness. The Company has now established a three-tier governance structure of the Board – Executive Management – Operation Management. Within this governance structure, the Board leads ESG strategy and supervision, the compliance and sustainability policies comprise the policy framework applicable to all operation units of the Group, and the executive sustainability committee provides the executive management platform for cross-departmental collaboration on ESG solutions, and strong environmental, occupational health and safety, human resources and community development teams at each operation mineral areas ensure the implementation of the Group's approach and policies.

The Company's compliance and sustainability policies takes reference from international best practice frameworks, continuously improves the Company's governance framework on sustainability through continuous learning of international corporate good practice. In addition, all of the Company's mining areas are regularly reviewed by third parties to verify their compliance with the requirements of the Environmental, Health and Safety Management Certification System, which includes ISO14001 and ISO45001 certification. These measures have laid a solid policy and practice foundation for future sustainable development.

During the reporting period, the Company formulated the long-term visions and short-term performance objectives for climate change and biodiversity. In January 2021, the aforesaid objectives were discussed and approved by the Board of the Company, in order to promote the proactive energy saving and emission reduction in its global business operation units and advance higher quality sustainable development..

During the reporting period, the Company, together with IXM, joined Better Mining Programme and "Fair Cobalt Alliance (FCA)", and became a member of "Responsible Minerals Initiative (RMI)". The Company teamed up with Glencore and Eurasian Resources to publish Resource project, aiming to promote traceability and responsible procurement of cobalt through blockchain technology. In view of the important role of being involved in the cobalt supply chain, the Company was elected as vice chairman of the Executive Committee of Cobalt Institute.

(VI) 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 further promoting the competitiveness of the Company.

REPORT OF THE BOARD OF DIRECTORS

The Company continuously invests in technological research, and passed the review of China's high-tech enterprises in December 2020, and was rewarded the Sixth China Industry Award. It won the title of "National Enterprise Technology Centre (國家企業技術中心)" jointly awarded by five ministries, including the National Development and Reform Commission and the Ministry of Finance. During the reporting period, the Company's "5G-based key technologies and equipment for unmanned and efficient green mining of metal open pits(基於5G的金屬露天礦無人高效綠色開採關鍵技術與裝備)" was awarded "China Industry-University-Institute Cooperation and Innovation Achievement Award(中國產學研合作創新成果獎)", and "A Method for Reducing Soluble WO_3 in Leach Residues from White Tungsten Ore(一種降低白鎢礦浸出渣中可溶 WO_3 的方法)" was awarded the "second prize of Henan Province Patent". The Company won the China Patent Invention Excellence Award (中國專利發明優秀獎) with "A Method for Efficient Recovery of Rhenium in Molybdenum Smelting Waste Acid (一種從鉬冶煉廢酸中高效回收銻的方法)", and was awarded the "2021 Top manufacturing enterprises in Henan Province (2021年河南省製造業頭雁企業)".

The Company has successfully applied 5G technology to mine production. It created an unmanned intelligent mine through the application of unmanned mining equipment in a 5G environment, effectively saving costs while significantly enhancing the ability to guarantee safe production in the mine area and significantly improving production efficiency.

(VII) Creating a new model of "Mining + Trading" to create profit growth point

Through IXM basic metals trading company, the Company achieves a high degree of synergy and complementarity in customer, sales, supply chain and logistics, risk control and other aspects of the existing businesses while extending the Company's mine industry chain. IXM makes full use of existing global leading industry research and information advantages, deeply participates in the Company's resource integration and profit realization at many levels, such as taking advantages of logistics to reduce logistics costs, broadening logistics channels and alleviating logistics difficulties, and taking advantages of risk control to assist establishing a self-operated trade risk management approach in collaboration with China sales companies to monitor profit and loss and capital exposures. IXM will continue to give play to the industrial status and channel advantages of traders to help the Company expand its layout and influence in the resource field. By cooperating with the mining sector and the Company's investment, financing and research capabilities, it has created a new profit growth point, which helped the Company enhance global industry competitiveness and influence, and form new commercial competitive advantages.

(VIII) Rational shareholder structure and continuous high percentage of cash dividend

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 controlling equity by private institution, participation by state-owned capital and investment from industrial, strategic and large investment institutions. At present, the operating businesses basically are mature in-production projects, with stable profitability and strong cash generating capacity of each business segment. Shareholders collectively foster the development of the Company in accordance with the endorsement of industry development and Company's strategies.

The dividend policy is stable and the dividend return is considerable. The Company's annual average percentage of dividend has reached 53% of net profit attributable to the parent company for the year through cash dividend and shares repurchase since the listing.

DIVIDEND

1. Cash dividend distribution policy

According to the requirements of Articles of Association, the profit distribution of the Company attaches importance to the reasonable return on investment for investors and sustainable development of the Company, and the profit distribution policy of the Company shall maintain a certain degree of continuity and stability.

REPORT OF THE BOARD OF DIRECTORS

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

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" 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 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.

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

The profit distribution plan for 2020 was considered and approved at the 2020 AGM of the Company held on 21 May 2021. 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 RMB0.033 (tax inclusive), and the total cash dividend of RMB712,774,939.24 (tax inclusive) was distributed. The dividend distribution was completed during the reporting period.

3. Proposal of Dividend Distribution

The Company plans to distribute profits based on the total share capital (deducting the number of shares in the Company's special account for repurchase) on the equity registration date for equity distribution, and distribute a cash dividend of RMB0.7125 (tax inclusive) per 10 shares to all Shareholders with a total cash dividend of approximately RMB1,531,820,894.10 (tax inclusive), representing approximately 30% of the net profit attributable to the shareholders of the listed company for the year.

If the total share capital of the Company changes as a result of the conversion of convertible bonds, share repurchases, share repurchases granted under equity incentive, cancellation of share repurchases for major assets restructuring, etc. during the period from the date of disclosure of the announcement on the profit distribution plan to the date of registration of the implementation of equity distribution, the Company proposes to remain the per share distribution proportion unchanged, while adjusting the distribution amount accordingly.

This proposal has been considered and approved at the fourth meeting of the sixth session of the board of directors of the Company and needs to be submitted to the AGM for approval.

The Company will dispatch to Shareholders a circular containing, among other things, further information in relation to the proposed distribution of final dividend and the AGM as soon as practicable.

REPORT OF THE BOARD OF DIRECTORS

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 2017 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.

H Shareholders are required to consult their tax advisors regarding the laws and regulations of the Company’s dividend payments in China, Hong Kong and other countries, and the relevant tax implications of holding and trading H Shares.

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL INFORMATION SUMMARY

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

Unit: million Currency: RMB

Item	2021	2020	2019	2018	2017
Operating revenue	173,863	112,981	68,677	25,963	24,148
Total profit	8,755	2,876	2,358	6,990	5,382
Income tax expenses	3,327	397	592	1,840	1,786
Net profit	5,428	2,479	1,766	5,150	3,596
Net profit attributable to shareholders of the parent company	5,106	2,329	1,857	4,636	2,728
Non-controlling interest	322	150	-91	514	868

Item	Year end of 2021	Year end of 2020	Year end of 2019	Year end of 2018	Year end of 2017
Total assets	137,450	122,441	116,862	101,216	97,837
Total liabilities	89,186	75,106	67,366	51,618	51,928
Total equity attributable to equity holders of the parent company	39,845	38,892	40,803	40,949	38,157
Total minority interests	8,419	8,443	8,693	8,649	7,752

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

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the share capital of the Company during the year are set out in note (V).15 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).41 to the consolidated financial statements.

REPORT OF THE BOARD OF DIRECTORS

2. Shareholding structure of substantial shareholders

As at 31 December 2021, the number of shareholders of the Company amounted to 502,560, of which shareholders of H shares amounted to 7,784, and shareholders of A shares amounted to 484,776. 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	637.24	359,611.08	16.65
CCB Principal Asset Management – ICBC – Shaanxi International Trust – Shaanxi International Trust • Jinyu No.6 targeted investment trust plan of assembled funds	A share	-25,757.20	47,689.50	2.21
Hong Kong Securities Clearing Company Ltd.	A share	-10,591.94	45,768.83	2.12
China State-owned Enterprise Structure Adjustment Fund Co., Ltd.	A share	-31,666.06	18,148.26	0.84
China Construction Bank Corporation – Huaxia Energy Reform Equity Securities Investment Fund	A share	11,351.76	17,777.98	0.82
Ningbo Shanshan Venture Capital Co., Ltd.	A share	-22,062.93	15,000.00	0.69
Shaanxi International Trust Co., Ltd. - Shaanxi International Trust • Jinyu No.6 targeted investment trust plan of assembled funds	A share	10,908.70	10,908.70	0.51
Dai Deming	A share	5,198.99	7,773.45	0.36

Notes:

- Percentage calculation is based on the Company's total share capital of 21,599,240,583 shares.
- HKSCC NOMINEES LIMITED held 3,596.1108 million H shares in the Company as a nominee, representing 16.65% 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.
- The Company's dedicated repurchase account was not set out in the "Top Ten Shareholder's shareholding". On 17 June 2021, 48,513,287 A shares in the Company's dedicated repurchase securities account were transferred to "CMOC—Dedicated Securities Account under Employee Share Ownership Scheme (Phase I)". On 17 December 2021, the Company has completed A Share Repurchase Plan (Phase II) with an aggregate of 99,999,964 A shares through centralized price bidding. As at the end of the reporting period, the number of shares in the Company's dedicated repurchase account was 99,999,964 A shares.

REPORT OF THE BOARD OF DIRECTORS

3. Substantial Shareholders' Interests in Shares

To the best knowledge of all Directors and Supervisors, as at 31 December 2021, 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	7.70%(L)
Cathay Fortune Investment Limited ("Cathay Hong Kong") ⁽¹⁾	303,000,000(L)	Beneficial owner	H share	7.70%(L)
Yu Yong ⁽²⁾	5,030,220,000	Interest in controlled corporation	A share	28.47%
		Interest in controlled corporation		
	303,000,000(L)	Interest in controlled corporation	H share	7.70%(L)
BlackRock, Inc. ⁽³⁾	402,598,477 (L)	Interest in controlled corporation	H share	10.24%(L)
	3,765,000(S)			0.10%(S)
Citigroup Inc. ⁽⁴⁾	359,392,654(L)	Interest in controlled corporation/Approved	H share	9.14%(L)
	20,110,944(S)			0.51%(S)
	352,381,981(P)	lending agent		8.96%(P)
GIC Private Limited	279,486,729(L)	Investment manager	H share	7.11%(L)

Notes : (L) – Long position, (S) – Short position, (P) –Lending pool

- (1) Cathay Hong Kong and Cathay Fortune International Company Limited are wholly-owned Hong Kong subsidiaries of CFC.
- (2) Mr. Yu Yong holds 99% interest in CFC and was deemed to be interested in the 5,030,220,000 A shares of the Company directly through CFC. In addition, Mr. Yu Yong was deemed to be interested in the long position of 303,000,000 H shares of the Company. CFC, Cathay Fortune International Company Limited and Cathay Hong Kong, being the controlled corporations, directly or indirectly hold the shares of the Company.
- (3) BlackRock, Inc., is deemed to have a long position in a total of 402,598,477 H shares and a short position in 3,765,000 H shares of the Company due to holding of various enterprises. 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 Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à l., 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 Cayman West Bay IV 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.à r.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 (Singapore) Limited, BlackRock UK Holdco Limited and BlackRock Asset Management Schweiz AG as controlled corporation to hold shares of the Company directly or indirectly.
- (4) Citigroup Inc., is deemed to have a long position in a total of 359,392,654 H shares, a short position in 20,110,944 H shares and 352,381,981 H shares available for lending of the Company due to holding of various enterprises. Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Hong Kong Limited, Citigroup Global Markets Holdings Bahamas Limited and Citigroup Global Markets Limited, as controlled corporations, directly and indirectly held shares of the Company.

Save as disclosed above, as at 31 December 2021, 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 by the Company under Section 336 of the SFO.

REPORT OF THE BOARD OF DIRECTORS

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).23, 32 and 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution as at 31 December 2021, calculated in accordance with the PRC rules and regulations, was RMB13,698.31 million.

CHARITABLE DONATIONS

In 2021, the external donation expenses of the Group amounted to RMB15,571,939.10.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the proportions of purchase and sales from the major suppliers and major customers of the Company to our total purchases and sales were as follows:

Purchases

The total purchases from our largest supplier was approximately 3.36% of our total purchase value.

The total purchases from our five largest suppliers was approximately 11.64% of our total purchase value.

Sales

The total sales to our largest customer was approximately 2.87% of our total sales value.

The total sales to our five largest customers was approximately 12.52% 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. Sun Ruiwen (appointed on 21 May 2021)
Mr. Li Chaochun
Mr. Li Faben (retired on 21 May 2021)

Non-Executive Directors

Mr. Yuan Honglin
Mr. Guo Yimin
Mr. Cheng Yunlei

REPORT OF THE BOARD OF DIRECTORS

Independent Non-Executive Directors

Mr. Wang Gerry Yougui
Ms. Yan Ye
Mr. Li Shuhua

Supervisors

Ms. Kou Youmin
Mr. Zhang Zhenhao
Mr. Xu Wenhui (appointed at the Employees' Representatives Meeting on 12 March 2021)
Ms. Wang Zhengyan (resigned on 11 March 2021)

Senior Management

Mr. Li Chaochun (appointed on 21 May 2021)
Ms. Wu Yiming
Mr. Zhou Jun
Mr. Yue Yuanbin (resigned on 30 July 2021)

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 annual general meeting of the Company to be held in 2024), 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.

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 82 to 85 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 set up the 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 2021 fell within the following bands (Note):

Remuneration bands	Number of Individual(s) Year 2021
Above RMB1,500,000	2

Note: Directors and Supervisors of the Company were excluded; Ms. Ng Sau Mei, the company secretary, was an external service provider, as such, she was not part of the Company's senior management.

REPORT OF THE BOARD OF DIRECTORS

EMPLOYEES AND PENSION PLAN

As at 31 December 2021, the Group had approximately 11,472 full-time employees, classified as follows:

Category of professional composition	Professional composition	Number of professionals
Production staff		7,204
Technical staff		910
Finance staff		285
Administrative staff		1,305
Sales and other supporting personnel		1,768
Total		11,472

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 have participated in the social insurance contribution plans introduced by China's local governments. In accordance with the laws and regulations regarding the national and local labour and social welfares in China, the Company is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, health insurance, unemployment insurance, work injury insurance and housing provident fund. Pursuant to current applicable local regulations in China, the percentages of certain insurances are as follows: the pension insurance, health insurance, unemployment insurance, work injury insurance and the contribution to housing provident fund of our Chinese employees represent 16%, 7.5%, 0.7%, 0.4% to 1.90% and 12% of his or her total basic monthly salary respectively (health insurance was reduced by 1% for the whole year of 2021).

The overseas employees of the Company participate in pension and healthcare plans under the requirement of the laws in the countries where they reside. In the DRC, the Company pays a monthly social insurance contribution of 13%, and undertakes all medical treatment for employees and their families. At the same time, in line with the local situation in the DRC, a loyalty award has been set up in order to stabilise the workforce in the DRC, such as a loyalty bonus for employees who have worked for five years, construction materials for building their own houses after 10 years of service, a school subsidy for employees' children to help their children education, and a retirement grant for employees.

ANALYSIS ON MAJOR SUBSIDIARIES

Basic information of major subsidiaries

Company name	Principal business	Shareholding method	Shareholding proportion
CMOC Mining Pty Limited	Copper and gold mine assets/business	Indirect	80%
TF Holdings Limited	Copper and cobalt mine assets/business	Indirect	80%
CMOC Brasil	Niobium and phosphates mine assets/business	Indirect	100%
IXM	Trading business	Indirect	100%

REPORT OF THE BOARD OF DIRECTORS

Financial indicators of major subsidiaries during the reporting period

Unit: '000 Currency: RMB

Company name	Operating revenue	Operating profit	Net profit attributable to shareholders of the parent company	Total assets	Net assets
CMOC Mining Pty Limited	1,692,383	434,123	294,705	5,285,766	2,662,749
TF Holdings Limited	16,584,080	8,157,536	4,466,914	47,883,349	36,155,609
CMOC Brasil	5,086,842	1,110,672	581,205	11,398,326	5,526,614
IXM	163,401,494	1,046,564	865,085	42,028,507	5,751,420

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 2024.

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 in the Company, its controlling companies or any subsidiaries 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, are set out in notes (V).11,12 and 13, note (I).2 and note (VII).2 to the consolidated financial statements and the section headed "Material Events" of the annual report.

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 2021.

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 third extraordinary meeting of the sixth session of the Board. 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 US\$100,000,000 per annum, with the total annual premium not more than US\$1,000,000 per annum.

The proposal will be submitted to the AGM of the Company for consideration and approval.

REPORT OF THE BOARD OF DIRECTORS

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

As at 31 December 2021, the shareholding of A Shares of the current Directors, Supervisors and senior management of the Company was as follows:

Name	Number of shares held (Shares)	Percentage in total share capital (%)
Yuan Honglin	9,063,887	0.042
Sun Ruiwen	18,000,000	0.083
Li Chaochun	9,087,692	0.042
Zhang Zhenhao	1,063,500	0.005
Total	37,215,079	0.172

Note:

Mr. Yuan Honglin, Mr. Sun Ruiwen and Mr. Li Chaochun are deemed to be interested in 8,013,287, 18,000,000 and 7,500,000 A Shares of the Company respectively by virtue of their participation as incentive recipients in the employee stock ownership plan of the Company adopted on 21 May 2021 (the "Employee Stock Ownership Plan"). As at the date of this report, the A shares under the Employee Stock Ownership Plan have not yet contributed.

As of the date of this report, none of the undertakers 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 2021, 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 by the Company under Section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code.

2021 CONNECTED TRANSACTIONS

Continuing Connected Transactions

(1) Continuing Connected Transaction under the Property Leasing Framework Agreement

To ensure the stable development of the Company's business, meet the requirements of the Company's internal reorganization and business layout, and reduce administrative expenses, on 29 January 2021, the Company (as the lessee) and Cathay Fortune Corporation (as the lessor), a substantial Shareholder, entered into the property leasing framework agreement (the "Property Leasing Framework Agreement") in respect of the property leasing services provided by Cathay Fortune Corporation to the Group for a term of three years commencing from 1 January 2021 and ending on 31 December 2023. The annual caps for the three years ended/ending 31 December 2021, 2022 and 2023 under the Property Leasing Framework Agreement are RMB30 million per year and actual amount of transactions contemplated thereunder for the year ended 31 December 2021 was RMB25.241 million.

(2) Continuing Connected Transaction under the Products Purchase and Services Provision Agreement

To ensure the stable supply of molybdenum ore concentrates and iron ore concentrates for the Company and considering the long-term cooperation between the Company and Fuchuan Mining, the Company is able to provide more efficient services to Fuchuan Mining based on its deep understanding of the industry, on 22 March 2021, the Company and Fuchuan Mining entered into the products purchase and services provision agreement (the "Products Purchase and Services Provision Agreement") for a term ended on 31 December 2021, pursuant to which, (i) Fuchuan Mining agrees to provide and the Company agrees to purchase certain products, including, among others, molybdenum ore concentrates and iron ore concentrates meeting the technical requirements of mineral processing on a continuing basis, and (ii) the Company agrees to provide and Fuchuan Mining agrees to receive mine processing services. The annual cap and actual amount of transactions contemplated under the Products Purchase and Services Provision Agreement are as follows:

REPORT OF THE BOARD OF DIRECTORS

Transactions	Annual Caps for the year ended 31 December 2021 <i>(RMB0,000)</i>	Actual Transaction Amount for the year ended 31 December 2021 <i>(RMB0,000)</i>
Purchase of products by the Company from Fuchuan Mining	102,683.23	69,141.5
Provision of mine processing services by the Company to Fuchuan Mining	45,396.00	27,034.8

The Company indirectly holds 55% equity interests in Fuchuan Mining, and LMG, a substantial shareholder of the Company holding 24.68% of the equity interests in the Company, indirectly holds the remaining 45% equity interest in Fuchuan Mining other than through its interests in the Company. Although the financial statements of Fuchuan Mining are not consolidated into the consolidated financial statements of the Group, the Company has control over daily operation and management of Fuchuan Mining through contractual arrangements, therefore, Fuchuan Mining is deemed as a subsidiary of the Company and thus a connected subsidiary of the Company pursuant to Rule 14A.16 of the Hong Kong Listing Rules.

The auditors of the Company have implemented the review procedures for the continuing connected transactions and sent a letter to the Board, stating that:

- 1) they did not discover anything that made them believe that the disclosed continuing connected transaction had not been approved by the Board;
- 2) regarding the continuing connected transactions under the Property Leasing Framework Agreement and the Products Purchase and Services Provision Agreement, they did not discover anything that caused them to believe that the transactions were not carried out in accordance with the Group's pricing policy in all material respects;
- 3) they did not discover anything that led them to believe that the transactions had not been carried out in accordance with the relevant agreements of the transactions in all material respects;
- 4) regarding the total amount of each continuing connected transactions, they did not discover anything that caused them to believe that the disclosed continuing connected transactions had exceeded the annual caps contemplated by the Company.

The independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that:

- 1) the continuing connected transactions were entered into in the usual and ordinary course of business of the Company;
- 2) the continuing connected transactions were entered into on normal commercial terms or better; and
- 3) the continuing connected transactions were conducted based on the relevant transaction agreements, and the terms were fair and reasonable and in the interests of the Company's shareholders as a whole.

Connected Transaction in terms of Provision of Financing Guarantees for Fuchuan Mining

The annual general meeting of the Company convened on 21 May 2021 considered and approved the relevant resolutions of provision of Financing Guarantee (the "**Financing Guarantee**") with a total amount of not more than RMB1 billion to Fuchuan Mining, a joint venture of the Company and agreed authorization to the Board to decide and handle Financing Guarantee related matters within a limit of RMB1 billion (or equivalent foreign currency) and subauthorization to the chairman or his delegate. The Financing Guarantee authorization will expire on the date of 2021 annual general meeting of the Company.

REPORT OF THE BOARD OF DIRECTORS

Pursuant to the Financing Guarantee authorization, the Company entered into the 2021 BOC Guarantee Agreement and the 2021 BOC Pledge Agreement with Luanchuan branch of Bank of China Limited ("**BOC Luanchuan Branch**") on 30 November 2021 and 8 December 2021, respectively, pursuant to which the Company agreed to provide guarantee to Fuchuan Mining with a maximum guaranteed principal balance of RMB568 million as well as relevant interests and expenses under the loan agreements entered into between Fuchuan Mining and BOC Luanchuan Branch. In addition, the Company entered into the 2021 Minsheng Bank Maximum Pledge Agreement with Luoyang branch of China Minsheng Banking Corp., Ltd. ("**Minsheng Bank Luoyang Branch**") on 3 December 2021, pursuant to which the Company agreed to provide guarantee to Fuchuan Mining with a maximum guaranteed principal balance of RMB376 million as well as relevant interests and expenses under the loan agreements entered into between Fuchuan Mining and Minsheng Bank Luoyang Branch, provided that the total amount of guarantee liability under the 2021 BOC Guarantee Agreement, the 2021 Minsheng Bank Maximum Pledge Agreement and the 2021 BOC Pledge Agreement shall not exceed RMB1 billion. The provision of Financing Guarantee will help Fuchuan Mining raise funds to support its daily business operation and new projects development and further improve its production capability and profitability, contributing to the overall strategy layout of the Group.

In addition, the Company entered into the Counter-guarantee Agreement with Fuchuan Mining for the Financing Guarantee, pursuant to which Fuchuan Mining agreed to provide counter-guarantee for the Company's guarantee liability under the Financing Guarantee within the upper limit of RMB1 billion.

Details of the above connected transactions were set out in the announcements of the Company dated 29 January 2021, 22 March 2021, 30 November 2021, 3 December 2021 and 8 December 2021, respectively. The connected transactions had complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules. Save as disclosed above, other related parties transactions disclosed in Note (X) to the financial statements do not fall under connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

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 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 re-structuring, equity replacement, business adjustment and other similar methods to resolve the issue of competing business.

To further deal with the potential horizontal competition, the Company and Fuchuan Mining entered into an entrusted operation agreement in July 2019, in which Fuchuan Mining entrusts the Company to fully manage its overall business and take full responsibility for its production, operation and management for a term of three years, during which, the property right of Fuchuan Mining remain unchanged and the assets and profits belong to Fuchuan Mining according to law. Fuchuan Mining has resumed its production and operation activities since December 2019.

REPORT OF THE BOARD OF DIRECTORS

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 during 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 during the reporting period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

LMG, the substantial shareholder of the Company, holds 50% equity of Xuzhou Huanyu, and Xuzhou Huanyu holds 90% equity of Fuchuan Mining. Fuchuan Mining is a joint venture of the Company, mainly engaged in the production of molybdenum, please refer to the "Resources and Reserve" and "Report of the Board of Directors" sections of this report for details of the production of Fuchuan Mining. The Company has control over Fuchuan Mining through contractual arrangements. The Company entered into a products purchase and services supply agreement with Fuchuan Mining in March 2021, pursuant to which, the Company purchases ore meeting the technical requirements of mineral processing from Fuchuan Mining, and the Company provides mineral processing services to Fuchuan Mining. For details of the products purchase and services supply agreement, please refer to the announcement published by the Company dated 22 March 2021.

Mr. Guo Yimin, a Director of the Company, served as the chairman of LMG. Save as disclosed above, in 2021, none of the Directors had any interest in any business which competes or is likely to compete either directly or indirectly, with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information and to the knowledge of the Directors, at least 50.6% of the Company's total issued share capital was held by the public as at the date of this report. 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

On 13 July 2021, the Company convened the first extraordinary meeting of the sixth session of the Board, at which the Resolution on Termination of Repurchase of the A Shares of the Company through Centralized Price Bidding (Phase I) was considered and approved, agreeing to terminate the repurchase of the A shares of the Company (Phase I). On the same day, the Resolution on Repurchase of the A Shares of the Company through Centralized Price Bidding (Phase II) was considered and approved, agreeing the Company to use self-owned funds of no more than RMB800 million to repurchase A shares of the Company at the price of no more than RMB8 per share for subsequent implementation of share incentive plan or employee stock ownership plan. The amount of the shares to be repurchased would be no less than 50 million and no more than 100 million, accounting for approximately 0.23% to 0.46% of total issued share capital of the Company before repurchase.

During the year ended 31 December 2021, the Company has repurchased 99,999,964 A shares through centralized price bidding, accounting for 0.46% of the total issued share capital of the Company. The highest transaction price was RMB7.28 per share and the lowest transaction price was RMB5.67 per share, with an average repurchase price of RMB6.84 per share, and the total amount of transaction was RMB684,117,491.95 (excluding transaction costs). This repurchased A shares will be used for the purpose of subsequent implementation of equity incentive plans or employee stock ownership plans; details of repurchase are as follows:

REPORT OF THE BOARD OF DIRECTORS

Month	Number of repurchased A shares	Purchase price per share		Total amount of consideration (RMB)
		The highest repurchase price (RMB)	The lowest repurchase price (RMB)	
1 September 2021	66,017,964	7.28 per share	7.09 per share	478,429,115.22
30 September 2021	20,126,100	7.28 per share	5.77 per share	124,964,930
29 October 2021	6,255,000	6 per share	5.91 per share	37,486,166
16 December 2021	7,600,900	5.69 per share	5.67 per share	43,141,003

Reference is made to the announcement of the Company dated 29 January 2019, in relation to the US\$300,000,000 5.48% guaranteed bonds due 2022 (the "**US\$ Bonds**") issued by CMOC Capital Limited (the "**CMOC Capital**"), the notice of listing of the US\$ Bonds on the Stock Exchange dated 1 February 2019 and the announcement of the Company dated 21 July 2020 in relation to the partial repurchase and cancellation of the US\$ bonds.

On 13 July 2020, CMOC Capital repurchased an aggregate amount of US\$50,000,000 of the US\$ Bonds (the "**Repurchased Bonds**"), representing approximately 16.67% of the outstanding amount of US\$300,000,000, in the open market. The Repurchased Bonds had been cancelled on 21 July 2020. After cancellation of the Repurchased Bonds, an aggregate of US\$250,000,000 US\$ Bonds remained outstanding, representing approximately 83.33% of the initial amount of the US\$ Bonds.

The US\$ Bonds matured on 1 February 2022, and CMOC Capital has deposited the outstanding principal amount of US\$250,000,000 together with interests accrued to the maturity date in total of US\$256.58 million into the trustee's designated bank account and has redeemed on schedule. The US\$ Bonds were cancelled and delisted from the Stock Exchange on 4 February 2022.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company or any of its subsidiaries during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENT

In 2021, the Company has not implemented any equity-linked agreement.

SHARE OPTION SCHEME

In 2021, the Company has not implemented any share option scheme.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. The financial report for the year 2021 prepared in accordance with the PRC Accounting Standards by the Company has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and an auditor's report with unqualified opinions has been issued.

The Company 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
Yuan Honglin
Chairman

Luoyang City, Henan Province, the PRC
18 March 2022

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

In 2021, in strict compliance with the requirements of the Company Law, Securities Law, Articles of Association, Rules of Procedure for the Supervisory Committee 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. We attended Board meetings in 2021 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 2021, the Supervisory Committee held eight meetings. Apart from holding Supervisory Committee meetings, the Supervisory Committee also sat in and attended the meetings of the Board and general meetings of the Company 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 attended by the Supervisors in 2021:

	Number of Attendance in person/Number of Meetings Eligible to Attend		
	Supervisory committee	Board	General meeting
Ms. Kou Youmin	8/8	9/9	1/1
Mr. Zhang Zhenhao	8/8	9/9	1/1
Mr. Xu Wenhui ⁽¹⁾	7/7	8/8	1/1
Ms. Wang Zhengyan ⁽²⁾	1/1	1/1	N/A

Notes: (1) Mr. Xu Wenhui was appointed as the employee representative Supervisor on 12 March 2021, and together with Ms. Kou Youmin and Mr. Zhang Zhenhao, who were elected at the annual general meeting dated 21 May 2021, formed the sixth session of the Supervisory Committee of the Company.

(2) Ms. Wang Zhengyan resigned as the employee representative Supervisor on 11 March 2021.

II. COMPLETION OF MAJOR DUTIES

In 2021, 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 codes of conduct of senior management of the Company and internal control system of the Company by attending the general meetings and the meetings of the Board of the Company. Upon inspection, the Supervisory Committee is of the view that the decision-making procedures at the general meetings and Board meetings of the Company are lawful, the resolutions of the general meetings and 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.

REPORT OF THE SUPERVISORY COMMITTEE

2. Inspection of the Company's financial status

During 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 met 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

During the reporting period, the Supervisory Committee urged the Company's relevant departments to be 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 2021 Internal Control Evaluation Report of the Company (《公司二零二一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 2021 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. Opinions on the use of funds by related parties and external guarantee

In 2021, 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 Province 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.

REPORT OF THE SUPERVISORY COMMITTEE

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 their duties seriously, proactively and normatively conducted their work in accordance with the national laws, regulations, the Articles of Association and resolutions of the general meetings 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 2022, 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 Supervisory Committee, 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
18 March 2022

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Sun Ruiwen, born in 1969, is a professor-level senior engineer. Mr. Sun Ruiwen has been the chief executive officer of the Company since August 2020 and the executive Director of the Company since May 2021. Mr. Sun graduated from East China Jiaotong University (華東交通大學), majoring in safety engineering. From 1990 to 2008, he worked in China Railway No. 3 Engineering Group (中鐵三局集團), Qinghai China Railway Mining (青海中鐵礦業), China Railway Resources Guojin Mining (中鐵資源國金礦業) and Chifeng China Railway Mining (赤峰中鐵礦業). From 2008 to 2009, he served as the deputy chief economist of China Railway Resource Group Co., Ltd. (中鐵資源集團公司), and the chairman of China Railway Resources Trading Co., Ltd. (中鐵資源商貿公司). From 2009 to 2012, Mr. Sun served successively as the chairman of Congo (DRC) Luisha Mining (剛果(金)綠紗礦業), MKM Mining (MKM礦業), Congo (DRC) International Mining Corporation (剛果(金)國際礦業公司) and the deputy general manager of China Railway Resource Group Co., Ltd. (中鐵資源集團有限公司). From 2012 to 2017, he served as the general manager of Huagang Mining Co., Ltd. (華剛礦業公司) and chairman of Busanga Hydropower Station Co., Ltd. (布桑加水電站公司). From 2017 to 2019, Mr. Sun served as the general manager of China Railway Resource Group Co., Ltd. (中鐵資源集團公司). Mr. Sun has been awarded many awards, such as "Young Hero of Shenshou Railway Construction", "Top ten Outstanding Youth of China Railway", "Second Class and First Class of China Non-ferrous Science Improvement Award", "Meritorious Person of Resources Development outside China", etc.

Mr. Li Chaochun, born in February 1977, is an executive Director of the Company since January 2007, vice chairman of the Board of the Company from January 2007 to January 2014, chairman of the Board of the Company from January 2014 to June 2020, currently vice chairman of the Company and a member of the Strategic and Sustainability Committee of the Company. 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.

Non-Executive Directors

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. Since June 2020, he has served as the Chairman of the Board, Chairman of the Strategic and Sustainability Committee and Vice Chairman of the Nomination and Governance Committee of the Company. 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 director of Cathay Fortune Corporation (鴻商產業控股集團有限公司) as well as the director of Cathay Fortune Capital Investment Co., Ltd. (鴻商資本股權投資有限公司), the general manager of Sino-French Life Insurance Co., Ltd. (中法人壽保險有限責任公司), the executive director of Cathay Fortune Tibet Capital Investment Co., Ltd. (西藏鴻商資本投資有限公司), Cathay Fortune Venture Capital Investment Co., Ltd. (上海鴻商創業投資管理有限公司), Honghui Tibet New Material Science And Technology Co., Ltd. (西藏鴻輝新材料科技有限公司), Cathay Fortune Caihui Co., Ltd. (上海鴻商材薈投資有限公司), the director of Najing Technology Co., Ltd. (納晶科技股份有限公司), Cathay Fortune Investment Limited (鴻商投資有限公司), Cathay Fortune Singapore Pte. Ltd (鴻商產業(新加坡)有限公司), Cathay Fortune International Company Limited (鴻商產業國際有限公司), Cathay Fortune Holdings Limited (鴻商控股有限公司).

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Guo Yimin, born in October 1964, a senior economist and national outstanding entrepreneur. He has been the non-executive Director 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 chair-man of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) since April 2015.

Mr. Cheng Yunlei, born in September 1982, is an accountant and certified accountant and a Model Labour of Henan Province. 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. from November 2017 to December 2014. From January 2015 to August 2019, 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).

Independent Non-Executive Directors

Mr. Wang Gerry Yougui, born in May 1962, Hong Kong resident, Canadian citizen has served as the independent nonexecutive 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. 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 2005, Mr. Wang successfully took Seaspan's containership business public, and successfully trading on the New York Stock Exchange. 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. Later 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. Ms. Yan concurrently serves as an independent director of Beijing Shenogen Pharma Group Ltd. (北京盛諾基醫藥科技股份有限公司).

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

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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. He currently serves as a professor and supervisor of postgraduates at Xiamen National Accounting Institute, Peking University, Shanghai Advanced Institute of Finance of Shanghai Jiaotong University and a professor of Tsinghua University PE Program. Mr. Li is currently the chairman of Changzhou Guangyang Bearing Co., Ltd. (常州光洋軸承股份有限公司), an independent director of Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字技術股份有限公司), Guangdong Biotechnology Company Limited (廣東生益科技股份有限公司), ShanGu (西安陝鼓動力有限公司), the chairman of the supervisory committee of Shenzhen Capital Fortune Investment Co., Ltd. (深圳市遠致富海投資管理有限公司), the executive partner of the merger and acquisition fund of Shenzhen Oriental Fortune Capital Investment Management Co., Ltd. (深圳市東方富海投資管理股份有限公司) and the chairman of Weihai Shiyi Electronics Co., Ltd. (威海世一電子有限公司).

SUPERVISORS

Ms. Kou Youmin, born in August 1965, is a senior accountant with a bachelor's degree. 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) and the accountant of Luoyang Bearings Group Railway Bearings Co., Ltd. (洛陽軸承集團鐵路軸承有限公司) 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). 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 February 2009 to January 2015. 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.

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 Capital Equity Investment Co., Ltd.* (鴻商資本股權投資有限公司), 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 Cathay Fortune Corporation Holdings (鴻商控股有限公司), 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). He is an executive director of Cathay Fortune Overseas Investment Co., Ltd (鴻商海外投資有限公司), a supervisor of Sino-French Life Insurance Co., Ltd (中法人壽保險有限公司), an executive director of Tibet Hongming Investment Company Limited (西藏鴻銘投資有限公司), an executive director of Tibet Yongce Investment Company Limited (西藏永策投資有限公司), an executive director of Tibet Hongyin Enterprise Management Service Company Limited (西藏鴻胤企業管理服務有限公司), an executive director of Shanghai Shangju Enterprise Company Limited (上海商聚實業有限公司) and an executive director of Shanghai Yunsheng International Trading Company Limited (上海勻盛國際貿易有限公司). 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.

Mr. Xu Wenhui, born in 1979, obtained a bachelor's degree, an accountant. From October 1999 to May 2010, He worked at the audit department and finance department of CMOC, responsible for budget, cost analysis, tax management and financial reporting. From 2010 to May 2015, he served successively as chief financial officer of Luoyang Kunyu Mining Co., Ltd., and Luoyang Yongning Gold & Lead Refining Co., Ltd.*, the subsidiaries of CMOC. From July 2015 to January 2020, he served successively as deputy director and director of the office of the Board of CMOC. He has been the head of the financial management department of CMOC in the PRC.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Ng Sau Mei, born in Hong Kong, obtained a Master Degree in Laws. She is a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the UK, and a director of the Listing Services Department of TMF Hong Kong Limited. Ms. Ng has over 20 years of experience as a corporate secretary for providing corporate secretarial of related matters and compliance services to Hong Kong listed companies. Ms. Ng currently serves as company secretary/joint company secretary for a number of Hong Kong listed companies including Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司), Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司), and China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司).

SENIOR MANAGEMENT

Senior Management consists of the following individuals:

Mr. Li Chaochun, born in February 1977, is an executive Director of the Company since January 2007, vice chairman of the Board of the Company from January 2007 to January 2014, chairman of the Board of the Company from January 2014 to June 2020, currently vice chairman of the Company and a member of the Strategic and Sustainability Committee of the Company; chief investment officer since 21 May 2021. For profile of Mr. Li Chaochun, please refer to the section "Profiles of Directors, Supervisors and Senior Management – Directors – Executive Directors".

Ms. Wu Yiming, born in 1975, is an economist. She has served as vice president 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. Zhou Jun, obtained a bachelor's degree, a senior engineer. From 1992 to 2008, he successively worked in Changzhibei Cement Plant and Luzhou Cement Industrial Development Company, both affiliates to China Railway No. 3 Engineering Group; from 2008 to 2010, he served as the deputy general manager of Guojin Mining of China Railway Resources Group; from 2010 to 2013, he served as the general manager of MKM Mining of China Railway Resources Group; from 2013 to 2018, Mr. Zhou successively held positions of commercial director, operation director, site leader, party committee member and general manager of Sicomines of China Railway Resources Group. In April 2019, he has been serving as the general manager of Tenke Fungurume Mining S.A. in DRC. Mr. Zhou has been served as the vice president of the Company since 12 June 2020.

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Sun Ruiwen (*CEO*) (*appointed on 21 May 2021*)
Li Chaochun (*Vice Chairman*)

Non-Executive Directors

Yuan Honglin (*Chairman*)
Guo Yimin (*Vice Chairman*)
Cheng Yunlei

Independent Non-Executive Directors

Wang Gerry Yougui
Yan Ye
Li Shuhua

SUPERVISORS

Kou Youmin (*Chairperson of the Supervisory Committee*)
Zhang Zhenhao
Xu Wenhui (*appointed on 12 March 2021*)

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

Yuan Honglin (*Chairman*)
Sun Ruiwen (*appointed on 21 May 2021*)
Li Chaochun
Wang Gerry Yougui

Nomination and Governance Committee

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

BOARD SECRETARY

Yuan Honglin (*concurrent post*)

COMPANY SECRETARY

Ng Sau Mei (*FCG, HKFCG*)

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

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

LEGAL REPRESENTATIVE

Yuan Honglin

AUTHORIZED REPRESENTATIVES

Yuan Honglin
Ng Sau Mei

ENQUIRY DEPARTMENT OF THE COMPANY

Office of the Board of Directors

CORPORATE INFORMATION

INFORMATION ENQUIRY TELEPHONE NO. OF THE COMPANY

(+86) 379 6860 3993

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
68 Yin Cheng Road Middle
Shanghai, the PRC

WEBSITE

www.cmoc.com

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (22) No. P01472

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

I. OPINION

We have audited the financial statements of China Molybdenum Co., Ltd. ("CMOC", or "the Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2021, the consolidated and Company's income statements, the consolidated and 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 Company's financial position as at 31 December 2021, 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 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 matters are the key audit matters that need to be communicated in the auditor's report.

(I) Revenue Recognition

Description

We identify the revenue recognition as a key audit matter, mainly because, as an A+H Share listed company, the revenue is a key business indicator. As stated in Note V 48, the CMOC's business segments include molybdenum-and-tungsten-related products, copper-and-gold-related products, niobium-and-phosphorus-related products, copper-and-cobalt-related products, metal trading and others. Considering the complexity of the revenue process and related internal controls, we identify the revenue recognition as a key audit matter.

Audit response

The major audit procedures we performed for revenue recognition include:

1. Understanding and evaluating relevant internal controls in the sales and collection cycle of CMOC, and testing their operating effectiveness;
2. Reviewing the significant sales contract, identifying the contract terms and conditions related to the transfer of control of the commodity, and evaluating whether the timing of revenue recognition of CMOC complies with the Accounting Standards for Business Enterprises;
3. Performing test of details for revenue recognition, selecting samples from the recorded revenue transactions and obtaining supporting documents so as to test whether relevant performance obligations have been performed and accounted for accordingly at the time point of revenue recognition.

III. KEY AUDIT MATTERS (CONTINUED)

(I) Revenue Recognition(Continued)

Considering the business characteristics of sales of goods, we also performed the following audit procedures in respect of the revenue from sales of goods:

- Performing analytical review procedures taking into account the commodity prices in open market to review the reasonableness of revenue recognition in current period;
- Analyzing the relationship between revenue from goods and sales volume as well as the relationship between sales volume and production, and assess the reasonableness.

Considering the business characteristics of metal trading, we also performed the following audit procedures in respect of the revenue from metal trading:

- Select samples from the contract list to check the terms and transaction date specified in the contracts with the transaction information in business system, so as to test the completeness of revenue.

(II) Fair value measurement of the financial instruments and trading inventories of IXM Holding S.A and its subsidiaries ("IXM")

Description

Since the acquisition of metal trading platform business in Switzerland in 2019, the Group company's business has been expanding. As at 31 December 2021, the financial instruments held by IXM include held-for-trading financial assets of RMB5,996,142,513.51, derivative financial assets of RMB1,696,809,746.62, held-for-trading financial liabilities of RMB3,618,366,825.57, derivative financial liabilities of RMB2,468,104,683.25 and trading inventories measured at fair value amounting to RMB17,921,750,932.26. As the metal trading involves large quantity of financial instruments and trading inventories measured at fair value, the recognition of fair values of related assets and liabilities involve the use of the inputs such as the quoted price of similar assets or liabilities in active market, observable inputs other than the quoted price and other unobservable inputs. The reasonableness of the inputs may have material impact on financial statements. Therefore, we consider the fair value measurement risk regarding the financial instruments and trading inventories of IXM as a key audit matter.

Audit response

The major audit procedures we performed for the fair value measurement of the financial instruments and trading inventories of IXM include:

1. Understanding and evaluating the internal controls related to fair value measurement in the financial instruments and inventories cycle of IXM (including the internal controls regarding the accuracy of inputs adopted in the fair value measurement), and testing their operating effectiveness;
2. Understanding the measurement methods adopted by IXM in respect of fair value measurement, and assessing whether such methods comply with the Accounting Standards for Business Enterprises;
3. For commodity futures contracts and commodity option contracts measured at fair value, obtain the list of items at the balance sheet date, and assess the reasonableness of the closing fair values of such items by inquiring the price from related financial institutions and external brokers;
4. For forward commodity contracts, receivables at FVTPL and payables at FVTPL, obtain the list of relevant items at balance sheet date and select samples from the list to review the terms of relevant contracts, and calculate using the quoted price of similar assets or liabilities in active market or the inputs other than quoted price, so as to assess the reasonableness of the closing fair values.
5. For trading inventories measured at fair value, obtain the list of inventories at balance sheet date and select samples from the list. Calculate using the quoted price of similar assets or liabilities in active market, the premium/discount prices in the place of origin or nearby regions in the industry research report, so as to assess the reasonableness of the closing fair values.

AUDITOR'S REPORT

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 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.

AUDITOR'S REPORT

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 (including the disclosure), structure and content of the financial statements, 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 safeguards (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 outweigh the public interest benefits of such communication, we decide not to communicate these matters in the audit report.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP

*Chinese Certified Public Accountant: **Hu Ke**
(Engagement Partner)*

*Chinese Certified Public Accountant: **Bao Jie***

18 March 2022

The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' 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.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2021

RMB

ASSETS	Notes	31 December 2021	31 December 2020
Current Assets:			
Cash and bank balances	(V)1	24,318,024,989.56	16,947,648,080.87
Held-for-trading financial assets	(V)2	7,117,297,565.38	7,435,128,840.50
Derivative financial assets	(V)3	1,830,819,434.83	2,060,111,110.42
Accounts receivable	(V)4	745,903,478.74	702,193,713.91
Financing receivables	(V)5	662,973,657.80	405,697,607.38
Prepayments	(V)6	1,473,068,744.38	1,405,838,288.25
Other receivables	(V)7	2,158,421,687.51	1,676,752,484.31
Inventories	(V)8	26,959,964,452.91	21,170,188,531.54
Other current assets	(V)9	5,115,673,898.16	5,436,087,014.38
Non-current assets due within one year	(V)10	573,733,642.62	-
Total Current Assets		70,955,881,551.89	57,239,645,671.56
Non-current Assets:			
Long-term equity investments	(V)11	1,249,467,501.47	1,348,252,898.68
Other investments in equity instruments	(V)12	67,772,733.31	86,214,350.23
Other non-current financial assets	(V)13	3,912,404,655.76	4,678,191,536.17
Fixed assets	(V)15	24,959,306,845.68	23,328,330,597.04
Construction in progress	(V)16	3,882,051,384.27	3,958,981,388.37
Inventories	(V)8	6,111,544,354.19	5,845,918,877.35
Right-of-use assets	(V)17	358,652,931.81	487,786,129.11
Intangible assets	(V)18	19,398,989,322.92	21,511,518,662.57
Goodwill	(V)19	387,204,155.33	396,265,256.07
Long-term prepaid expenses	(V)20	178,843,869.89	127,533,613.45
Deferred tax assets	(V)21	987,702,345.62	497,166,341.93
Other non-current assets	(V)22	4,999,950,971.01	2,935,444,567.34
Total Non-current Assets		66,493,891,071.26	65,201,604,218.31
Total Assets		137,449,772,623.15	122,441,249,889.87

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2021

RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2021	31 December 2020
Current Liabilities:			
Short-term borrowings	(V)23	26,911,899,635.42	20,464,481,097.49
Held-for-trading financial liabilities	(V)24	4,402,513,686.53	4,291,950,709.21
Derivative financial liabilities	(V)25	2,636,505,095.30	5,021,779,572.93
Notes payable	(V)26	2,906,023,727.49	627,937,567.02
Accounts payable	(V)27	1,260,247,972.87	876,914,865.30
Contract liabilities	(V)28	637,933,776.57	371,984,342.17
Employee benefits payable	(V)29	897,749,900.38	769,350,564.51
Taxes payable	(V)30	2,704,678,920.67	845,217,960.37
Other payables	(V)31	2,918,190,968.03	1,599,240,517.18
Non-current liabilities due within one year	(V)32	4,954,382,332.64	5,329,646,086.38
Other current liabilities	(V)33	429,943,105.54	2,159,431,822.36
Total Current Liabilities		50,660,069,121.44	42,357,935,104.92
Non-current Liabilities:			
Non-current derivative financial liabilities	(V)14	357,204,494.71	417,159,248.94
Long-term borrowings	(V)34	13,610,578,855.09	15,360,372,820.17
Bonds payable	(V)35	1,150,000,000.00	3,631,225,000.00
Lease liabilities	(V)36	233,937,993.67	247,794,476.14
Long-term employee benefits payable	(V)37	308,472,990.96	323,797,716.11
Provisions	(V)38	3,081,821,758.57	2,750,507,412.49
Deferred income	(V)39	53,103,694.70	60,587,483.62
Deferred tax liabilities	(V)21	6,136,296,210.55	6,269,305,883.30
Other non-current liabilities	(V)40	13,594,075,166.39	3,687,709,740.77
Total Non-current Liabilities		38,525,491,164.64	32,748,459,781.54
Total Liabilities		89,185,560,286.08	75,106,394,886.46

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2021

RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2021	31 December 2020
Shareholders' Equity:			
Share capital	(V)41	4,319,848,116.60	4,319,848,116.60
Capital reserve	(V)42	27,645,855,518.39	27,582,794,983.23
Less: Treasury shares	(V)43	876,357,019.96	193,840,466.48
Other comprehensive income	(V)44	(6,406,227,030.65)	(3,585,690,161.76)
Special reserve	(V)45	487,314.82	230,899.06
Surplus reserve	(V)46	1,463,370,956.65	1,295,599,051.54
Retained profits	(V)47	13,698,308,770.45	9,472,838,365.96
Total equity attributable to the shareholders of the parent company		39,845,286,626.30	38,891,780,788.15
Minority interests		8,418,925,710.77	8,443,074,215.26
Total Shareholders' Equity		48,264,212,337.07	47,334,855,003.41
Total Liabilities and Shareholders' Equity		137,449,772,623.15	122,441,249,889.87

The accompanying notes form part of the financial statements.

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Accounting in Charge

BALANCE SHEET OF THE COMPANY

AT 31 DECEMBER 2021

RMB

ASSETS	Notes	31 December 2021	31 December 2020
Current Assets:			
Cash and bank balances	(XV)1	4,469,793,872.22	7,045,029,428.45
Held-for-trading financial assets		410,125,544.93	200,032,876.71
Accounts receivable	(XV)2	1,070,044,033.56	365,342,418.35
Financing receivables		240,858,253.01	7,966,803.02
Prepayments		20,720,270.18	143,016,792.20
Other receivables	(XV)3	3,919,973,681.07	3,682,649,191.28
Inventories		178,382,544.92	199,847,211.21
Other current assets		74,325,922.85	80,818,294.02
Total Current Assets		10,384,224,122.74	11,724,703,015.24
Non-current Assets:			
Long-term equity investments	(XV)4	31,979,838,124.74	31,912,290,109.90
Other non-current financial assets		486,162,530.44	580,980,901.35
Fixed assets		2,072,083,697.93	1,640,559,215.13
Construction in progress		88,302,811.15	268,937,597.32
Intangible assets		216,321,294.06	282,262,342.23
Long-term prepaid expenses		91,789,648.94	132,147,350.14
Deferred tax assets		56,479,888.36	116,038,320.48
Other non-current assets		2,162,089,457.11	77,089,457.11
Total Non-current Assets		37,153,067,452.73	35,010,305,293.66
Total Assets		47,537,291,575.47	46,735,008,308.90

BALANCE SHEET OF THE COMPANY

AT 31 DECEMBER 2021

RMB

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2021	31 December 2020
Current Liabilities:			
Short-term borrowings		1,474,477,944.28	2,195,747,000.00
Held-for-trading financial liabilities		784,146,860.96	449,732,550.75
Derivative financial liabilities		–	449,661,924.05
Notes payable		23,123,459.67	122,572,692.44
Accounts payable		244,876,890.63	152,707,814.98
Contract liabilities		132,755,053.15	169,168,094.52
Employee benefits payable		103,960,665.15	92,673,541.26
Taxes payable		81,032,664.74	10,422,432.90
Other payables		3,985,721,071.38	2,162,049,869.58
Non-current liabilities due within one year		1,063,200,000.00	2,000,000,000.00
Other current liabilities		204,146,509.47	2,101,491,643.61
Total Current Liabilities		8,097,441,119.43	9,906,227,564.09
Non-current Liabilities:			
Long-term borrowings		3,483,300,000.00	200,000,000.00
Non-current derivative financial liabilities		357,204,494.71	406,801,357.57
Bonds payable		1,150,000,000.00	2,000,000,000.00
Deferred income		18,016,824.50	18,402,410.30
Deferred tax liabilities		–	–
Provisions		68,859,703.55	47,570,371.67
Other non-current liabilities		17,110,707.00	165,364,319.14
Total Non-current Liabilities		5,094,491,729.76	2,838,138,458.68
Total Liabilities		13,191,932,849.19	12,744,366,022.77
Shareholders' Equity:			
Share capital		4,319,848,116.60	4,319,848,116.60
Capital reserve		27,699,294,622.38	27,633,234,087.22
Less: Treasury shares		876,357,019.96	193,840,466.48
Special reserve		373,559.65	230,899.06
Surplus reserve		1,463,370,956.65	1,295,599,051.54
Retained profits		1,738,828,490.96	935,570,598.19
Total Shareholders' Equity		34,345,358,726.28	33,990,642,286.13
Total Liabilities and Shareholders' Equity		47,537,291,575.47	46,735,008,308.90

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Accounting in Charge

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	Notes	2021	2020
I. Total operating income	(V)48	173,862,586,154.82	112,981,018,624.55
Operating income		173,862,586,154.82	112,981,018,624.55
Less: Operating costs	(V)48	157,539,542,348.74	104,536,006,657.71
Taxes and levies	(V)49	1,256,077,808.20	892,221,743.36
Selling expenses	(V)50	89,749,939.10	73,456,574.59
Administrative expenses	(V)51	1,556,010,571.73	1,330,306,248.91
Research and development expenses		272,384,715.46	173,582,899.01
Financial expenses	(V)52	1,095,057,460.91	1,323,263,376.22
Including: Interest expenses		1,764,472,539.36	1,787,719,461.87
Interest income		748,777,605.00	691,961,398.68
Add: Other income	(V)53	58,214,845.39	38,182,004.23
Investment income (losses are indicated by "-")	(V)54	110,295,857.36	408,815,417.07
Including: Income from investments in associates and joint ventures		(2,281,770.77)	(11,735,678.34)
Gains from changes in fair value (losses are indicated by "-")	(V)55	(3,367,748,632.59)	(1,915,935,321.09)
Gains from credit impairment (losses are indicated by "-")	(V)56	148,459.55	11,726,548.03
Gains from assets impairment (losses are indicated by "-")	(V)57	(60,725,346.54)	(246,808,770.60)
Gains from disposal of assets (losses are indicated by "-")		(5,274,617.13)	(812,670.82)
II. Operating profit (loss is indicated by "-")		8,788,673,876.72	2,947,348,331.57
Add: Non-operating income	(V)58	19,162,108.50	14,694,897.50
Less: Non-operating expenses	(V)59	52,521,643.50	85,753,436.96
III. Total profit (loss is indicated by "-")		8,755,314,341.72	2,876,289,792.11
Less: Income tax expenses	(V)60	3,327,700,999.16	397,649,247.09
IV. Net profit (loss is indicated by "-")		5,427,613,342.56	2,478,640,545.02
(I) Classified by business continuity:			
Net profit from continuing operations (net loss is indicated by "-")		5,427,613,342.56	2,478,640,545.02
Net profit from discontinued operations (net loss is indicated by "-")		-	-
(II) Classified by ownership:			
Net profit attributable to minority interests (net loss is indicated by "-")		321,596,092.75	149,853,033.10
Net profit attributable to shareholders of the parent company (net loss is indicated by "-")		5,106,017,249.81	2,328,787,511.92

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	Notes	2021	2020
V. Other comprehensive income, net of tax	(V)44	(3,066,390,685.93)	(3,759,485,512.45)
Other comprehensive income attributable to shareholders of the parent company, net of tax		(2,885,808,367.60)	(3,213,314,637.04)
(I) Other comprehensive income that will not be reclassified to profit or loss		17,782,366.26	(29,210,113.06)
1. Changes in fair value of other investments in equity instruments		(13,885,043.94)	(7,743,881.23)
2. Remeasurement of changes in net liabilities or assets of defined benefit plans		31,667,410.20	(21,466,231.83)
(II) Other comprehensive income that may be reclassified subsequently to profit or loss		(2,903,590,733.86)	(3,184,104,523.98)
1. Cash flow hedges reserve		(2,094,684,175.28)	(1,318,514,045.16)
2. Translation differences of financial statements denominated in foreign currencies		(808,906,558.58)	(1,865,590,478.82)
Other comprehensive income attributable to minority interests, net of tax		(180,582,318.33)	(546,170,875.41)
VI. Total comprehensive income		2,361,222,656.63	(1,280,844,967.43)
Total comprehensive income attributable to shareholders of the parent company		2,220,208,882.21	(884,527,125.12)
Total comprehensive income attributable to minority interests		141,013,774.42	(396,317,842.31)
VII. Earnings per share:			
Basic earnings per share		0.24	0.11
Diluted earnings per share		0.24	N/A

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Accounting in Charge

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	Notes	2021	2020
I. Operating income	(XV)5	4,358,516,720.64	2,918,507,163.44
Less: Operating costs	(XV)5	2,188,627,469.31	1,530,910,008.01
Taxes and levies		203,473,591.62	183,787,066.98
Selling expenses		–	8,135.31
Administrative expenses		209,525,651.36	318,529,781.07
Research and development expenses		147,074,985.94	139,080,910.58
Financial expenses		(100,636,456.39)	62,680,180.66
Including: Interest expenses		418,862,993.27	398,022,193.48
Interest income		440,313,177.12	370,540,924.83
Add: Other income		26,305,924.08	5,542,258.19
Investment income (losses are indicated by "-")	(XV)6	995,074,826.75	112,414,643.31
Including: Income from investments in associates and joint ventures		(9,030,179.52)	(7,314,791.87)
Gains from changes in fair value (losses are indicated by "-")		(915,212,185.40)	(652,937,002.83)
Gains from credit impairment (losses are indicated by "-")		(84,410.88)	4,131,033.03
Gains from assets impairment (losses are indicated by "-")		(16,471,764.09)	(72,593,250.10)
Gains from disposal of assets (losses are indicated by "-")		11,742,662.34	357,866.66
II. Operating profit (loss is indicated by "-")		1,811,806,531.60	80,426,629.09
Add: Non-operating income		8,056,950.32	547,273.11
Less: Non-operating expenses		37,373,266.16	29,405,748.09
III. Total profit (loss is indicated by "-")		1,782,490,215.76	51,568,154.11
Less: Income tax expenses		104,771,164.64	(36,152,352.19)
IV. Net profit (loss is indicated by "-")		1,677,719,051.12	87,720,506.30
(I) Net profit from continuing operations (net loss is indicated by "-")		1,677,719,051.12	87,720,506.30
(II) Net profit from discontinued operations (net loss is indicated by "-")		–	–
V. Other comprehensive income		–	–
VI. Total comprehensive income		1,677,719,051.12	87,720,506.30

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Accounting in Charge

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	Note (V)	2021	2020
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		178,911,705,871.18	124,430,020,607.24
Receipts of tax refunds		210,603,969.12	201,729,168.37
Other cash receipts relating to operating activities	61(1)	755,068,590.12	4,433,968,969.06
Sub-total of cash inflows from operating activities		179,877,378,430.42	129,065,718,744.67
Cash payments for goods purchased and services received		164,689,040,889.30	112,356,590,717.10
Cash payments to and on behalf of employees		2,821,176,646.71	2,186,110,884.36
Payments of various types of taxes		4,441,568,895.75	3,730,988,386.09
Other cash payments relating to operating activities	61(2)	1,734,943,946.68	2,299,575,126.92
Sub-total of cash outflows from operating activities		173,686,730,378.44	120,573,265,114.47
Net Cash Flow from Operating Activities		6,190,648,051.98	8,492,453,630.20
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments	61(3)	9,357,480,545.74	14,828,067,938.53
Cash receipts from investment income		202,617,528.10	610,308,701.04
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		21,282,617.12	114,105,741.51
Net cash receipts from disposals of subsidiaries and other operating units		55,505,000.00	–
Other cash receipts relating to investing activities	61(4)	1,077,853,530.69	2,491,976,308.57
Sub-total of cash inflows from investment activities		10,714,739,221.65	18,044,458,689.65
Cash paid on acquisition or disposal of subsidiaries and other operating units		–	597,959,999.97
Cash paid for acquiring or construction of fixed assets, intangible assets and other long-term assets		4,281,675,570.51	7,621,789,128.23
Cash paid for investment	61(5)	9,239,478,169.67	16,139,927,989.55
Other cash payments relating to investing activities	61(6)	2,085,385,035.55	3,089,577,857.70
Sub-total of cash outflow from investment activities		15,606,538,775.73	27,449,254,975.45
Net Cash Flows from Investment Activities		(4,891,799,554.08)	(9,404,796,285.80)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		1,004,559,574.00	–
Cash receipts from borrowings		45,430,966,241.84	37,658,074,610.27
Other cash receipts relating to financing activities	61(7)	11,762,118,200.00	3,715,446,908.04
Sub-total of cash inflows from financing activities		58,197,644,015.84	41,373,521,518.31
Cash repayments of borrowings		45,227,614,462.85	33,554,165,884.84
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,600,708,171.47	2,678,785,191.37
Including: Payments for distribution of dividends to minority shareholders of subsidiaries		165,166,381.80	41,759,360.00
Other cash payments relating to financing activities	61(8)	2,480,683,943.05	4,718,269,511.52
Sub-total of cash outflows from financing activities		50,309,006,577.37	40,951,220,587.73
Net Cash Flow from Financing Activities		7,888,637,438.47	422,300,930.58

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	Note (V)	2021	2020
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(243,745,530.93)	(453,255,348.58)
V. Net Increase (Decrease) in Cash and Cash Equivalents		8,943,740,405.44	(943,297,073.60)
Add: Opening balance of cash and cash equivalents	62(2)	11,448,950,438.25	12,392,247,511.85
VI. Closing Balance of Cash and Cash Equivalents	62(2)	20,392,690,843.69	11,448,950,438.25

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Accounting in Charge

CASH FLOW STATEMENT OF PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	2021	2020
I. Cash Flows from Operating Activities:		
Cash receipts from the sale of goods and the rendering of services	3,385,664,593.16	2,963,122,765.92
Other cash receipts relating to operating activities	670,412,209.63	385,950,007.23
Sub-total of cash inflows from operating activities	4,056,076,802.79	3,349,072,773.15
Cash payments for goods purchased and services received	1,155,721,841.82	1,466,164,955.28
Cash payments to and on behalf of employees	448,369,977.09	390,279,769.93
Payments of various types of taxes	491,188,364.29	435,259,137.07
Other cash payments relating to operating activities	230,383,201.97	304,829,968.55
Sub-total of cash outflows from operating activities	2,325,663,385.17	2,596,533,830.83
Net Cash Flow from Operating Activities	1,730,413,417.62	752,538,942.32
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	3,412,434,804.02	8,906,481,267.96
Cash receipts from investment income	551,417,504.97	239,529,435.18
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	2,466,566.87	6,248,979.78
Net cash receipts from disposals of subsidiaries and other operating units	55,505,000.00	—
Other cash receipts relating to investing activities	12,658,838,095.53	14,465,401,460.92
Sub-total of cash inflows from investment activities	16,680,661,971.39	23,617,661,143.84
Cash paid for acquiring or construction of fixed assets, intangible assets and other long-term assets	343,097,546.58	562,410,395.59
Cash paid for investment	5,186,121,559.41	11,482,684,559.36
Other cash payments relating to investing activities	12,539,891,248.76	13,209,103,469.04
Sub-total of cash outflow from investment activities	18,069,110,354.75	25,254,198,423.99
Net Cash Flows from Investment Activities	(1,388,448,383.36)	(1,636,537,280.15)
III. Cash Flows from Financing Activities:		
Cash receipts from capital contributions	97,026,574.00	—
Cash receipts from borrowings	26,853,424,500.00	17,015,057,000.00
Other cash receipts relating to financing activities	17,221,363,768.24	6,122,712,540.66
Sub-total of cash inflows from financing activities	44,171,814,842.24	23,137,769,540.66
Cash repayments of borrowings	28,058,773,500.00	13,797,310,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses	1,135,506,400.11	1,295,593,686.83
Other cash payments relating to financing activities	16,060,417,702.31	5,445,873,842.09
Sub-total of cash outflows from financing activities	45,254,697,602.42	20,538,777,528.92
Net Cash Flow from Financing Activities	(1,082,882,760.18)	2,598,992,011.74

CASH FLOW STATEMENT OF PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2021

Item	2021	2020
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	616,973.71	5,485.55
V. Net (Decrease) Increase in Cash and Cash Equivalents	(740,300,752.21)	1,714,999,159.46
Add: Opening balance of cash and cash equivalents	4,948,637,106.52	3,233,637,947.06
VI. Closing Balance of Cash and Cash Equivalents	4,208,336,354.31	4,948,637,106.52

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Accounting in Charge

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	2021								
	Equity attributable to shareholders of the parent company								
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Minority interests	Total shareholders' equity
I. Balance at 1 January 2021	4,319,848,116.60	27,582,794,983.23	193,840,466.48	(3,585,690,161.76)	230,899.06	1,295,599,051.54	9,472,838,365.96	8,443,074,215.26	47,334,855,003.41
II. Changes for the year									
(I) Total comprehensive income	-	-	-	(2,885,808,367.60)	-	-	5,106,017,249.81	141,013,774.42	2,361,222,656.63
(II) Owners' contributions and reduction in capital									
1. Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-
2. Repurchase of treasury shares	-	-	684,117,491.95	-	-	-	-	-	(684,117,491.95)
3. Cash flow hedges reserve transferred to fixed assets	-	-	-	65,271,498.71	-	-	-	-	65,271,498.71
4. Share-based payments	-	63,060,535.16	(1,600,938.47)	-	-	-	-	-	64,661,473.63
(III) Profit distribution									
1. Transfer to surplus reserve	-	-	-	-	-	167,771,905.11	(167,771,905.11)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(712,774,940.21)	(165,166,381.80)	(877,941,322.01)
(IV) Special reserve									
1. Provision in current year	-	-	-	-	132,789,457.32	-	-	2,361,657.69	135,151,115.01
2. Amount utilized in current year	-	-	-	-	(132,533,041.56)	-	-	(2,357,554.80)	(134,890,596.36)
III. Balance at 31 December 2021	4,319,848,116.60	27,645,855,518.39	876,357,019.96	(6,406,227,030.65)	487,314.82	1,463,370,956.65	13,698,308,770.45	8,418,925,710.77	48,264,212,337.07

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	2020									
	Equity attributable to shareholders of the parent company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits			
I. Balance at 1 January 2020	4,319,848,116.60	27,582,794,983.23	-	(468,588,363.13)	302,145.46	1,286,827,000.91	8,081,590,250.78	8,692,821,959.41	49,495,596,093.26	
II. Changes for the year										
(I) Total comprehensive income	-	-	-	(3,213,314,637.04)	-	-	2,328,787,511.92	(396,317,842.31)	(1,280,844,967.43)	
(II) Owners' contributions and reduction in capital										
1. Acquisition of subsidiaries	-	-	-	-	-	-	-	188,523,072.73	188,523,072.73	
2. Repurchase of treasury shares	-	-	193,840,466.48	-	-	-	-	-	(193,840,466.48)	
3. Cash flow hedges reserve transferred to fixed assets	-	-	-	96,212,838.41	-	-	-	-	96,212,838.41	
(III) Profit distribution										
1. Transfer to surplus reserve	-	-	-	-	-	8,772,050.63	(8,772,050.63)	-	-	
2. Distributions to shareholders	-	-	-	-	-	-	(928,767,346.11)	(41,759,360.00)	(970,526,706.11)	
(IV) Special reserve										
1. Provision in current year	-	-	-	-	186,000,807.50	-	-	1,939,935.68	187,940,743.18	
2. Amount utilized in current year	-	-	-	-	(186,072,053.90)	-	-	(2,133,550.25)	(188,205,604.15)	
III. Balance at 31 December 2020	4,319,848,116.60	27,582,794,983.23	193,840,466.48	(3,585,690,161.76)	230,899.06	1,295,599,051.54	9,472,838,365.96	8,443,074,215.26	47,334,855,003.41	

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Accounting in Charge

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	2021						
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I. Balance at 1 January 2021	4,319,848,116.60	27,633,234,087.22	193,840,466.48	230,899.06	1,295,599,051.54	935,570,598.19	33,990,642,286.13
II. Changes for the year							
(I) Total comprehensive income	-	-	-	-	-	1,677,719,051.12	1,677,719,051.12
(II) Owners' contributions and reduction in capital							
1. Repurchase of treasury shares	-	-	684,117,491.95	-	-	-	(684,117,491.95)
2. Share-based payments	-	63,060,535.16	(1,600,938.47)	-	-	-	64,661,473.63
3. Others	-	3,000,000.00	-	-	-	6,085,686.97	9,085,686.97
(III) Profit distribution							
1. Transfer to surplus reserve	-	-	-	-	167,771,905.11	(167,771,905.11)	-
2. Distributions to shareholders	-	-	-	-	-	(712,774,940.21)	(712,774,940.21)
(IV) Transfers within the shareholders' equity							
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-
(V) Special reserve							
1. Provision in current year	-	-	-	117,544,539.74	-	-	117,544,539.74
2. Amount utilized in current year	-	-	-	(117,401,879.15)	-	-	(117,401,879.15)
(VI) Others	-	-	-	-	-	-	-
III. Balance at 31 December 2021	4,319,848,116.60	27,699,294,622.38	876,357,019.96	373,559.65	1,463,370,956.65	1,738,828,490.96	34,345,358,726.28

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

RMB

Item	2020						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I. Balance at 1 January 2020	4,319,848,116.60	27,636,530,888.88	-	100,628.26	1,286,827,000.91	1,833,691,067.78	35,076,997,702.43
II. Changes for the year							
(I) Total comprehensive income	-	-	-	-	-	87,720,506.30	87,720,506.30
(II) Owners' contributions and reduction in capital							
1. Repurchase of treasury shares	-	-	193,840,466.48	-	-	-	(193,840,466.48)
2. Others	-	(3,296,801.66)	-	-	-	(48,301,579.15)	(51,598,380.81)
(III) Profit distribution							
1. Transfer to surplus reserve	-	-	-	-	8,772,050.63	(8,772,050.63)	-
2. Distributions to shareholders	-	-	-	-	-	(928,767,346.11)	(928,767,346.11)
(IV) Transfers within the shareholders' equity							
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	-	-
(V) Special reserve							
1. Provision in current year	-	-	-	171,293,562.03	-	-	171,293,562.03
2. Amount utilized in current year	-	-	-	(171,163,291.23)	-	-	(171,163,291.23)
(VI) Others	-	-	-	-	-	-	-
III. Balance at 31 December 2020	4,319,848,116.60	27,633,234,087.22	193,840,466.48	230,899.06	1,295,599,051.54	935,570,598.19	33,990,642,286.13

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Accounting in Charge

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(I). BASIC INFORMATION ABOUT THE COMPANY

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, as approved by the resolution of the board of directors, the Company exercised the early 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 bonds issued by the Company. Upon completion of the conversion, the total equity of the company was increased to 5,629.07 million shares.

On 28 August 2015, as approved by the second meeting of the fourth session of board of directors, the Company converted capital reserve into ordinary shares for all shareholders at the ratio of 20 shares for every existing 10 shares. The conversion has been completed on 12 November 2015. Upon completion of the conversion, the share capital of the Company totaled to 16,887,200,000 shares.

On 23 June 2017, as per the "Official Reply for Approving Non-public Offering of Shares by China Molybdenum Co., Ltd." Zheng Jian Xu Ke [2017] No. 918 Doc. issued by the China Securities Regulatory Commission ("CSRC"), the Company was approved to non-publicly offer ordinary shares (A-share) up to 5,769,230,769 shares. On 24 July 2017, the Company privately offered 4,712,041,884 shares of RMB ordinary shares (A-share) to specific investors at the price of RMB3.82 per share and par value of RMB0.20 per share, and raised funds totaling to RMB17,999,999,996.88; after deducting the issuance expenses, the net amount of raised funds was 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. See Note (V) 41 for the details of share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(I). BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

1. Basic Information About The Company (Continued)

On 30 September 2020, the Company held the fifteenth extraordinary meeting of the fifth session of board of directors and approved the Proposal on Repurchase A Shares by way of Centralized Competitive Bidding Transaction, agreeing that the Company should use its own funds of no more than RMB450 million to repurchase A shares of the Company at a price of no more than RMB4.5 per share. As at 31 December 2020, the Company had accumulatively repurchased 48,513,287 shares with payment of RMB193,832,602.21 by way of centralized competitive bidding transactions, representing 0.2246% of the current total share capital of the Company. On 13 July 2021, the Company held the first extraordinary meeting of the sixth session of board of directors and approved the Proposal on Terminating the Plan of Repurchase of A Shares by way of Centralized Competitive Bidding Transaction (Phase I), deciding to terminate the plan of repurchase of A shares (Phase I).

On 13 July 2021, the Company held the first extraordinary meeting of the sixth session of board of directors and approved the Proposal on Repurchase A Shares by way of Centralized Competitive Bidding Transaction (Phase II), agreeing that the Company should use its own funds of no more than RMB800 million to repurchase A shares of the Company at a price of no more than RMB8 per share. On 16 December 2021, the Company completed the repurchase of shares (Phase II) and repurchased 99,999,964 shares, representing 0.46% of the total share capital of the Company, by way of centralized competitive bidding transaction at the price of RMB684,117,491.95. The details of treasury shares are set out in Note (V)43.

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, and metal trading.

2. Acquisition of Niobium and Phosphorus, Copper-Cobalt, and Metal trading Business

2.1 Acquisition of Niobium and Phosphorus businesses in Brazil

On 27 April 2016, the wholly-owned subsidiary of the Company, CMOC Limited 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 USD1.5 billion:

- (1) 100% shareholders' equity of American Fosfato Brazil Ltda. ("Copebras", subsequently renamed as Copebras Indústria Ltda.) and Anglo American Niobio Brazil Ltda. ("Niobras", subsequently 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.

In January 2020, the three legal entities—Copebras, Niobras and its holding company CMOC Brazil Servicos Administrativos E Participacoes Ltda.—were structurally reorganized by merging and the reorganized company was renamed as CMOC Brazil Mineração Indústria e Participações Ltda ("CMOC Brazil").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(I). BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

2. Acquisition of Niobium and Phosphorus, Copper-Cobalt, and Metal trading Business (Continued)

2.2 Acquisition of Copper-Cobalt business in Congo (DRC)

On 9 May 2016, CMOC Limited and the Company (as the guarantor of CMOC Limited) 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). Under the acquisition agreement, in addition to the consideration, the final acquisition price 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. Upon completion of the acquisition, the Company indirectly held 56% equity in TFM.

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, and also committed to grant BHR investors a fixed annual exit returns over the corresponding period. On 20 April 2017, BHR completed the acquisition of 30% of TFHL's equity from Lundin Mining Corporation, thereby BHR indirectly obtaining 24% equity of TFM. Based on afore-said agreement control over BHR, the Group's indirect shareholding proportion in TFM increased from 56% to 80%. On 19 June 2019, the Group signed an agreement with BHR investors to pay the final consideration to complete the exit of BHR investors. The Group's agreement control over BHR was thus changed to direct control, with the ratio indirect shareholding in TFM remaining unchanged. The transaction was completed on 27 September 2019.

2.3 Acquisition of metal trading platform business in Switzerland

On 11 May 2018, Natural Resources Elite Investment ("NREIL"), 100% held by CMOC Limited 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., hereinafter referred to as "IXM B.V."). IXM B.V. which was a subsidiary of Louis Dreyfus Company B.V. ("LDC") is engaged in base metal and noble metal raw materials and metal trading platform business.

On 4 December 2018, CMOC Limited entered into an equity purchase agreement with New Silk Road Commodities Limited ("NSR"), the wholly-owned subsidiary of Natural Resources Investment Fund, to purchase 100% issued and unissued shares of IXM Holding SA (original name: New Silk Road Commodities SA, hereinafter referred to as "IXM Holding"), 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. The closing of this acquisition was completed on 24 July 2019. Upon completion of the transaction, the Company held 100% equity in IXM B.V. indirectly via IXM Holding.

3. Scope of the Consolidated Financial Statements

The consolidated and the Company's financial statements have been approved by the board of directors of the Company on 18 March 2022.

See Note (VII) "INTERESTS IN OTHER ENTITIES" for details of subsidiaries within the scope of the consolidated financial statements for current year. The changes in the scope of the consolidated financial statements mainly arise from the acquisition, establishment and disposal of subsidiaries. See Note (VI) "CHANGES IN SCOPE OF CONSOLIDATION" for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 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 assessed its ability to continue as a going concern for 12 months from 31 December 2021, and didn't notice any event or circumstance that may cast significant doubts on its ability to continue as a going concern. 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 and inventories held for trading 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.

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 non-financial assets measured at fair value, the capacity of market participants to realize the maximum profit of non-financial assets, or the capacity of other participants who acquired non-financial assets to realize the maximum profit will be considered when measuring fair values of such non-financial assets

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, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with 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 the Company's financial position as at 31 December 2021, and the consolidated and the 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 determine their functional currencies according to the currencies of economic environment in which they operate. The Group adopts RMB to prepare the financial statements.

5. Accounting treatment of business combination involving or not involving enterprises under common control

For transactions not involving enterprises under common control, the acquirer will consider whether or not to adopt the simplified "concentration test" when determining whether or not an acquired portfolio constitutes a business. If the portfolio passes the concentration test, it will be judged not to constitute a business. If the portfolio does not pass the concentration test, the judgment is made on the basis of whether it constitutes a business.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

5.2 *Business combinations not involving enterprises under common control and goodwill*

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

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. 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 recognized 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 recognized 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 at the acquisition date, the amount previously included in goodwill/non-operating income shall be adjusted. A change in or adjustment to the contingent consideration under other circumstances shall be accounted for 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.

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 recognized 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 recognizes 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 recognizes 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

6. Preparation of consolidated financial statement (Continued)

6.1 Preparation of consolidated financial statement (Continued)

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 recognizes 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 recognized 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.

Where the equity in a subsidiary is disposed in steps through multiple transactions until the control is lost, the multiple transactions are considered as a package deal if the terms, conditions and economic impacts of the transactions disposing the equity investments in a subsidiary satisfy one or more of the following: (1) these transactions are concluded simultaneously or concluded upon consideration of mutual influence; (2) these transactions can achieve a complete business results only when they are as a whole; (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 if taken into consideration together with other transactions. Where the transactions involving disposal of equity in a subsidiary until loss of control are a package deal, they are accounted for as a transaction of disposal of subsidiary that results 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 recognized 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 a package deal, these transactions are accounted for as separate 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 for the investment in joint ventures. Please specifically refer to Note (III) "14.3.2. Long-term equity investment accounted for using the equity method".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

7. Classification of joint arrangements and accounting treatment for joint ventures (Continued)

The Group as a joint operator recognizes 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 recognized 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 equivalents

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

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

9.1 *Transactions denominated in foreign currencies*

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

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized 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 capitalization are capitalized as part of the cost of the qualifying asset during the capitalization 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 amortized cost) of items that are reclassified at fair value through other comprehensive income are included in 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 recognized 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 recognized in profit and loss or as other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

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

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

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

When the disposal of part of the equity investments results in decrease in proportion of equity in a foreign operation but does not result in loss of control, the translation differences of the financial statements denominated in foreign currency relating to the partial disposal of the foreign operation are attributable to minority interests and are not transferred to profit or loss for the period. When the disposal of foreign operation is partial disposal of equity in associate or joint venture, the translation differences of the financial statements denominated in foreign currency relating to the foreign operation is transferred to profit or loss in proportion to the foreign operation disposed.

10. Financial Instrument

Financial assets and financial liabilities are recognized 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.

Contracts to buy or sell non-financial items that can be settled net in cash or other financial instruments, or through an exchange of financial instruments apply to the Revenue Standard when the Group enters into and holds such contracts intended for the receipt or delivery of non-financial items in accordance with the intended purchase, sale or use requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

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 recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized 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 amortized 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).

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, 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 financial assets due over 1 year since acquisition are presented as other debt investments and those due within 1 year (inclusive) since balance sheet date are presented as other current assets due within one year; accounts receivable and notes receivable classified as at fair value through other comprehensive income ("FVTOCI") on acquisition are presented under financing receivables, and those due within 1 year (inclusive) since acquisition are presented under other current assets.

On the initial recognition, the Group may irrevocably designate non-trading equity instruments except for contingent consideration recognized in business combination not involving enterprises under common control as financial assets at fair value through other comprehensive income on an individual basis. Such financial assets are presented as other investments in equity instruments in financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

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

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 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.

Financial assets at FVTPL include financial assets classified as at fair value through profit or loss and those designated as at fair value through profit or loss:

- 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.
- Upon initial recognition, in order to eradicate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at fair value through profit or loss.
- Financial assets at FVTPL (other than derivative financial assets) are all presented under held-for-trading financial assets. Financial assets due over one year (or without fixed maturity) since the balance sheet date and expected to be held for over one year are presented under other non-current financial assets.

10.1.1 Financial assets measured at amortized 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 are recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

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

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

The impairment losses or gains relating to financial assets classified as 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.

Fair value change of non-held-for-trading equity investment designated as at fair value through other comprehensive income ("FVTOCI"), is recognized in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognized 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 recognized 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.

10.1.3 *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 recognized in profit or loss for the current period.

10.2 *Impairment of financial instruments*

The Group accounts for impairment on financial assets at amortized cost, financial assets classified as FVTOCI and financial guarantee contracts that are not measured at fair value through profit or loss on the basis of ECL and recognizes relevant loss allowance.

The Group measures loss allowance based on the amount equal to the lifetime ECL for the accounts receivable and financing receivables 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

10.2 Impairment of financial assets (Continued)

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. For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

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);
- (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 the credit risk of other financial instruments issued by the same debtor has increased significantly;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(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)

- (7) 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;
- (8) 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;
- (9) Whether the economic motive that will lower the borrower's repayment within the time limit as specified by the contract has changed significantly;
- (10) Whether the loan contract is expected to be changed, 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;
- (11) Whether the debtor's expected performance and repayment activities have changed significantly;
- (12) Whether the Group's approach to credit management of financial instruments has changed.

Regardless of whether the credit risk has increased significantly after the above assessment, when the financial instrument contract payment has been overdue for more than 30 days (inclusive), it indicates that the credit risk of the financial instrument has increased significantly.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(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;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- (5) The issuer or debtor has financial difficulty resulting in disappearance of active market for the financial assets;
- (6) Purchase or originate a financial asset at substantial discount, which reflects the fact that the financial asset has become credit-impaired.

10.2.3 Recognition of expected credit losses

The Group recognizes the credit loss of other receivables, other current assets and financial assets included in other non-current assets based on an individual asset basis, and recognizes 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, etc.

ECL of relevant financial instruments is recognized 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 a financial guarantee contract (refer to Note (III) 10.4.1.2.1 for detailed accounting policies), credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

10.2 Impairment of financial assets (Continued)

10.2.3 Recognition of expected credit losses (Continued)

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognized 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.

10.3 Transfer of financial assets

The Company derecognizes 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 recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes 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, the difference between (1) the carrying amount of the financial asset transferred at the derecognition date; and (2) the sum of the consideration received from the transfer of financial assets and the corresponding amount of the derecognition part in the cumulative change that has been recognized in other comprehensive income, is recognized in profit or loss for the current period. If the financial assets transferred by the Group are the non-trading equity instrument investment designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are reclassified in retained earnings from other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

10.3 *Transfer of financial assets (Continued)*

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 recognized 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 recognized in other comprehensive income, is recognized in profit or loss for the current period. If the financial assets transferred by the Group are the non-trading equity instrument investment designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are reclassified in retained earnings from other comprehensive income.

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

10.4 *Classification of financial liabilities and equity instrument*

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, recognition 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:

- It has been acquired principally for the purpose of repurchasing in the near term; or
- 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
- It is a derivative, except for a financial guarantee contract or a derivative that is a designated and effective hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

10.4 Classification of financial liabilities and equity instrument (Continued)

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

10.4.1.1 Financial liabilities at FVTPL (Continued)

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces 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 recognized in profit or loss.

For financial liability designated as at FVTPL, the amount of change in the fair value of such financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, and other changes in the fair value are presented in profit or loss. Upon the derecognition of such financial liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognized in other comprehensive income, is transferred to retained earnings. Any dividend or interest income earned on the financial liabilities are recognized 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.

For financial liabilities arising from contingent consideration recognized by the Group as a purchaser in the business combination not involving enterprises under a common control, the Group measures such financial liabilities at fair value and the changes are recognized in profit or loss.

10.4.1.2 Other financial liabilities

Other financial liabilities (exclusive of financial guarantee contracts and those arising from transfer of financial assets that does not meet the requirements for derecognition or continuing involvement in the transferred financial assets) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

10.4 Classification of financial liabilities and equity instrument (Continued)

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

10.4.1.2 Other financial liabilities (Continued)

10.4.1.2.1 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or financial liabilities arising from transfer of financial assets does not satisfy derecognition criteria or continue involvement of transferred financial assets are measured at the higher of: (1) amount of loss provision; and (2) the amount initially recognized less cumulative amortization amount during the guarantee period.

10.4.2 Derecognition of financial liabilities

The Group derecognizes 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 derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized 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 recognized as changes of equity. Transaction costs related to equity transactions are deducted from equity.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

10.5 *Derivatives and embedded derivatives*

Derivative instruments include forward foreign exchange contracts, commodity futures contracts, commodity forward contracts, currency swaps contracts, and interest rate swaps contracts and foreign exchange options contracts. 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.

An embedded derivative is separated from the hybrid instrument as a stand-alone derivative 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.

10.6 *Offsetting financial assets and financial liabilities*

When the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

10. Financial Instrument (Continued)

10.7 Compound instrument

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 equity instruments.

In subsequent periods, the liability component of the convertible loan notes is carried at amortized cost using the effective interest method. The conversion option classified as equity remains in equity instruments. No gain or loss is recognized 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 instruments component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized over the period of the convertible loan notes using the effective interest method.

11. Financing receivables

Notes receivable classified as at fair value through other comprehensive income ("FVTOCI") due within 1 year (inclusive) since acquisition are presented as financing receivables, and those due over 1 year since acquisition are presented as other debt investments. See Note (III) 10.1, 10.2 and 10.3 for relevant accounting policies.

12. Inventories

12.1 Classification of inventories

The Group's inventories mainly include raw materials, work in progress, finished goods and trading inventories, etc. Inventories (excluding trading inventories outside the PRC) 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.

The trading inventories are mainly from IXM (including IXM Holding and its subsidiaries), the subsidiaries of the Group. As a commodity trader, IXM measures the trading inventories at fair value less costs to sell in its financial statements prepared in accordance with international financial reporting standards, and recognizes changes in fair value in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

12. Inventories (Continued)

12.1 Classification of inventories (Continued)

Pursuant to Interpretation No.1 of the Enterprise Accounting Standards, for transactions or events occurred abroad to overseas subsidiaries of a domestic enterprise within China, if such transactions or events are not subject to the relevant laws and regulations of China or if such transactions are rare and if they are not covered by the accounting standards for enterprises, the accounting treatments made by the aforesaid overseas subsidiaries may be adjusted under the international standards on financial statements and then be consolidated into the relevant items of the consolidated financial statements of the parent company, provided that the principle of the Accounting Standards for Enterprises – Basic Standards is followed. Therefore, in the preparation of the financial statements, trading inventories outside the PRC of IXM are still measured according to the above-mentioned accounting policies.

12.2 Valuation methods of the inventory delivered

When the inventories (excluding trading inventories outside the PRC) are delivered, the actual costs of the delivered inventories are determined using the method of weighted average.

12.3 The basis of the net realizable value of the inventories

On the balance sheet date, the inventories (excluding trading inventories outside the PRC) 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 decline in value of inventories shall be provided by the difference between the cost of the individual inventory or a type of inventories and its net realized value.

In case the factors impacting the inventory provision is eliminated, making the net realizable value be higher than the carrying amount, 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.

12.4 The inventory system for inventories

The Group uses a perpetual inventory system.

12.5 Amortization method of low-value consumables and packaging materials

Packing materials and low-price easily-worn materials are amortized using immediate writing-off method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

13. Held-for-sale assets

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount 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 is 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. The impairment loss of assets recognized before the classification of held-for-sale category will not be reversed.

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

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

14. Long-term equity investments

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

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effects of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible have been considered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

14. Long-term equity investments (Continued)

14.2 *Determination of initial 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. 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, the initial investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. When the equity held was accounted for under equity method, relevant other comprehensive income is not accounted temporarily; when the equity held was accounted for other investments in equity instruments, the difference between the fair value and carrying amount, together with the cumulative changes in fair value recognized in other comprehensive income are included in retained earnings for the current period.

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 recognized 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.

14.3 *Subsequent measurement and recognition of profit or loss*

14.3.1 *Long-term equity investments 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 recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

14. Long-term equity investments (Continued)

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

14.3.2 Long-term equity investments 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 recognized 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 recognizes 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 recognizes 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 recognize 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, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized 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 recognizing 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 recognized 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 recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

14. Long-term equity investments (Continued)

14.4 Disposal of long-term equity investments

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

15. Fixed assets

15.1 The conditions of recognition

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized 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 derecognized. Other subsequent expenditures except for above expenditures that included in the cost of the fixed asset are recognized in profit or loss in the period in which they are incurred.

15.2 Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method or the units of production method since the month subsequent to the one in which it is ready for intended use. The depreciation method, depreciation period, 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 use rights, 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
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

15. Fixed assets (Continued)

15.2 Depreciation method (Continued)

Resources-related subsidiaries of the Group situated in Australia

Category	Depreciation method	Depreciation period	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	8-45	0~5	2.1~12.5
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

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	1.9~5.0
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	4.8~20.0

Resources-related subsidiaries of the Group situated in Congo (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	2.9~20.0
Machineries and other equipment	Straight-line method	3-20	0~5	4.8~33.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

15. Fixed assets (Continued)

15.2 Depreciation method (Continued)

Metal trading-related subsidiaries of the Group

Category	Depreciation method	Depreciation period	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	20	5	4.8
Machine equipment	Straight-line method	3-5	5	19.0~31.7
Electronic equipment, appliances and furniture	Straight-line method	5	5	19.0

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.

15.3 Other descriptions

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 derecognized. 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 recognized in profit or loss for the period.

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

16. Construction in progress

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

17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized 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. Capitalization 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 capitalized 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 capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

18. Biological assets

Biological assets of the Group are consumable biological assets.

18.1 Consumable biological assets

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

Upon harvest or disposal of consumable biological assets, the Group uses the weighted average method to carry forward the cost by carrying amount.

If there is an active market for consumable biological asset and the Group 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 Group subsequently measures the consumable biological asset at fair value with changes of the fair value are recognized in profit or loss for the current period.

19. Intangible assets

19.1 Intangible assets

Intangible assets include land use rights, exploration and mining rights, copper supply concessions and supplier relationships, 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 less accumulated impairment provision is amortized over its estimated useful life using the straight-line method or the units of production method. 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
Exploration and mining rights	Units of production method	N/A	0
Copper supply concessions	Units of purchase method	N/A	0
Supplier relationship	Straight-line method	15 years	0

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

See Note (III) 20. "Impairment of long-term assets" for the details of impairment test of intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

19. Intangible assets

19.2 Research and development expenditure for internal study

Expenditure during the research phase is recognized 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 recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized 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 recognizes all of them in profit or loss for the period.

20. Impairment of long-term assets

The Group reviews the Long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful life and long-term prepaid expenses 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 recognized 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20. Impairment of long-term assets (Continued)

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

21. Long-term prepaid expenses

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

22. Contract liabilities

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 at net amount.

23. Employee benefits

23.1 Accounting treatment of short-term remuneration

Actually occurred short-term employee benefits are recognized 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 recognized 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, 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 recognized 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.

23.2 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.);

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

23. Employee benefits (Continued)

23.2 Accounting treatment of post-employment benefits (Continue)

- 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.

23.3 Accounting treatment of termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognized 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 recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

23.4 Accounting treatment of other long-term employee benefits

For other long-term employee benefits, where the definition of defined contribution plans is met, it is accounted for according to above-mentioned requirements of defined contribution plans. Otherwise, net liabilities or net assets of such other long-term employee benefits are recognized and measured according to related requirements of defined benefit plans. At the end of reporting period, the cost of employee benefits arising from other long-term employee benefits are recognized as service cost, and net interest of net liabilities or net assets of other long-term employee benefits, and changes arising from re-measurement of net liability or net assets of other long-term employee benefits. The total net amount of those items are either charged to profit or loss in the period, or included in cost of related assets.

24. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

25. Share-based payment

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

25.1 Equity-settled share-based payments

Equity-settled share-based payments granted to employees.

The equity-settled share-based payments granted to employees for exchange of the services rendered by employees are measured at the fair value of the equity instrument at the grant date. The amount of the fair value in the vesting period is determined based on the best estimate of the quantity of exercisable equity instruments, and included in related cost or expenses using straight-line method, with capital reserve increased accordingly.

At each balance sheet date within the vesting period, the Group revises the quantity of expected exercisable equity instruments on the basis of best estimate made based on subsequent information such as the latest change in number of employees with vesting rights.

25.2 Cash-settled share-based payment

Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share or other equity instruments. The Group recognizes the services for the period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at each balance sheet date within the vesting period. Until the liability is settled, the Group re-measures the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

25.3 Accounting treatment related to implementation, modification and termination of share-based payment plan

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognized for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

26. Other financial instruments such as preference shares, perpetual bonds, etc.

Other financial instruments such as the as preference shares, perpetual bonds issued by the Group are accounted for as equity instruments if all the following criteria are satisfied:

- (1) The financial instrument does not include a contractual obligation of delivering cash or other financial assets to other party, or exchanging financial assets or financial liabilities with other party under potentially adverse conditions;
- (2) Where the financial instrument is required to be or may be settled using the Group's own equity instrument, it does not include a contractual obligation of settlement by delivering variable quantity of the Group's own equity instruments if the financial instrument is not a derivative instrument; or the financial instrument is settled by exchanging only fixed quantity of the Group's own equity instruments for a fixed amount of cash or other financial assets if the financial instrument is a derivative instrument.

Except for those satisfy the above criteria of classification as equity instruments, the Group's other financial instruments are classified as financial liabilities.

For other financial instruments (including preference shares, perpetual bonds, etc.) classified as financial liabilities, the interest expenses or dividends distribution are accounted for as borrowing cost, with any gain or loss arising from the repurchase or redemption included in profit or loss for the period. If the financial liabilities are measured at amortized cost, related transaction costs are included in initial measurement amount.

For other financial instruments (including preference shares, perpetual bonds, etc.) classified as equity instruments, the interest expenses or dividends distribution are accounted for as profit distribution, and the repurchase, cancellation, etc. are dealt with as changes in equity, with related transaction costs deducted from equity.

27. Revenue

The revenue of the Group is mainly from:

(1) *Sale of goods and metal trading*

The Group sells minerals including self-produced mineral products of molybdenum, tungsten, niobium, phosphorus, copper, cobalt and gold, etc. and commercial mineral products of copper, lead and zinc concentrates and copper, lead and zinc refined metal 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 recognized according to the fixed price or temporary pricing arrangement as agreed in the sales contract. The Group recognizes the revenue at the time point when the control over the relevant goods are passed to the customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

27. Revenue (Continued)

(2) *Metal flow transaction*

In respect of the Group's metal flow transaction contracts, the Group receives payments in advance from customers for the sale of goods (gold and silver products), which are first recognized as liabilities (contract liabilities and other non-current liabilities – metal flow transaction contract liabilities) and then transferred to revenue when the relevant performance obligations are satisfied, i.e. when control of the goods is transferred to the customer. The metal flow contract has a significant financing component and the Group determines the transaction price at the time of entering into the metal flow contract based on the amount payable in cash assuming that the customer will pay for the goods as soon as it obtains control over these goods, and the difference between this transaction price and the contract consideration is amortized over the term of the contract using the effective interest method. Where, at the date of commencement of the contract, the Group expects that the interval between the acquisition of control over the goods or services by the customer and the payment of the price by the customer will be less than one year, the existence of a significant financing component in the contract is not taken into account.

(3) *Hotel services*

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

(4) *Others*

The Group provides auxiliary businesses including sales of scrap, diesel and electric power to the customers and accordingly obtain revenue which is recognized over the period when the customers obtain or consume the relevant business.

The Group recognizes 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

27. Revenue (Continued)

(4) *Others (Continued)*

Where a contract includes a variable consideration (e.g. metal flow transaction contracts, etc.), the Group determines the best estimate of the variable consideration based on the expected or most probable amount. The transaction price that includes variable consideration does not exceed the amount for which it is highly probable that there will be no material reversal of the revenue recognized in the aggregate when the relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration to be included in the transaction price.

The Group assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Group is a principal or an agent. If the Group controls the specified good or service before that good or service is transferred to a customer, the Group is a principal and recognizes revenue in the gross amount of consideration received or receivable. Otherwise, the Group is an agent and recognizes revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

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.

The cost incurred by the Group to fulfill a contract is recognized as an asset if it is not within the scope of Accounting Standards for Business Enterprises other than the Revenue Standards and satisfy all the following conditions: (1) the cost is directly related to an existing or expected contract; (2) the cost increases the resources available to the Group for future performance of obligations; (3) the cost is expected to be recovered. The above assets are amortized to profit or loss on the same basis with that used for recognition of revenue from goods or services relating to such assets.

28. Types and accounting treatment of 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

28. Types and accounting treatment of government grants (Continued)

28.1 Criterion and accounting treatment of government grants related to assets

The government grants of the Group mainly include grant for demonstration base project, 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 recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

28.2 Criterion and accounting treatment of government grants related to income

The government grants of the Group mainly include receipts of tax refunds, etc... 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 recognized as deferred income, and recognized in profit or loss over the periods in which the related costs or losses are recognized. If the grant is a compensation for related cost expenses or losses already incurred, the grant is recognized 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

29. Deferred tax assets/Deferred tax liabilities

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

29.1 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.

29.2 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 recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. 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 recognized.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

29. Deferred tax assets/Deferred tax liabilities (Continued)

29.2 Deferred tax assets and deferred tax liabilities (Continued)

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

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be taxable profits against which to utilize 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 realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized 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 utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

29.3 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 realize 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 realize 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

30. Stripping costs

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

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

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

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

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

31. Exploration, assessment and development expenditures

The costs of exploration and assessment are directly recognized in costs when they are incurred. When a mine is determined to be of economic value, all subsequent assessment expenditures, including expenditures incurred in early development phase, are 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 assessed value.

32. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration.

For contracts entered into, the Group assesses whether the contract is, or contains, a lease at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

32.1 The Group as a lessee

32.1.1 Separating components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

32. Leases (Continued)

32.1 *The Group as a lessee (Continued)*

32.1.2 *Right-of-use assets*

Except for short-term leases and leases of low-value assets, the Group recognizes a right-of-use asset at the commencement date of the lease. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use. The right-of-use asset is measured at cost. The cost of the right-of-use asset shall include:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group makes provision for the depreciation of right-of-use assets in accordance with Accounting Standard for Business Enterprises No. 4—Fixed Assets. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease terms are depreciated from commencement date to the end of their useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group assesses and determines whether the right-of-use asset is impaired and accounts for any impairment loss identified in accordance with Accounting Standard for Business Enterprises No. 8 – Impairment of Assets.

32.1.3 *Lease liabilities*

Except for short-term leases and leases of low-value assets, at the commencement date of a lease, the Group recognizes the lease liability at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments are payments to the lessor for the right to use the underlying asset during the lease term made by the Group, including fixed payments and in-substance fixed payments, less any lease incentives receivable, if applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

32. Leases (Continued)

32.1 *The Group as a lessee (Continued)*

32.1.3 *Lease liabilities (Continued)*

After the commencement date, the Group recognizes interest expenses in each accounting periods during the lease, based on a constant periodic rate of interest on the remaining balance of the lease liabilities, and charges to profit or loss or the related costs of assets for the current period.

After the commencement date, the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments and the corresponding right-of-use asset is adjusted, if the carrying amount of right-of-use assets has been reduced to zero, but the lease liability still needs to be further reduced, the difference is recognized in the profit and loss for the current period.

32.1.4 *Short-term leases and leases of low-value assets*

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases of transportation devices and machinery equipment and leases of low-value assets. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain any purchase options. A lease of a low-value asset, is a lease that the single underlying asset, when it is new, is of low value. The Group shall recognize the lease payments associated with short-term leases and leases of low-value assets as the cost of the related assets or profit or loss on a straight-line basis over the lease term.

32.1.5 *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group reallocates the consideration in the contract, and remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

For the decrease in scope of lease or the lease term arising from lease modification, the Group should decrease the carrying amount of right-of-use assets and recognizes the gains or losses relating to the partly or full derecognition of the lease into the profit or loss in current period. For remeasurement arising from lease modification, the Group should adjust the corresponding carrying amount of right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

32. Leases (Continued)

32.1 *The Group as a lessee (Continued)*

32.1.6 *Deferred tax assets and deferred tax liabilities relating to leases*

Where the Group recognizes right-of-use assets and lease liability relating to lease transaction, the deferred income tax is recognized in accordance with the relevant regulations of Accounting Standard for Business Enterprises No.18—Income Tax regarding lease transaction in its entirety. The Group assesses the temporary difference on the basis of net amount of right-of-use assets and lease liability, and recognizes deferred tax assets and deferred tax liabilities.

32.2 *The Group as a lessor*

32.2.1 *Separating components of a contract*

For a contract that contains lease components and non-lease components, the Group applies Accounting Standards for Business Enterprises No. 14-Revenue to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

32.2.2 *Classification of leases*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Other leases which are not finance leases are operating leases.

32.2.2.1 *The Group as lessor under operating leases*

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs relating to operating leases are capitalized when incurred, amortized on the same basis as rental income recognition during the lease term, and recognized in profit or loss over the lease term.

The variable lease receipts obtained by the Group from operating lease but not included in the lease receivables are included in profit or loss when they are incurred.

33. Other significant accounting policies and accounting estimates

33.1 *Safety production expenses*

In accordance with Cai Qi [2012] No. 16 notice of printing and distributing the Administrative Measures for the Collection and Utilization 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 Utilization 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 be provided month by month based on the following standards with excessive and accumulative withdrawal method:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

33. Other significant accounting policies and accounting estimates (Continued)

33.1 Safety production expenses (Continued)

- (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.

33.2 Hedge accounting

33.2.1 Basis of adopting hedge accounting and relevant accounting treatment

Some financial instruments are designated as hedging instruments by the Group for the purpose of managing risk exposure caused by specific risks such as foreign exchange risk, interest rate risk, price risk, etc. The Group applies hedging accounting for a hedge that satisfies the prescribed conditions. Hedging activities of the Group include fair value hedges and cash flow hedges.

At the inception of the hedge, the Group designates hedging instruments and hedged items formally, and prepares written documents of 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

33. Other significant accounting policies and accounting estimates (Continued)

33.2 Hedge accounting (Continued)

33.2.1 Basis of adopting hedge accounting and relevant accounting treatment (Continued)

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.

Fair value hedges

The Group recognizes gains or losses arising from hedging instruments in current profit or loss. Where a hedging instrument is a hedge of an investment in a non-trading equity instrument that has been elected to be measured at fair value through other comprehensive income, the gain or loss arising on the hedging instrument is included in other comprehensive income.

The Group recognizes gains or losses on hedged items arising from hedged exposures in current profit or loss and adjusts the carrying amount of recognized hedged items not measured at fair value. If the hedged item is a financial asset classified as at fair value through other comprehensive income, the gain or loss arising from the hedged exposure is included in profit or loss for the period.

Cash flow hedges

The Group recognizes 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 recognizes 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

33. Other significant accounting policies and accounting estimates (Continued)

33.2 Hedge accounting (Continued)

33.2.1 Basis of adopting hedge accounting and relevant accounting treatment (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.

33.2.2 Method for assessing effectiveness of hedging

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

34. 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 recognized in the period of the change, if the change affects that period only; or recognized 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, calculate metal flow transaction and forecast the payment time of rehabilitation cost for forecasting to be closed or rehabilitate mine.

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

The useful life of fixed assets

The management should judge the estimated useful life of fixed assets and their depreciations. The estimate should base on the experience in actual useful life of fixed assets and assume the government will update upon expiration of mining rights. The scientific innovation and fierce industrial competition have material impact 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Impairment of non-current assets other than financial assets (Continued)

– *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. When considering the future cash flows and discount rate, the changes in assumptions adopted by the Group regarding the mineral reserves, selling price, growth rate, inflation rate, etc. may have material impact on the present value of future cash flows used in the impairment test.

Revenue recognition – metal flow transaction

The Group's metal cash flow transaction contract contains variable considerations and significant financing components. Therefore, the Group's unrecognized financing expenses are amortized in each reporting period, with the balance of contract liabilities and other non-current liabilities (metal flow transaction contract liabilities) adjusted accordingly. In application of Revenue Standards to account for the metal flow transactions, the key assumptions adopted by the Group in accounting estimates are of uncertainties, including the discount rate of significant financing component, mineral reserves, expected time and quantity of delivery, as well as the forecasted market price of the goods, etc. The changes in the above estimates may have impact on the adjustment of variable considerations and the measurement of contract liabilities and other non-current liabilities (metal flow transaction contract liabilities).

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. The adjustments to the expected rehabilitation costs for the current year are detailed in Note (V) 15.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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 income tax during the reporting period, and make provision for liabilities on estimated 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 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.

In 2018, the government of Congo (DRC) approved a new mining law ("New Mining Law of Congo (DRC)"), which introduces extensive reform, including adoption of higher royalties, new excess profit tax system and further regulatory control. The implementation of this mining law is to a certain degree uncertain, especially the extent of application and explanation. The explanation and challenges raised by tax authority of Congo (DRC) in respect of the new mining law may have material impact on the deferred tax recognized by the Group.

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 administrative and 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)38 and Note (XII). The management uses judgment to determine whether a provision shall be made for the relevant administrative and legal dispute or whether the dispute shall be disclosed as a contingent liability.

Fair value measurement and valuation procedure

Group's held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and trading inventories at fair value that are related with IXM business are 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 set 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

35. New accounting requirements applied in the current year

New accounting requirements applied in the current year

Accounting Standards for Business Enterprises No. 14

The Interpretation of Accounting Standards for Business Enterprises No. 14 ("Interpretation No.14") issued by the Ministry of Finance on 2 February 2021 regulates the accounting treatments for changes in basis for determining the contractual cash flows due to benchmark interest rate reform.

Accounting treatments for changes in basis for determining the contractual cash flows due to benchmark interest rate reform

For changes in basis for determining the contractual cash flows due to benchmark interest rate reform, when the changes in basis for determining the contractual cash flows of financial assets or financial liabilities for which the interest income or expense is determined using effective interest method is directly resulted from only the benchmark interest rate reform and the basis for determining the contractual cash flows before and after the change remain economically equivalent, the Group recalculates the effective interest rate on the basis of future cash flows changed due to benchmark interest rate reform by reference to the accounting treatment of changes of floating interest rate, and makes subsequently measurement on such basis.

In addition to above changes, where the financial assets or financial liabilities for which the interest income or expense is determined using effective interest method incurs other changes, the Group first makes accounting treatment for the change due to benchmark interest rate reform in accordance with above provisions, then assesses whether other changes result in derecognition of such financial assets or financial liabilities in accordance with Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments.

For the new businesses relating to benchmark interest rate reform incurred from 1 January 2021 to the implementation date of the Interpretation No.14, the Group makes accounting treatment in accordance with the Interpretation No.14. For the businesses relating to benchmark interest rate reform incurred before 31 December 2020, no retrospective adjustment is made as the Group considers the adoption of this provision has no material impact on the Group's financial statements according to the assessment result.

Interpretation of Accounting Standards for Business Enterprises No. 15

The Ministry of Financial released the Interpretation of Accounting Standards for Business Enterprises No. 15 on 30 December 2021, regulating the presentation and disclosures of enterprises implementing centralized and unified management of the parent and member companies via internal settlement center. The adoption of this Interpretation has no material impact on the Group's financial statements. Details are set out in Note (XV) 3 to the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(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.	16%, 9%
Chinese urban 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	Sales volume of concentrate	6.5%, 8% collection on ad valorem basis (note 1)
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 CMOB Brazil, 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% -25% 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 CMOB Kisanfu Mining S.A.R.L ("KFM") and 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 2
Congo (DRC) exchange tax	The amount of foreign currency paid to or received from countries other than Congo (DRC).	0.2%
Enterprise income tax	Taxable income: the amount of taxable income is computed on basis of adjusted pre-tax accounting profit of the period in accordance with the relevant provisions of the tax law multiplying by the statutory tax rate.	Note 3

Note 1: According to the Law of People's Republic of China on Resources Tax, the resources tax is price-based or quantity-based. Since 1 September 2020, the taxes on Tungsten and Molybdenum resources are price-based and are calculated at 6.5% and 8% respectively.

Note 2: In accordance with the new mining code of the DRC, the Group calculated and paid royalties of mining rights at 3.5% and 10% respectively in respect of the revenue from sales of products relating to copper and cobalt business in the DRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(IV). TAXATION (CONTINUED)

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

Note 3: Applicable tax rates:

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

According to the two-tier profits tax regime, the qualified HK companies apply profits tax rate of 8.25% to the first HKD2,000,000 taxable profit, and apply 16.5% to the portion of taxable profit exceeding HKD2,000,000. For related companies within a single Group, only one enterprise can be nominated for the benefit. China Molybdenum (Hong Kong) Company Limited and CMOC Co., Ltd. were incorporated in Hong Kong. The applicable enterprise income tax rate for China Molybdenum (Hong Kong) Company Limited was 16.5%; the applicable enterprise income tax rates for CMOC Co., Ltd. were 8.25% and 16.5%.

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

CMOC UK Limited ("CMOC UK") was incorporated in the United Kingdom, thus was subject to the applicable income tax rate of 19%.

CMOC Brazil Mineração, Indústria e Participações Ltda. ("CMOC Brazil") 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 Virgin Islands ("BVI").

TFM and KFM were incorporated in Congo (DRC) and were subject to the enterprise income tax rate of 30%. In addition, when the prices of materials or commodities significantly increase by 25% on average basis comparing to the prices disclosed in the feasibility study report of the Company, the mining enterprises are required to pay excess profit tax at 50% of the profit.

IXM and its subsidiaries principally operate in Switzerland and China. Applicable income tax rate of its subsidiaries in Switzerland is 13.99%.

2. Tax incentive and approval

According to the Law of the People's Republic of China on Enterprise Income Tax and the Implementation Provisions, the revenue from products satisfying the state industrial policy produced by comprehensive utilization of resources may be partially deducted when calculating the taxable income. Such deduction represents that the enterprise's revenue from using the resources included in the Catalogue of Preferential Enterprise Income Tax for Comprehensive Utilization of Resources as the main raw material to produce the products that are neither restricted nor forbidden by the state and satisfy the national and industrial standards is included in taxable income at 90%. The proportion of the aforesaid raw material to the total materials used to produce the product shall not be lower than the standards specified in the Catalogue of Preferential Enterprise Income Tax for Comprehensive Utilization of Resources. However, the Company sold powdered Tungsten (scheelite concentrates) is still within the scope of Catalogue of Preferential Enterprise Income Tax for Comprehensive Utilization of Resources. Therefore, the Company still recognized 90% of sales of powdered Tungsten (scheelite concentrates) to taxable income during the year 2020 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(IV). TAXATION (CONTINUED)

2. Tax incentive and approval (Continued)

The Resource Tax Law of the People's Republic of China ("New Resource Tax Law") was approved by voting at the Twelfth Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019 and comes into force as at 1 September 2020. The New Resource Tax Law stipulates that the resource tax rate for molybdenum minerals will be reduced from 11% to 8%, and the exemption or reduction of resource tax for associated mines will be decided by the provincial people's congresses; in accordance with the decision of the Nineteenth Meeting of the Standing Committee of the Thirteenth People's Congress of Henan Province on 31 July 2020, associated mines are exempt from resource tax. The Company's tungsten, iron and other associated mines continue to be exempt from resource tax as at 1 September 2020.

On 9 September 2020, the Company received a "high-tech enterprise certificate", No. GR202041000074, which was jointly issued by the Henan Science and Technology Department, the Henan Finance Department, and the Henan Provincial Tax Service, State Taxation Administration. The issuance of the high-tech enterprise certificate is a re-recognition after the expiration of the previous certificate, which is valid for 3 years. The Company will enjoy a preferential enterprise income tax from 1 January 2020 to 31 December 2022 and the applicable enterprise income rate during above period is 15%.

On 29 June 2018, the People's Government of Tibet Autonomous Region published Several Provisions of Tibet's Preferential Policies for Attracting Foreign Investment (for Trial Implementation), and Article 6 provides that enterprises meeting certain conditions shall be exempted from local share of enterprise income tax from 1 January 2018 to 31 December 2021. In 2020 and 2021, Schmöcker (Tibet) International Trading Co., Ltd ("Tibet Schmöcke"), the subsidiary of the Group, has employed 100% of permanent resident in Tibet, meeting the conditions for exemption from local share of enterprise income tax, so the applicable enterprise income rate during above period of Tibet Schmöcke is 9%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash And Bank Balances

RMB

Item	31 December 2021			31 December 2020		
	Amount in original currency	Exchange rate	Amount in RMB	Amount in original currency	Exchange rate	Amount in RMB
Cash:			1,322,107.51			756,268.21
RMB	8,045.77	1.0000	8,045.77	59,840.80	1.0000	59,840.80
USD	186,322.85	6.3757	1,187,938.60	89,919.70	6.5249	586,717.05
BRL	-	-	-	34,635.73	1.2537	43,422.82
AUD	-	-	-	2,593.28	5.0163	13,008.67
CDF	39,533,701.00	0.0032	126,033.82	15,597,801.00	0.0033	51,635.77
ZAR	222.76	0.4008	89.32	3,685.73	0.4458	1,643.10
Bank balance:			20,391,368,736.18			11,448,194,170.04
RMB	6,149,239,350.56	1.0000	6,149,239,350.56	6,608,079,092.20	1.0000	6,608,079,092.20
USD	2,016,972,219.00	6.3757	12,859,617,897.16	715,145,007.43	6.5249	4,666,249,658.87
EUR	5,835,984.60	7.2207	42,139,975.33	798,217.66	8.0250	6,405,696.76
HKD	7,600,640.56	0.8175	6,213,505.49	7,555,656.90	0.8416	6,358,840.85
CAD	1,198,707.32	5.0124	6,008,403.84	1,207,139.61	5.1161	6,175,846.98
AUD	7,529,424.77	4.6263	34,833,671.89	9,459,204.29	5.0163	47,450,206.49
BRL	1,110,403,258.46	1.1425	1,268,631,494.49	57,598,068.54	1.2537	72,210,698.53
GBP	241,715.11	8.4574	2,044,275.69	2,032,986.52	8.8903	18,073,860.05
SGD	79,129.49	4.7217	373,628.71	186,854.26	4.9314	921,453.10
CDF	600,942,414.97	0.0032	1,915,767.59	731,863,436.52	0.0033	2,422,791.94
ZAR	36,122,693.33	0.4008	14,479,520.92	27,451,293.68	0.4458	12,238,311.90
AED	2,583.99	1.7358	4,485.37	2,584.50	1.7761	4,590.33
CHF	163,719.62	6.9924	1,144,798.38	72,419.02	7.4006	535,944.19
CLP	80,406,182.00	0.0075	602,935.22	7,647,041.00	0.0092	70,182.41
MXP	6,927,030.08	0.3108	2,152,725.20	1,287,063.39	0.3278	421,899.38
NAD	126,259.00	0.4001	50,511.45	128,759.29	0.4444	57,220.63
PEN	1,168,981.56	1.5947	1,864,201.19	115,006.70	1.8127	208,472.64
PLN	-	-	-	18,353.55	1.7520	32,155.42
TRY	3,189.91	0.4775	1,523.09	313,734.72	0.8837	277,247.37
IDR	112,116,673.00	0.0004	50,064.61	-	-	-
Other cash and bank balances:			3,925,334,145.87			5,498,697,642.62
RMB	3,543,943,275.64	1.0000	1,258,943,275.64	3,971,475,163.43	1.0000	3,971,475,163.43
USD	413,421,903.52	6.3757	2,635,854,030.27	234,060,672.07	6.5249	1,527,222,479.19
CDF	9,581,744,373.00	0.0032	30,536,839.96	-	-	-
Total			24,318,024,989.56			16,947,648,080.87
Including: Total amount deposited abroad			14,633,643,450.92			5,464,807,563.48

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Cash And Bank Balances (Continued)

Note: As at 31 December 2021, restricted other cash and bank balances mainly included deposits for mines, deposits for loan interest, and certificates of deposit pledged for obtaining short-term borrowings, deposits for derivative financial instruments, deposit for bills and other deposits, amounting to RMB49,678,315.20, RMB640,705,792.41, RMB675,600,000.00, RMB73.31, RMB2,525,168,260.87 and RMB34,181,704.08 (31 December 2020: RMB52,646,910.15, RMB917,953,604.25, RMB3,319,600,000.00, RMB1,027,486,051.85, RMB180,502,591.40 and RMB500,000.00) respectively.

2. Held-For-Trading Financial Assets

Item	Fair value at the end of the year	Fair value at the beginning of the year
Financial assets at fair value through profit or loss		
Including: Receivables (<i>Note 1</i>)	6,110,112,384.81	7,205,799,964.69
Structured deposits (<i>Note 2</i>)	938,636,794.54	200,166,402.26
Wealth management products	48,186,385.22	–
Fund products of financial institutions	20,362,000.81	19,877,241.18
Other	–	9,285,232.37
Total	7,117,297,565.38	7,435,128,840.50

Note 1: The major products of the Group are copper, lead and zinc concentrate and cobaltous hydroxide etc., selling price of which is provisionally determined according to the market price upon delivery. Generally, the price is finally determined according to the monthly average spot price quoted by the London Metals Exchange (LME) or other agreed pricing methods within a specified period or a period subsequent to the delivery. The Group classifies the accounts receivable generated from relevant business as financial assets with FVTPL.

As at 31 December 2021, receivables with a carrying amount of USD476,980,604.34 (equivalent to RMB3,041,085,239.10) were pledged to obtain short-term borrowings. (2020: USD108,022,000.00 (equivalent to RMB704,832,747.80)).

Note 2: RMB structured deposits purchased by the Group from domestic financial institutions in the current year, whose yield is linked to exchange rates. The Group classifies such deposits as financial assets with FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Derivative Financial Assets

RMB

Item	Fair value at the end of the year	Fair value at the beginning of the year
Derivative financial instruments of which hedging relationship is not designated (<i>Note</i>)		
Forward commodity contracts	1,335,447,376.63	724,237,223.86
Forward foreign exchange contracts	58,414,462.37	139,026,031.58
Commodity futures contracts	436,957,595.83	1,191,450,847.31
Commodity option contracts	–	4,634,323.27
Interest rate swaps contracts	–	762,684.40
Total	1,830,819,434.83	2,060,111,110.42

Note: The Group uses commodity (copper, lead, zinc concentrates, refined metals etc.) futures contracts, forward commodity contracts and commodity option contracts to manage the risk of commodity purchases and future sales so as to avoid bearing the risk of significant changes in the price of relevant products arising from the fluctuation of the market price. Besides, the Group uses forward foreign exchange contracts and interest rate swaps contracts for risk management to avoid the Group's exchange rate and interest rate risk.

The above forward commodity contracts, forward foreign exchange contracts, commodity futures contracts, commodity option contracts and interest rate swaps contracts are not designated as hedging instruments. Gains or losses arising from changes in fair value of these contracts shall be directly recorded into profit or loss. See Note (V) 55.

4. Accounts Receivable

(1) Disclosure by aging

RMB

Aging	31 December 2021		Proportion (%)
	Accounts receivable	Bad debt provision	
Within 1 year	731,349,277.13	6,036,864.55	0.83
1 – 2 year	3,897,385.05	405,317.22	10.40
2 – 3 years	28,000,979.25	10,901,980.92	38.93
Over 3 years	18,682,996.91	18,682,996.91	100.00
Total	781,930,638.34	36,027,159.60	4.61

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts Receivable (Continued)

(1) Disclosure by aging(Continued)

RMB

Aging	31 December 2020		Proportion (%)
	Accounts receivable	Bad debt provision	
Within 1 year	641,838,769.15	3,204,231.61	0.50
1 – 2 year	28,663,394.98	8,772,881.53	30.61
2 – 3 years	50,237,303.76	6,568,640.84	13.08
Over 3 years	17,753,235.49	17,753,235.49	100.00
Total	738,492,703.38	36,298,989.47	4.92

(2) Credit risk of accounts receivable

As the Group has a long-term and stable transaction relationship with high credit rating customers in respect of niobium business in Brazil, acid business and quicklime business in Congo (DRC), and metal trading business in Switzerland, the management believes that the credit risk is low. The Group measures internal credit rating for the customers on the basis of their aging at the balance sheet date and historical repayments in respect of the tungsten and molybdenum business in China and phosphorus business in Brazil, and recognizes expected loss rate of accounts receivable in all ratings. At the balance sheet date, the Group recognizes the expected credit loss allowance for accounts receivables based on provision matrix.

RMB

Internal credit rating	Expected average loss rate	31 December 2021			Expected average loss rate	31 December 2020		
		Book balance	Provision for loss	Book value		Book balance	Provision for loss	Book value
Low risk	0.04%	623,785,238.20	263,044.42	623,522,193.78	0.06%	546,882,993.62	312,451.03	546,570,542.59
Normal	2.54%	49,637,331.37	1,260,825.22	48,376,506.15	2.66%	85,279,852.28	2,267,621.16	83,012,231.12
Attention	6.45%	69,601,340.76	4,488,581.80	65,112,758.96	9.02%	77,544,928.02	6,994,572.95	70,550,355.07
Doubtful (impaired)	51.24%	18,236,556.11	9,344,536.26	8,892,019.85	54.93%	4,572,094.18	2,511,509.05	2,060,585.13
Loss (impaired)	100.00%	20,670,171.90	20,670,171.90	-	100.00%	24,212,835.28	24,212,835.28	-
Total		781,930,638.34	36,027,159.60	745,903,478.74		738,492,703.38	36,298,989.47	702,193,713.91

The expected average loss rate is measured based on historical actual 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 2020 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts Receivable (Continued)

(3) Changes in expected credit loss provision for accounts receivable

RMB

	Lifetime ECL
1 January 2021	36,298,989.47
Provision of ECL for the period	2,411,609.22
Reversal of ECL for the period	(1,789,712.83)
Changes in exchange rate	(893,726.26)
31 December 2021	36,027,159.60

(4) Top five accounts receivable balances at the end of the reporting period based on debtors:

RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total accounts receivable (%)	Credit impairment loss
31 December 2021				
Company X	Third Party	74,079,411.00	9.48	–
Company F	Third Party	47,782,876.51	6.11	68,510.40
Company B	Third Party	45,682,896.49	5.84	65,499.50
Company H	Third Party	41,891,527.41	5.36	5,002,814.21
Company Y	Third Party	33,492,106.91	4.28	3,349.22
Total		242,928,818.32	31.07	5,140,173.33

RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total accounts receivable (%)	Credit impairment loss
31 December 2020				
Company H	Third Party	69,057,190.16	9.35	5,498,013.78
Company B	Third Party	44,496,971.20	6.03	44,496.97
Company F	Third Party	36,660,699.97	4.96	52,531.05
Company G	Third Party	34,426,760.05	4.66	34,489.98
Company D	Third Party	33,239,388.13	4.50	33,239.39
Total		217,881,009.51	29.50	5,662,771.17

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financing Receivables

RMB

Category	31 December 2021	31 December 2020
Notes receivable	662,973,657.80	405,697,607.38
Including: Bank acceptances	662,544,587.40	380,763,917.60
Others	429,070.40	24,933,689.78
Total	662,973,657.80	405,697,607.38

Part of notes receivable are endorsed or discounted by the Group in accordance with daily fund requirement, therefore they are classified as financial assets with FVTOCI.

As at 31 December 2021, the Group measures bad debt provision at lifetime ECL. The Group considers that there is minor possibility of significant loss arising from the default of banks, therefore it has no significant credit risk on bank acceptances.

- (1) Endorsed or discounted financing receivables by the Group but still outstanding at balance sheet date at the end and beginning of the year respectively are as follows:

RMB

Category	Amount derecognized at the end of 2021	Amount derecognized at the end of 2020
Bank acceptances	1,511,576,931.98	2,064,202,071.72
Total	1,511,576,931.98	2,064,202,071.72

Note: Since major risks and rewards including the interest rate risks related to such bank acceptance have been substantially transferred to the bank or another party, the Group ceased to recognize the discounted or endorsed bank acceptances.

- (2) As at 31 December 2021, the amount of financing receivables of the Group pledged to issue notes payable was RMB430,703,171.04 (2020: RMB334,501,519.98).
- (3) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Prepayments

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

RMB

Aging	31 December 2021		31 December 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,456,806,903.44	98.90	1,400,634,872.31	99.63
1 to 2 years	12,735,523.50	0.86	667,432.50	0.05
2 to 3 years	298,364.08	0.02	4,379,293.39	0.31
Over 3 years	3,227,953.36	0.22	156,690.05	0.01
Total	1,473,068,744.38	100.00	1,405,838,288.25	100.00

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

RMB

Name of entity	Relationship with the Company	31 December 2021		Name of entity	Relationship with the Company	31 December 2020	
		Amount	Proportion of the amount to the total prepayments (%)			Amount	Proportion of the amount to the total prepayments (%)
Company O	Third Party	196,175,272.41	13.32	Company J	Related party	130,506,458.61	9.28
Company P	Third Party	137,800,698.53	9.35	Company K	Third Party	85,130,985.62	6.06
Company Q	Third Party	103,866,981.63	7.05	Company L	Third Party	47,638,646.27	3.39
Company R	Third Party	85,742,172.53	5.82	Company M	Third Party	30,115,871.14	2.14
Company S	Third Party	57,647,861.64	3.91	Company N	Third Party	27,701,899.54	1.97
Total		581,232,986.74	39.45	Total		321,093,861.18	22.84

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other Receivables

7.1 Summary of other receivables

RMB

Item	31 December 2021	31 December 2020
Interest receivable	409,454,105.99	344,628,170.18
Dividends receivable	900,000.00	–
Other receivables	1,748,067,581.52	1,332,124,314.13
Total	2,158,421,687.51	1,676,752,484.31

7.2 Interest receivable

RMB

Item	31 December 2021	31 December 2020
Interest receivable on bank deposits	323,841,461.91	321,343,382.12
Interest receivable from the related parties (Note (X) 6)	65,183,288.85	13,061,072.16
Interest receivable from third parties	20,429,355.23	10,223,715.90
Total	409,454,105.99	344,628,170.18

7.3 Other receivables

(1) Other receivables disclosed by nature

RMB

Nature of other receivables	31 December 2021	31 December 2020
Deductible Brazil social contribution tax (Note 1)	214,598,313.48	298,091,775.81
Congo (DRC) VAT refunds receivable (Note 2)	1,130,647,232.15	786,257,280.33
Deposits	75,375,019.22	23,338,724.22
Gains in close position (Note 3)	66,570,087.57	21,478,008.50
Cash on settlement of financial assets receivable (Note 4)	–	10,765,916.13
Others	289,676,044.11	221,131,201.38
Total	1,776,866,696.53	1,361,062,906.37

Note 1: See Note (V) 22 (3) for details.

Note 2: The VAT refundable amount was generated from the export business of subsidiaries situated in Congo (DRC). Tax refund from the government has been applied.

Note 3: This represents the gains on settlement of the forward commodity contracts, yet to receive.

Note 4: This represents the gains on settlement of certain non-current financial assets sold by the Group, yet to receive. There is no balance at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other Receivables (Continued)

7.3 Other receivables(Continued)

(2) Credit risk of other receivables

The Group had other receivables of which the loss provision was recognized on the basis of ECL as below:

RMB

	31 December 2021			31 December 2020		
	Book balance	Provision for loss	Book value	Book balance	Provision for loss	Book value
Other receivables of which the loss provision was recognized on the basis of ECL	1,776,866,696.53	28,799,115.01	1,748,067,581.52	276,713,850.23	28,938,592.24	247,775,257.99

As at 31 December 2021, the management of the Group believes that there's no significant ECL on other receivables as their credit risk has not been increased significantly since the initial recognition, except for the receivables of RMB28,799,115.01 (31 December 2020: RMB28,938,592.24) that have become credit-impaired and for which impairment has been provided fully.

(3) Changes in expected credit loss for other receivables

2021:

RMB

Item	1 January 2021	Increase	Decrease		31 December 2021
			Reversal	Write-off	
Impairment provision	28,938,592.24	-	35,000.00	104,477.23	28,799,115.01

2020:

RMB

Item	1 January 2020	Increase	Decrease		Decrease
			Reversal	Reversal	
Impairment provision	28,941,171.79	-	2,579.55	-	28,938,592.24

Note: Provisions for expected credit losses on other receivables are made for other receivables that are credit impaired

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other Receivables (Continued)

7.3 Other receivables(Continued)

(4) Top five of other receivables balances at the end of year based on debtors

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 2021					
Congo (DRC) government	Local tax authorities	1,130,647,232.15	Within 4 years	63.63	-
Federal government of Brazil	Local government	214,598,313.48	Within 2 years	12.08	-
Company T	Third Party	31,440,369.93	Within 1 year	1.77	-
Company U	Third Party	20,777,718.36	Within 1 year	1.17	-
Company Z	Third Party	15,136,858.27	Within 1 year	0.85	-
Total		1,412,600,492.19		79.50	-
31 December 2020					
Congo (DRC) government	Local tax authorities	786,257,280.33	Within 3 years	57.77	-
Federal government of Brazil	Local government	298,091,775.81	Within 2 years	21.90	-
Company I	Third Party	43,296,597.99	Within 1 year	3.18	-
Company W	Third Party	19,612,986.55	Within 1 year	1.44	-
Company V	Third Party	13,982,122.82	Over 3 years	1.03	13,982,122.82
Total		1,161,240,763.50		85.32	13,982,122.82

(5) There are no other receivables relating to government grants during the reporting period.

8. Inventories

RMB

Item	31 December 2021 Book value	31 December 2020 Book value
Inventories:		
– Measured at cost	15,104,113,469.50	14,870,767,881.23
– Measured at fair value	17,967,395,337.60	12,145,339,527.66
Total	33,071,508,807.10	27,016,107,408.89

Note: As at 31 December 2021, the carrying amount of inventories measured at fair value which were pledged by the Group to obtain short-term borrowings was USD2,605,557,836.09, equivalent to RMB16,612,255,095.55 (2020: USD2,052,418,000.00, equivalent to RMB13,391,822,208.20).

As at 31 December 2021, the group pledged warehouse warrant with a carrying amount of RMB45,177,672.00 (2020: RMB229,106,688.00), which is measured at cost, to acquire forward trading credits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(1) Inventories measured at cost

(a) Categories of inventories

RMB

Item	31 December 2021			31 December 2020		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Current:						
Raw materials	2,527,285,925.10	20,505,753.59	2,506,780,171.51	2,244,807,129.62	7,788,548.68	2,237,018,580.94
Work-in-progress	3,254,749,545.80	670,344.70	3,254,079,201.10	2,634,348,053.90	1,032,555.28	2,633,315,498.62
Finished goods	1,419,548,028.89	727,496.39	1,418,820,532.50	1,296,884,917.62	2,149,701.75	1,294,735,215.87
Trading inventories	1,858,533,615.54	-	1,858,533,615.54	2,895,210,662.29	-	2,895,210,662.29
Sub-total	9,060,117,115.33	21,903,594.68	9,038,213,520.65	9,071,250,763.43	10,970,805.71	9,060,279,957.72
Non-current:						
Raw materials (note)	6,083,949,455.96	18,049,507.11	6,065,899,948.85	5,828,267,350.71	17,779,427.20	5,810,487,923.51
Sub-total	6,083,949,455.96	18,049,507.11	6,065,899,948.85	5,828,267,350.71	17,779,427.20	5,810,487,923.51
Total	15,144,066,571.29	39,953,101.79	15,104,113,469.50	14,899,518,114.14	28,750,232.91	14,870,767,881.23

Note: Non-current raw materials are minerals reserved by the Group for future production and sales, mainly including the sulfide ore exploited and reserved in Australian Northparkes copper and gold business, and low-grade ores produced from Tenke copper-cobalt mine in Congo (DRC). As the 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 is presented as non-current assets.

(b) Provision for decline in value of inventories

RMB

Categories of inventories	Increase		Decrease		Translation differences of financial statements denominated in foreign currencies	31 December 2021
	1 January 2021	Provision	Reversal	Write-off		
Raw materials	7,788,548.68	20,369,954.69	1,481,924.09	5,856,015.67	(314,810.02)	20,505,753.59
Work-in-progress	1,032,555.28	864,361.46	1,009,788.12	216,783.92	-	670,344.70
Finished goods	2,149,701.75	4,291,297.49	46,426.57	5,667,076.28	-	727,496.39
Sub-total	10,970,805.71	25,525,613.64	2,538,138.78	11,739,875.87	(314,810.02)	21,903,594.68
Non-current: Raw materials	17,779,427.20	2,579,586.62	-	807,703.98	(1,501,802.73)	18,049,507.11
Total	28,750,232.91	28,105,200.26	2,538,138.78	12,547,579.85	(1,816,612.75)	39,953,101.79

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(2) Inventories measured at fair value

(a) Categories of inventories

RMB

Item	31 December 2021 Book value	31 December 2020 Book value
Current: Trading inventories outside the PRC	17,921,750,932.26	12,109,908,573.82
Non-current: Consumable biological assets	45,644,405.34	35,430,953.84
Total	17,967,395,337.60	12,145,339,527.66

(b) Changes in consumable biological assets are set out below

RMB

Item	Quantity	1 January 2021	Increase Transfer from CIP	Decrease Changes in fair value	Decrease Used	Translation differences of financial statements denominated in foreign currencies	31 December 2021
Eucalyptus forest in Brazil	2321 hectares	35,430,953.84	1,813,125.60	11,320,945.27	1,981,462.43	(939,156.94)	45,644,405.34

9. Other Current Assets

RMB

Item	31 December 2021	31 December 2020
Derivative financial instruments deposits (Note 1)	4,475,288,356.94	4,393,525,659.84
Deductible Input VAT (Note 2)	453,104,055.38	591,500,535.02
Prepayment of enterprise income tax	54,751,711.56	70,536,492.28
Borrowings due from SNEL	—	88,409,227.36
Prepaid insurance expenses (Note 3)	59,461,725.83	26,687,224.46
Prepayment of VAT	46,170,968.70	114,976,970.24
Others	26,897,079.75	150,450,905.18
Total	5,115,673,898.16	5,436,087,014.38

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other Current Assets (Continued)

The Group accounts the provision for financial assets other current assets according to ECL model. At 31 December 2021, the management believed that the relevant financial assets have a low credit risk.

Note 1: It is the deposit paid by the Group to acquire derivative financial instruments.

Note 2: It is arising from subsidiaries of the Group in China and the subsidiaries of IXM.

Note 3: It is the insurance paid by the Group for the overseas business, which are amortized over the corresponding beneficial period.

10. Non-Current Assets Due Within One Year

RMB

Item	31 December 2021	31 December 2020
Borrowings due from SNEL (<i>Note (V) 22</i>)	126,688,005.30	–
Loans to suppliers (<i>Note (V) 22</i>)	39,254,087.39	–
Loans to related parties (<i>Note (V) 22</i>)	407,791,549.93	–
Total	573,733,642.62	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments

RMB

Investee	Note	1 January 2021	Changes for the year						31 December 2021	Closing balance of provision for impairment	
			Increase arising from a business combination	Additional investment	Decreased investment	Investment income recognized under equity method	Declare a cash dividend or profit distribution	Provision for impairment losses			Translation differences of financial statements denominated in foreign currencies
I. Joint ventures											
Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu")	Note 1	743,599,603.49	-	-	-	(79,718,667.43)	-	-	-	663,880,936.06	-
Sub-total		743,599,603.49	-	-	-	(79,718,667.43)	-	-	-	663,880,936.06	-
II. Associates											
Luoyang Yulu Mining Co., Ltd. ("Yulu Mining")	Note 2	78,399,984.45	-	-	-	84,133,936.87	(88,000,000.00)	-	-	74,533,921.32	-
Caly Nanomoly Development, Inc. ("Nanomoly Development")	Note 3	-	-	-	-	-	-	-	-	-	-
Luoyang Shenyu Molybdenum Co., Ltd. ("Luoyang Shenyu")	Note 4	2,454,764.46	-	-	-	1,347,119.73	(900,000.00)	-	-	2,901,884.19	-
Natural Resources Investment Fund	Note 5	607,800.71	-	-	-	(600,851.64)	-	-	(6,949.07)	-	-
Zhejiang Youqing Trade Co., Ltd. ("You Qing")	Note 6	2,923,706.58	-	-	-	273,438.44	-	-	-	3,197,145.02	-
Walvis Bay Cargo Terminal Pty. Ltd. ("Walvis Bay")	Note 7	4,115,390.46	-	5,781,789.49	-	1,909,349.95	(1,273,186.60)	-	(655,925.75)	9,877,417.55	-
PT.Huayue Nickel Cobalt ("Huayue Nickel Cobalt")	Note 8	514,832,338.53	-	-	-	(9,178,615.19)	-	-	(11,666,128.31)	493,987,595.03	-
Beijing Youhong Yongsheng Science & Technology Co., Ltd. ("Beijing Youhong")	Note 9	851,728.43	-	-	-	20,100.07	-	-	-	871,828.50	-
Tongxiang Huaang Trade Co., Ltd. ("Tongxiang Huaang")	Note 10	467,581.57	-	-	-	(467,581.57)	-	-	-	-	-
ENERLOG SA	Note 11	-	-	219,310.20	-	-	-	-	(2,536.40)	216,773.80	-
Sub-total		604,653,295.19	-	6,001,099.69	-	77,436,896.66	(90,173,186.60)	-	(12,331,539.53)	585,586,565.41	-
Total		1,348,252,898.68	-	6,001,099.69	-	(2,281,770.77)	(90,173,186.60)	-	(12,331,539.53)	1,249,467,501.47	-

Note 1: Huan Yu, a joint venture where the Group holds 50% equity, holds 90% of equity in Luoyang Fuchuan Mining Co., Ltd. ("Fu Chuan"). Meanwhile, the Group directly holds 10% equity in Fu Chuan.

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

Note 2: According to the resolution 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 recognizes investment income at 50% out of its net profit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-Term Equity Investments (Continued)

- Note 3:* 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.
- Note 4:* 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. Therefore, Luoyang Shenyu was accounted for as an associate due to its significant influence.
- Note 5:* The Group held 45% shares of Natural Resources Investment Fund as a limited partner, and had significant influence on the operating decision of relevant investment entities. The relevant investment was accounted under equity method.
- Note 6:* On 11 October 2019, the Company signed an equity transfer agreement with a third party, purchasing 30% of equity in You Qing held by a third party at a cash consideration price of RMB1.5 million, and assigning two directors and one supervisor. Therefore, it is accounted for as a joint venture due to significant influence of the Group.
- Note 7:* Walvis Bay is an associate of IXM Holding SA, which is a wholly-owned subsidiary of the Company.
- Note 8:* In November 2019, the Group's wholly-owned subsidiary CMOC Limited signed an equity transfer agreement with Newstride Limited, acquiring 100% of equity in W-Source Holding Limited ("W-Source Holding") at a consideration price of USD1,125.87, and indirectly acquiring 21% share of PT.Huayue Nickel Cobalt held by W-Source Holding. On 25 July 2020, CMOC Limited increased its equity held in PT.Huayue Nickel Cobalt to 30% in the way of subscribing the registered capital newly increased by PT.Huayue Nickel Cobalt through W-Source Holding. W-Source Holding assigns a director and a supervisor to PT.Huayue Nickel Cobalt. Therefore, it is accounted for as an associate due to the significant influence of the Group.
- Note 9:* Beijing Youhong was incorporated on 27 August 2020. On 22 October 2020, the Company, as a shareholder with 30% equity therein, contributed RMB900,000 in cash and assigned one director and one supervisor. Therefore, Beijing Youhong is accounted for as an associate due to the significant influence of the Group.
- Note 10:* Tongxiang Huaang was incorporated on 31 August 2019. On 22 October 2020, the Company, as a shareholder with 30% equity therein, contributed RMB600,000 in cash and assigned one director and one supervisor. Therefore, Tongxiang Huaang is accounted for as an associate due to the significant influence of the Group. According to the articles of association of Tongxiang Huaang, the Group assumes no additional obligation for excess loss. As at 31 December 2021, the Group's investment in Tongxiang Huaang has been reduced to Zero.
- Note 11:* On 14 July 2021, the Group, as a shareholder holding 34% equity, make capital contribution of USD34,000. Therefore, the Group has significant influence over the company and accounts for it as an associate.

There is no significant limits regarding cash transfer to the investees.

The entities invested by the Group are unlisted entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Other Investments In Equity Instruments

RMB

Item	1 January 2021	Changes in fair value	Translation differences of financial statements denominated in foreign currencies	31 December 2021
Equity Z	80,306,124.92	(18,513,391.92)	-	61,792,733.00
Equity AA	5,795,576.24	-	-	5,795,576.24
Equity AB	112,649.07	-	71,775.00	184,424.07
Total	86,214,350.23	(18,513,391.92)	71,775.00	67,772,733.31

Note: As the Group and its subsidiaries plan to hold the investments in equity instruments for a certain period, they are designated as financial assets with FVTOCI.

13. Other Non-Current Financial Assets

The Group had financial assets with FVTPL as below:

RMB

Item	1 January 2021	Increase	Changes in fair value	Disposal/dividends	Translation differences of financial statements denominated in foreign currencies	31 December 2021
Entrusted wealth management products of non-banking financial institutions (note 1)	450,743,063.75	-	(743,063.75)	(450,000,000.00)	-	-
Entrusted wealth management products of banking financial institutions (note 2)	130,232,909.60	-	5,268,000.01	-	-	135,500,909.61
Fund trust (note 3)	-	350,000,000.00	656,692.83	-	-	350,656,692.83
AC Partnership shares (note 4)	1,041,332,403.16	13,777,150.00	370,299,079.73	(382,709,923.73)	-	1,042,698,709.16
AD Partnership shares	334,258,631.47	-	(83,553,399.85)	-	-	250,705,231.62
AE Partnership shares	99,660,324.78	-	23,261,821.18	(15,464,643.03)	(2,959,595.78)	104,497,907.15
AF Fund shares	255,763,407.58	10,448,614.36	95,923,325.69	(25,434,607.08)	(8,478,107.62)	328,222,632.93
AG Fund shares	219,726,007.50	-	-	(217,213,852.50)	(2,512,155.00)	-
Target asset management plans (note 5)	1,448,583,564.47	12,942,072.00	17,165,811.03	(426,535,714.64)	(35,632,630.88)	1,016,523,101.98
AH company equity	260,185,385.43	-	-	(256,469,511.26)	(3,715,874.17)	-
AI company equity	43,896,693.44	-	(36,216,487.88)	-	(729,108.80)	6,951,096.76
AJ company equity	79,093,795.68	-	61,895,828.19	-	(3,155,959.81)	137,833,664.06
AK Fund shares	314,710,421.31	-	97,761,786.27	-	(10,405,589.87)	402,066,617.71
AL Partnership	-	150,000,000.00	(22,500,000.00)	-	-	127,500,000.00
AM company equity	-	15,464,642.96	(6,085,590.03)	-	(135,888.98)	9,243,163.95
Others	4,928.00	-	-	-	-	4,928.00
Total	4,678,191,536.17	552,632,479.32	523,133,803.42	(1,773,828,252.24)	(67,724,910.91)	3,912,404,655.76

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Other Non-Current Financial Assets (Continued)

Note 1: Other wealth management products of non-banking financial institutions are in relation to wealth management product plans provided by the non-banking financial institutions within China purchased by the Group, with expected yield of 5.4041%. The management of the Group believes that the interests in these wealth management product plans and the risk exposures are not significantly different from their carrying amount, and are accounted as financial assets at FVTFL. The Group obtained investment income for the current period amounting to RMB12,167,671.58 when the wealth management product fell due in the current period.

Note 2: It is the non-principle preservation wealth management with floating yield purchased by the Group from banks and financial institutions in China, with an expected yield of 5.00% over a period of 5 years.

Note 3: It is the fund trust product purchased by the Group from non-banking financial institutions in China, with an expected yield of 6.2265% over a period of 3 years.

Note 4: This represents the Group's partnership shares, from which the Group received dividends of RMB57,863,195.60 in the current period. According to the partnership agreement, the Group recovered the investment cost of RMB56,696,036.99 and investment income of RMB346,297,151.41 from the partnership in the current year.

Note 5: This represents the Group's investment on asset management plans, which mainly include shares and fund investments.

14. Non-Current Derivative Financial Liabilities

RMB

Item	31 December 2021	31 December 2020
Non-current derivative financial liabilities		
– Interest rate swap contracts (note 1)	357,204,494.71	406,801,357.57
– Commodity future contracts (note 2)	–	10,357,891.37
Total	357,204,494.71	417,159,248.94

Note 1: Interest rate swap contracts are in relation to the forward interest rate swap contracts purchased by the Group, which are 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 for the above hedging instrument and corresponding hedged items according to hedge accounting. Refer to Note (V) 64 for details.

Note 2: Commodity future contracts are in relation to the commodity future contracts purchased by the Group, which are used to hedge the cash flow risk due to a part of expected sales of the Group's copper products. The Group accounted for the above hedging instrument and corresponding hedged items according to hedge accounting. Refer to Note (V) 64 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed Assets

(1) Fixed assets

RMB

Item	Land, buildings and mining structures	Machinery equipment	Electronic equipment, fixture and furniture	Transportation devices	Total
I. Total original carrying amount:					
1. Balance at 1 January 2021	15,211,442,396.39	20,425,875,973.33	236,406,029.30	81,566,048.03	35,955,290,447.05
2. Increase in the current year					
(1) Purchase	224,082,359.39	98,028,707.93	16,165,644.26	12,205,014.05	350,481,725.63
(2) Transfer from CIP	1,447,902,141.60	2,431,336,792.00	9,309,367.75	-	3,888,548,301.35
3. Decrease in the current year					
(1) Disposal or scrap	81,982,730.31	241,642,389.31	15,138,509.00	7,288,679.87	346,052,308.49
4. Revaluation of rehabilitation and asset disposal cost (note 1)	293,657,667.66	-	-	-	293,657,667.66
5. Translation differences of financial statements denominated in foreign currencies	(384,524,412.25)	(486,004,993.34)	(292,947.10)	(156,961.50)	(870,979,314.19)
6. Balance at 31 December 2021	16,710,577,422.48	22,227,594,090.61	246,449,585.21	86,325,420.71	39,270,946,519.01
II. Accumulated depreciation					
1. Balance at 1 January 2021	5,601,390,556.38	6,773,707,195.10	182,655,813.53	39,700,694.17	12,597,454,259.18
2. Increase in the current year					
(1) Provision	827,781,093.83	1,406,447,539.43	17,975,841.13	9,153,550.85	2,261,358,025.24
3. Decrease in the current year					
(1) Disposal or scrap	61,839,580.98	217,123,900.51	13,298,662.82	6,450,775.65	298,712,919.96
4. Translation differences of financial statements denominated in foreign currencies	(154,337,232.34)	(149,022,920.48)	(122,813.75)	(52,006.39)	(303,534,972.96)
5. Balance at 31 December 2021	6,212,994,836.89	7,814,007,913.54	187,210,178.09	42,351,462.98	14,256,564,391.50
III. Impairment provision					
1. Balance at 1 January 2021	27,200,779.13	1,355,513.96	949,297.74	-	29,505,590.83
2. Increase in the current year					
(1) Provision	2,265,050.47	31,859,844.24	113,758.72	37,582.92	34,276,236.35
3. Decrease in the current year					
(1) Disposal or scrap	2,265,050.47	6,121,883.83	89,364.52	31,921.95	8,508,220.77
4. Translation differences of financial statements denominated in foreign currencies	-	(198,324.58)	-	-	(198,324.58)
5. Balance at 31 December 2021	27,200,779.13	26,895,149.79	973,691.94	5,660.97	55,075,281.83
IV. Carrying amount					
1. Closing carrying amount	10,470,381,806.46	14,386,691,027.28	58,265,715.18	43,968,296.76	24,959,306,845.68
2. Opening carrying amount	9,582,851,060.88	13,650,813,264.27	52,800,918.03	41,865,353.86	23,328,330,597.04

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed Assets (Continued)

(1) Fixed assets (Continued)

Note (1): At the end of the year, the Group reviewed the future rehabilitation and asset disposal cost in the Congo (DRC), and adjusted the carrying amount of rehabilitation and asset disposal cost according to the updated rehabilitation plan.

As at the end of the year, no fixed assets are used as collateral.

- (2) *At the end and beginning of the year, the Group has no fixed assets leased under finance leases.*
- (3) *At the end and beginning of the year, the Group has no fixed assets leased out under operating leases.*
- (4) *Details of the fixed assets without certificate of titles.*

RMB

Item	Carrying amount	The reason of not completing the certificate of title
High-pressure roller mill workshop	22,017,792.90	Completed and settled, asset right transaction is progress
High-pressure roller mill slope retaining	7,422,593.83	Completed and settled, asset right transaction is progress
Tungsten and molybdenum extraction and separation workshop	5,494,375.21	Completed and settled, asset right transaction is progress
Main decomposition workshop	5,435,201.30	Completed and settled, asset right transaction is progress
Main extraction workshop	5,343,131.53	Completed and settled, asset right transaction is progress
Office staff dining hall	4,873,313.54	Completed and settled, asset right transaction is progress
Main crystallization workshop	4,481,389.09	Completed and settled, asset right transaction is progress
Others	13,876,440.32	Completed and settled, asset right transaction is progress
Total	68,944,237.72	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction In Progress

(1) Construction in progress:

RMB

Item	31 December 2021			31 December 2020		
	Book balance	Impairment provision	Net carrying amount	Book balance	Impairment provision	Net carrying amount
Northparkes E26 underground mine development project	759,416,521.10	-	759,416,521.10	478,637,364.32	-	478,637,364.32
Northparkes E48 mine northern extension project	4,960,181.11	-	4,960,181.11	1,287,461.03	-	1,287,461.03
KFM early works	390,191,940.88	-	390,191,940.88	-	-	-
TFM Kwatabala KT2 tailings pond project Phase I	454,829,806.01	-	454,829,806.01	338,096,789.07	-	338,096,789.07
TFM mixed ore development upfront expenses	174,334,158.89	-	174,334,158.89	-	-	-
TFM dehydration equipment installation project	34,284,736.73	-	34,284,736.73	15,303,242.39	-	15,303,242.39
TFM mine transportation road repair and construction project	24,100,940.87	-	24,100,940.87	15,139,971.27	-	15,139,971.27
TFM mine power supply project	13,007,794.81	-	13,007,794.81	80,941,631.52	-	80,941,631.52
TFM production process optimization research	3,344,458.30	-	3,344,458.30	1,188,403,052.08	-	1,188,403,052.08
Copebras phosphorus production plant maintenance project	302,375,137.79	-	302,375,137.79	202,030,111.36	-	202,030,111.36
Copebras phosphorus production process improvement project	21,931,325.84	-	21,931,325.84	16,411,690.64	-	16,411,690.64
Niobras Niobium production plant maintenance project	112,194,731.75	-	112,194,731.75	92,223,756.59	-	92,223,756.59
Niobras tailings dam heightening project	7,734,331.19	-	7,734,331.19	15,643,492.97	-	15,643,492.97
KFM development upfront expenses	380,527,999.72	-	380,527,999.72	-	-	-
Quicklime Plant	11,660,876.17	-	11,660,876.17	169,706,956.94	-	169,706,956.94
Building acquisition and decoration project	220,546,701.82	-	220,546,701.82	208,073,405.62	-	208,073,405.62
Molybdenum mine project in East Gobi of Hami of Xinjiang	92,027,473.24	31,615,388.19	60,412,085.05	92,027,473.24	31,615,388.19	60,412,085.05
Project replacing Xuansan Tailing	40,179,924.78	-	40,179,924.78	34,355,496.18	-	34,355,496.18
Construction project replacing Luchanggou Tailing	-	-	-	171,953,532.68	-	171,953,532.68
Others	866,017,731.46	-	866,017,731.46	870,361,348.66	-	870,361,348.66
Total	3,913,666,772.46	31,615,388.19	3,882,051,384.27	3,990,596,776.56	31,615,388.19	3,958,981,388.37

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction In Progress (Continued)

(2) Change in significant construction in progress

Name of project	Budget	1 January 2021	Increase	Transfer to OP	Transfer to intangible assets	Other decreases	Impairment provision	Translation differences of financial statements denominated in foreign currencies	31 December 2021	Proportion of project investment to budget amount (%)	Accumulated capitalized interest	Including: interest capitalized for the year	Capitalization rate for the current year (%)	Source of fund	RMB
Northparkes E26 underground mine development project	1,265,090,927.76	478,637,364.32	347,880,965.17	23,716,251.64	-	-	-	(43,126,536.75)	759,416,521.10	61	-	-	-	Funds in hand	
Northparkes E48 mine northern extension project	760,634,520.28	1,297,461.03	6,481,499.23	2,806,191.06	-	-	-	(210,538.09)	4,960,181.11	76	-	-	-	Funds in hand	
KFM early works	510,056,000.00	-	384,757,450.36	-	-	-	-	(4,565,509.48)	390,191,940.88	5	92,783,521.47	92,783,521.47	5	Funds in hand	
TFM Kwababala K12 tailings pond project Phase I	753,607,740.00	338,096,789.07	125,920,338.13	-	-	-	-	(8,187,319.19)	454,829,806.01	61	-	-	-	Funds in hand	
TFM mixed ore development upfront expenses	1,351,648,400.00	-	176,373,986.40	-	-	-	-	(2,039,827.51)	174,334,158.89	13	-	-	-	Funds in hand	
TFM dehydration equipment installation project	82,246,530.00	15,303,242.39	52,349,451.82	32,791,839.99	-	-	-	(576,118.49)	34,284,736.73	81	-	-	-	Funds in hand	
TFM mine transportation road repair and construction project	57,955,113.00	15,139,971.27	10,085,465.06	669,400.97	-	-	-	(455,094.49)	24,100,940.87	42	-	-	-	Funds in hand	
TFM mine power supply project	90,881,979.20	80,941,651.52	2,966,416.47	69,822,637.36	-	-	-	(1,077,615.82)	13,007,794.81	90	-	-	-	Funds in hand	
TFM production process optimization research	1,950,800,180.00	1,188,403,052.08	829,193,891.54	1,945,411,177.42	55,215,014.96	-	-	(13,626,235.54)	3,344,438.30	98	-	-	-	Funds in hand	
Copebas phosphorus production plant maintenance project	817,092,636.44	202,030,111.36	216,001,138.44	109,760,274.08	-	48,008.81	-	(5,847,329.12)	302,375,137.79	51	-	-	-	Funds in hand	
Copebas phosphorus production process improvement project	107,538,866.61	16,411,620.64	32,387,554.50	26,412,711.02	-	10,960.03	-	(44,248.25)	21,931,325.84	45	-	-	-	Funds in hand	
Nobias Niobium production plant maintenance project	466,098,463.24	92,225,756.59	143,212,880.25	120,221,757.64	-	62,387.48	-	(2,367,159.97)	112,194,731.75	50	-	-	-	Funds in hand	
Nobias tailings dam heightening project	81,741,651.77	15,649,492.97	22,081,117.90	29,720,929.75	-	-	-	(269,350.33)	7,734,331.19	45	-	-	-	Funds in hand	
KFM development upfront expenses	490,928,900.00	-	384,980,434.56	-	-	-	-	(4,452,454.84)	380,527,999.72	5	30,485,538.36	30,485,538.36	5	Funds in hand	
Quicklime Plant	255,028,000.00	169,706,956.94	29,062,782.13	185,029,141.84	-	-	-	(2,076,721.06)	11,689,876.17	76	-	-	-	Funds in hand	
Building acquisition and decoration project	345,246,600.00	208,079,405.62	70,794,783.45	-	-	58,321,487.25	-	-	220,546,701.82	91	-	-	-	Funds in hand	
Molybdenum mine project in East Cobi of Hami of Xinjiang	2,949,000,000.00	60,412,055.05	-	-	-	-	-	-	60,412,055.05	3	-	-	-	Funds in hand	
Project replacing Kuansan Tailings	346,730,000.00	34,355,496.18	5,824,428.60	-	-	-	-	-	40,179,924.78	12	-	-	-	Funds in hand	
Construction project replacing Luotanggou Tailings	405,090,000.00	171,953,532.68	265,506,290.12	457,461,812.80	-	-	-	-	-	100	-	-	-	Funds in hand	
Others	N/A	870,361,348.66	980,749,966.89	884,653,177.78	1,007,999.00	41,113,663.54	-	(38,112,633.77)	865,077,31.46	N/A	-	-	-	Funds in hand	
Total		3,699,991,398.37	4,006,422,829.02	3,688,546,301.35	56,223,013.36	100,147,097.11	-	(128,434,421.30)	3,882,051,394.27		183,283,059.83	183,283,059.83			

At 31 December 2021, the balance of the Group's provision for impairment of construction in progress was RMB31,615,388.19 (31 December 2020: RMB31,615,388.19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Right-of-Use Assets

RMB

Item	Buildings	Machinery equipment	Transportation devices	Total
I. Total original carrying amount:				
1. Balance at 1 January 2021	231,122,689.70	476,526,571.41	2,123,137.15	709,772,398.26
2. Increase				
(1) Leasehold	145,665,857.77	13,321,755.63	–	158,987,613.40
3. Decrease	27,857,308.79	–	800,987.55	28,658,296.34
4. Translation differences of financial statements denominated in foreign currencies	(5,001,442.10)	(11,040,219.21)	(39,284.48)	(16,080,945.79)
5. Balance at 31 December 2021	343,929,796.58	478,808,107.83	1,282,865.12	824,020,769.53
II. Accumulated depreciation				
1. Balance at 1 January 2021	48,131,551.66	172,793,148.61	1,061,568.88	221,986,269.15
2. Increase				
(1) Provision	63,689,343.53	202,603,367.89	207,658.18	266,500,369.60
3. Decrease	15,245,409.22	–	283,683.23	15,529,092.45
4. Translation differences of financial statements denominated in foreign currencies	(1,282,230.48)	(6,284,083.34)	(23,394.76)	(7,589,708.58)
5. Balance at 31 December 2021	95,293,255.49	369,112,433.16	962,149.07	465,367,837.72
III. Impairment provision				
1. Balance at 1 January 2021	–	–	–	–
2. Increase	–	–	–	–
3. Decrease	–	–	–	–
4. Translation differences of financial statements denominated in foreign currencies	–	–	–	–
5. Balance at 31 December 2021	–	–	–	–
IV. Carrying amount				
1. Closing carrying amount	248,636,541.09	109,695,674.67	320,716.05	358,652,931.81
2. Opening carrying amount	182,991,138.04	303,733,422.80	1,061,568.27	487,786,129.11

The Group has leased assets including buildings, machinery equipment and transportation devices, with lease terms of 1-11 years, 1-5 years and 4 years, respectively. Lease terms are negotiated on an individual basis, including variable terms and conditions. In determining lease terms and assessing the lengths of the irrevocable period, the Group applies the definition of contract and determines the enforceable period of contract.

In 2021, total cash outflows relating to lease amounted to RMB305,901,503.48.

Short-term lease expenses under simplified approach recognized in profit or loss for the year amounted to RMB18,172,136.89, without lease of low-value assets.

The Group's lease liabilities and interest expense on lease liabilities are set out in Note (V) 36, and Note (V) 52 respectively. As at 31 December 2021, except for the Group's payment of deposit to the lessor as guarantee for leasehold assets, lease agreements have no other additional guarantee terms. Leasehold assets shall not be used to guarantee borrowings.

As at 31 December 2021, the Group had no leases that have been entered into but not yet incepted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible Assets

Details of intangible assets

RMB

Item	Land use rights	Exploration and mining rights	Rights to a copper off-take contract (note 1)	Supplier relationship (note 1)	Others	Total
I. Total original carrying amount:						
1. Balance at 1 January 2021	656,333,189.12	26,925,525,813.00	125,145,107.56	267,520,900.00	205,131,824.90	28,179,656,834.58
2. Increase						
(1) Purchase (note 2)	-	33,485,332.32	-	-	18,582,222.14	52,067,554.46
(2) Transfer from CIP	-	-	-	-	56,223,013.36	56,223,013.36
3. Decrease						
(1) Disposal	57,120,799.67	-	-	-	9,453,418.61	66,574,218.28
4. Translation differences of financial statements denominated in foreign currencies	-	(584,047,045.34)	(2,861,599.42)	(6,117,200.00)	(5,102,119.03)	(598,127,963.79)
5. Balance at 31 December 2021	599,212,389.45	26,374,964,099.98	122,283,508.14	261,403,700.00	265,381,522.76	27,623,245,220.33
II. Accumulated amortization						
1. Balance at 1 January 2021	135,576,848.39	6,397,996,122.03	11,984,801.45	25,265,862.76	97,314,537.38	6,668,138,172.01
2. Increase						
(1) Provision	14,170,719.88	1,651,567,339.59	16,792,878.34	17,630,819.98	28,676,568.24	1,728,838,326.03
3. Decrease						
(1) Disposal	4,563,549.21	-	-	-	8,380,289.43	12,943,838.64
4. Translation differences of financial statements denominated in foreign currencies	-	(156,319,435.43)	(468,263.05)	(781,642.01)	(2,207,421.50)	(159,776,761.99)
5. Balance at 31 December 2021	145,184,019.06	7,893,244,026.19	28,309,416.74	42,115,040.73	115,403,394.69	8,224,255,897.41
III. Impairment provision						
1. Balance at 1 January 2021	-	-	-	-	-	-
2. Increase	-	-	-	-	882,048.71	882,048.71
3. Decrease	-	-	-	-	882,048.71	882,048.71
4. Translation differences of financial statements denominated in foreign currencies	-	-	-	-	-	-
5. Balance at 31 December 2021	-	-	-	-	-	-
IV. Carrying amount						
1. Closing carrying amount	454,028,370.39	18,481,720,073.79	93,974,091.40	219,288,659.27	149,978,128.07	19,398,989,322.92
2. Opening carrying amount	520,756,340.73	20,527,529,690.97	113,160,306.11	242,255,037.24	107,817,287.52	21,511,518,662.57

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible Assets (Continued)

Details of intangible assets (Continued)

At the end of the year, there are no land use rights nor mining rights used as collateral.

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

Note 1: Rights to copper off-take contract and supplier relationship were acquired through acquisition of IXM.

Note 2: It includes the exploration rights of lead ores in Wangfugou, Luanchuan County, Henan Province obtained by the Group through the acquisition of 100% equity of Jun Long Mining on 20 December 2021. Refer to Note (VI) 1 for details.

19. Goodwill

(1) *Original carrying amount of goodwill*

RMB

Investee	1 January 2021	Translation differences of financial statements denominated in foreign currencies	31 December 2021
Brazil phosphorus business	616,806,146.52	(14,104,044.06)	602,702,102.46

(2) *Provision for impairment losses of goodwill*

RMB

Investee	1 January 2021	Provisions	Translation differences of financial statements denominated in foreign currencies	31 December 2021
Brazil phosphorus business	220,540,890.45	–	(5,042,943.32)	215,497,947.13

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Goodwill (Continued)

(2) Provision for impairment losses of goodwill (Continued)

Allocation of goodwill to asset groups

For the purpose of impairment testing, goodwill has been allocated to asset groups. The carrying amount of goodwill as at 31 December 2021 allocated to the asset groups is as follows:

RMB

	Cost	Translation differences of financial statements denominated in foreign currencies	Impairment provision	31 December 2021
Asset group – Brazil phosphorus business	850,671,685.12	(235,299,694.57)	(228,167,835.22)	387,204,155.33

The recoverable amount of the asset group of Brazil phosphorus business 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 9.58% 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 3.25% (based on the USD environment).

The key assumptions for calculating the present value of future cash flows for the above asset group as at 31 December 2021 are as follows:

Key assumptions	Consideration of the management
Budget gross margin	On the basis of realized 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 the related asset group.
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 group are consistent with the external information.

Based on the above impairment test, the management recognized impairment provision of RMB228,167,835.22 in 2020 as the recoverable amount of the asset group of Brazil phosphorus business is lower than its carrying amount. Based on the phosphorus price and market performance, the management considers that there is no further impairment indication in the current period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Long-Term Prepaid Expenses

RMB

Item	1 January 2021	Increase	Amortization	31 December 2021
Relocation compensation (note 1)	30,967,079.98	37,000,000.00	8,279,527.56	59,687,552.42
Geological Museum project (note 2)	25,200,000.00	–	600,000.00	24,600,000.00
Mining compensation (note 3)	4,222,240.00	–	4,222,240.00	–
Others	67,144,293.47	52,696,033.77	25,284,009.77	94,556,317.47
Total	127,533,613.45	89,696,033.77	38,385,777.33	178,843,869.89

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

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 prior years, which is amortized over the benefit period.

21. Deferred Tax Assets/Deferred Tax Liabilities

(1) Deferred tax assets before offsetting

RMB

Item	31 December 2021		31 December 2020	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for asset impairment	446,701,657.29	130,063,927.78	456,331,374.60	135,157,063.48
Deductible losses (note 1)	885,834,704.85	262,379,793.48	1,864,343,453.89	621,163,702.49
Differences in inventory costs	174,936,807.26	52,481,042.18	142,350,200.28	42,705,060.08
Unrealized gross profit	4,556,653,135.90	703,304,347.37	1,521,349,964.26	205,073,716.92
Deferred income from government grant	51,873,694.70	11,166,741.23	59,357,483.62	12,999,129.88
Fair value change gains or losses	331,869,272.56	48,888,109.95	831,268,589.14	123,265,161.38
Outstanding expenses – net	2,069,580,467.26	557,202,430.38	2,225,314,661.71	602,419,461.42
Losses on disposal of fixed assets without filing	21,611,375.27	3,241,706.29	21,611,375.27	3,241,706.29
Equity incentives not yet unlocked	63,060,535.16	15,765,133.79	–	–
Differences in depreciation of fixed assets	32,136,711.74	5,891,538.56	21,379,062.99	3,974,367.81
Others	65,333,607.79	11,592,483.52	68,611,187.32	13,994,909.46
Total	8,699,591,969.78	1,801,977,254.53	7,211,917,353.08	1,763,994,279.21

Note 1: The actual amount of deductible losses that the Group may eventually deduct from the income tax in 2021 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 2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

(2) Deferred tax liabilities before offsetting

RMB

Item	31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Accrued interest income	486,532,551.13	85,589,874.17	555,785,718.30	95,107,336.60
Effect of exchange rate of non-monetary items (note 2)	1,952,067,349.18	659,714,885.11	1,826,863,688.33	621,133,654.03
Differences in depreciation of fixed assets	8,490,717,870.79	2,546,276,932.22	9,147,217,974.82	2,743,716,224.60
Fair value change gains or losses	1,105,424,268.80	173,149,039.09	1,216,128,169.38	191,645,732.15
Additional provision under Switzerland tax laws (note 3)	2,757,705,851.21	385,803,048.58	1,583,203,704.35	295,793,330.20
Adjustment to the fair value of assets in business combination not involving enterprises under common control (note 4)	10,374,559,197.28	3,092,488,836.94	11,907,443,335.50	3,553,979,914.11
Others	41,174,996.19	7,548,503.35	122,622,477.51	34,757,628.89
Total	25,208,182,084.58	6,950,571,119.46	26,359,265,068.19	7,536,133,820.58

Note 2: Certain enterprises of the Group's business in Brazil adopt USD as functional currency, while make tax declaration and annual filing in BRL for the operating activities in Brazil in accordance with local tax regulations in Brazil. Management recognizes tax losses in the related financial statements denominated in BRL as a deferred tax assets and makes it an adjusting item for tax. In the meanwhile, the non-monetary items including inventories and fixed assets of such enterprises on the balance sheet are recognized and subsequently measured at historical exchange rate, resulting temporary difference between their tax bases and carrying amounts upon tax accounting, the Company accordingly recognize the relevant temporary difference as one deferred tax asset/liability.

Note 3: It represents the taxable temporary differences arising from additional provision made to certain extent based on the carrying amount of inventories under Switzerland tax laws.

Note 4: It mainly represents the deferred tax liabilities arising from the adjustments on fair values of assets in the acquisitions of Congo (DRC) business in 2016, Brazil business in 2016 and Switzerland metal trading platform business in 2019.

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 recognized in accordance with the differences between the fair value and tax base of the related assets on the date of acquisition. The change in the current year is mainly due to the structural reorganization by the Group in 2020 to consolidate the three legal entities of the niobium phosphorus business in Brazil, the redetermination of the tax basis of their carrying assets and liabilities and the adjustment of the deferred income tax liabilities mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

(3) Deferred tax assets or liabilities at net after offsetting

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 set-off amount of deferred tax assets and deferred tax liabilities	Opening balance of deferred tax assets and deferred tax liabilities after offsetting
Deferred tax assets	814,274,908.91	987,702,345.62	1,266,827,937.28	497,166,341.93
Deferred tax liabilities	814,274,908.91	6,136,296,210.55	1,266,827,937.28	6,269,305,883.30

The movement of deferred tax assets of the year decreased by RMB4,257,931.42 due to the translation of financial statements denominated in foreign currencies. The movement of deferred tax liabilities of the year decreased by RMB138,462,638.13 due to the translation of financial statements denominated in foreign currencies.

(4) Details of unrecognized deferred tax assets

RMB

Item	31 December 2021	31 December 2020
Deductible losses	265,205,948.25	339,890,472.56
Deductible temporary differences	86,013,887.77	80,421,844.09
Sub-total	351,219,836.02	420,312,316.65

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 recognized, will expire in the following years:

RMB

Item	31 December 2021	31 December 2020
2021	–	119,906,853.89
2022	70,104,046.10	73,138,819.21
2023	31,976,951.05	33,176,370.62
2024	45,771,778.60	47,157,053.83
2025	65,478,809.45	66,511,375.01
2026	51,874,363.05	–
Sub-total	265,205,948.25	339,890,472.56

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Other Non-Current Assets

RMB

Item	31 December 2021	31 December 2020
Amounts due from SNEL (<i>note 1</i>)	1,103,697,787.80	1,071,702,771.62
Amount due from TFM minority shareholder (<i>note 2</i>)	375,468,898.71	374,279,502.29
Brazil deductible social contribution tax (<i>note 3</i>)	100,034,853.82	67,640,511.63
Prepayments for water charges (<i>note 4</i>)	63,000,000.00	63,000,000.00
Prepayments for farmland occupation tax (<i>note 5</i>)	8,028,346.01	8,028,346.01
Prepayments for land (<i>note 6</i>)	8,659,900.00	8,659,900.00
Compensatory assets (<i>note 7</i>)	105,992,620.25	88,650,982.27
Litigation guarantee (<i>note 8</i>)	26,023,124.51	26,473,111.70
Loans to suppliers (<i>note 9</i>)	101,920,134.99	101,825,725.17
Related party borrowings (<i>note 10</i>)	407,791,549.93	414,831,595.86
Purchase of tailings pond (<i>note 11</i>)	514,061,111.10	514,061,111.10
Certificates of deposit due after one year (<i>note 12</i>)	2,455,000,000.00	170,000,000.00
Others	304,006,286.51	26,291,009.69
Less: Non-current assets due within one year (<i>Note (V) 10</i>)	573,733,642.62	–
Total	4,999,950,971.01	2,935,444,567.34

The Group recognizes provision for financial assets in other non-current assets on the basis of ECL. At 31 December 2021, the management of the Group believes that the credit risk of the relevant financial assets has not increased significantly since its initial recognition, and there is no significant ECL.

Note 1: Congo (DRC) subsidiary'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. Therein, the portion expected to be deductible within one year is detailed in Note (V) 10.

Note 2: Congo (DRC) subsidiary's loan due from La Générale des Carrières et des Mines ("Gécamines"). As at 31 December 2021, the principal due to Congo (DRC) subsidiary is USD30,000,000.00 (equivalent to RMB191,271,000.00); the interest receivable is USD28,890,615.73 (equivalent to RMB184,197,898.71) 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 of Gécamines in the future.

Note 3: Brazil social contribution tax applicable to CMOC Brazil, 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, the company has no tax retained at the end of the year. The social contribution tax is levied by the Brazil's federal government, so the tax credit can be used to deduct the enterprise income tax levied by the federal government without expiry date. The portion of deductible balance within one year is accounted for as other receivables by the Group. See Note (V) 7 for details.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Other Non-Current Assets (Continued)

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: Based on the agreement between the Group and Anglo American in the course of the acquisition of the Brazilian Niobium Phosphorus business, if CMOB Brazil subsidiary has 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 CMOB Brazil subsidiary related contingencies at fair value (Note (V) 38), accordingly recognizes the right of relevant tax related compensation as non-current assets.

Note 8: CMOB Brazil has some disputes and litigation arising from some of the tax, labor and civil related legal proceedings in the course of business. Some of these proceedings require the submission of litigation collateral at the request of the court. The deposit is restricted for use and the interest is calculated at the Brazilian benchmark interest rate during this period. After the end of the litigation, according to the results, the Company can call back the deposit or settle the litigation by the deposit.

Note 9: It represents loans that IXM provided to its suppliers. As at 31 December 2021, balance of loans to suppliers includes USD13,485,716.75, equivalent to RMB85,980,884.29, provided by the Group to the third party supplier B and supplier C at the annual interest rate of 6.24%, and USD2,500,000.11 (equivalent to RMB15,939,250.70) provided by the Group to third party supplier D at the annual interest rate of 8.08%. Therein, the portion due within one year is detailed in Note (V) 10.

Note 10: It represents the borrowings lent by the Group to the shareholders of Huayue Nickel Cobalt, which will be due within one year. Details are set out in Note (V) 10.

Note 11: It represents the associated prepayments made by the Group to purchase the tailings pond. The acquisition has been completed in 2022.

Note 12: At 31 December 2021, the Group pledged the certificates of deposit due after one year with carrying amount of RMB2,285,000,000.00, including certificate of deposit of RMB1,485,000,000.00 pledged for obtaining long-term borrowings and certificate of deposit of RMB800,000,000.00 pledged to obtain long-term borrowings for the Group's joint venture Luoyang Fu Chuan Mining Co., Ltd. Details are set out in Note (XV) 8 (1.4).

23. Short-Term Borrowings

(1) Categories of short-term borrowings:

RMB

Item	31 December 2021	31 December 2020
Credit borrowings	9,910,390,336.25	5,093,936,685.59
Secured borrowings (note)	17,001,509,299.17	15,370,544,411.90
Total	26,911,899,635.42	20,464,481,097.49

Note: Details for secured borrowings are set out in Note (V) 1, 2 and 8.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Held-For-Trading Financial Liabilities

RMB

Item	Fair value at the end of the year	Fair value at the beginning of the year
1. Liabilities from forward commodity contract and gold lease measured at fair value (note 1)	784,146,860.96	449,732,550.75
2. Payables at FVTPL (note 2)	3,618,366,825.57	3,842,218,158.46
Total	4,402,513,686.53	4,291,950,709.21

Note 1: 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 recognized 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 2: The major products of the Group are copper, lead and zinc concentrates and cobaltous hydroxide etc., purchasing price of which is provisionally determined according to the market price upon delivery. Generally, the price is finally determined according to the monthly average spot price quoted by the London Metals Exchange (LME) or other agreed pricing methods within a specified period or a period subsequent to the delivery. The Group classifies the accounts receivable generated from relevant business as financial assets at FVTPL.

25. Derivative Financial Liabilities

RMB

Item	31 December 2021	31 December 2020
Derivative financial instruments of which hedging relationship is not designated (note 1)		
Commodity futures contracts	1,195,523,537.04	2,517,217,226.28
Forward foreign exchange contracts and exchange rate option contracts	44,653,094.98	110,232,117.41
Commodity option contracts	153,019,465.55	127,672,025.42
Forward commodity contracts	891,529,749.28	875,579,866.00
Derivative financial instrument of which hedging relationship is designated		
Forward foreign exchange contracts and exchange rate option contracts (note 2)	267,840.22	50,528,509.05
Commodity future contracts (note 3)	351,511,408.23	1,340,549,828.77
Total	2,636,505,095.30	5,021,779,572.93

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Derivative Financial Liabilities (Continued)

Note 1: For details, please refer to Note (V) 3.

Note 2: Forward foreign exchange contracts and exchange rate option contracts are in relation to the forward foreign exchange contracts and exchange rate option contracts purchased by the Group, which are used to hedge the cash flow risk arising from capital expenditure of Brazil subsidiary. The Group accounted for the above hedging instrument and corresponding hedged items according to hedge accounting. Refer to Note (V) 64 for details.

Note 3: Commodity future contracts are in relation to the commodity future contracts purchased by the Group, which are used to hedge the fair value risk arising from price fluctuation of a part of the Group's cooper products or the cash flow risk arising from expected sales. The Group accounted for the above hedging instrument and corresponding hedged items according to hedge accounting. Refer to Note (V) 64 for details.

26. Notes Payable

RMB

Categories	31 December 2021	31 December 2020
Bank acceptances (<i>note</i>)	2,892,664,242.48	614,768,644.58
Commercial acceptances	13,359,485.01	13,168,922.44
Total	2,906,023,727.49	627,937,567.02

Note: For details, please refer to Note (V) 5 (3).

27. Accounts Payable

RMB

Item	31 December 2021	31 December 2020
Payables for purchase of goods	847,805,823.01	470,194,264.33
Others	412,442,149.86	406,720,600.97
Total	1,260,247,972.87	876,914,865.30

Aging analysis on accounts payable is set out as follows:

RMB

Item	31 December 2021	31 December 2020
Within 1 year	1,242,547,179.00	848,671,903.21
1 to 2 years	5,200,210.69	13,698,902.29
Over 2 years	12,500,583.18	14,544,059.80
Total	1,260,247,972.87	876,914,865.30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Contract Liabilities

RMB

Item	31 December 2021	31 December 2020
Receipts in advance of sales of goods (note 1)	606,592,452.63	275,206,453.60
Metal flow transaction contract liabilities (note 2)	31,341,323.94	96,777,888.57
Total	637,933,776.57	371,984,342.17

Note 1: The Group recognized the receipts in advance collected on a basis of commodity sales contract as contract liabilities, and relevant contract liabilities were recognized as sales income when the control over the goods were transferred to the customers.

The receipts in advance for goods at the beginning of year have been recognized as income in the current year. At the end of year, the contract liabilities with carrying amount of RMB603,880,077.40 are expected to be recognized as income in 2022, and the contract liabilities with carrying amount of RMB2,712,375.23 are expected to be recognized as income in 2023 or subsequent years.

Note 2: On 10 July 2020, the Group entered into the metal purchase and sales agreement ("metal flow agreement") with Triple Flag Mining Finance Bermuda Ltd. (collectively called "Triple Flag"), a wholly-owned subsidiary of Triple Flag Precious Metals Corp., by which Triple Flag prepaid the Group USD550,000,000.00 in cash and another payments for goods as per 10% of the price of spot gold/silver per ounce of the gold/silver delivered according to the metal flow agreement upon the actual delivery.

According to the metal flow contract, the Group has committed to Triple Flag to deliver 54% of the gold production from the Northparkes copper-gold mine until cumulative deliveries reach 630,000 ounces, when deliveries will commence to be made at 27%, and 80% of the silver production from the Northparkes copper-gold mine until cumulative deliveries reach 9 million ounces, when deliveries will commence to be made at 40%. There is no minimum delivery volume agreed for this metal flow transaction.

The Group first recognizes the receipts in advance as liabilities when they are received and then transfer them to revenue when the relevant performance obligations are satisfied, i.e. when control of the goods is transferred to the customer. The Group makes an estimate on the amount of contract liabilities based on 12-month expected deliveries and classifies the remaining as other non-current liabilities (Note V. 40).

As the metal flow contract includes a significant financing component, the Group determines the transaction price at the time of entering into the metal flow contract based on the amount payable in cash assuming that the customer will pay for the goods as soon as it obtains control over these goods, and the difference between this transaction price and the contract consideration is amortized over the term of the contract using the effective interest method.

Such metal flow transaction contract includes a variable consideration. When there is a change in mineral reserves or in the timing and quantity of expected delivery of goods, the Group will adjust revenue in the reporting period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee Benefits Payable

(1) Details of employee benefits payable are as follows

RMB

Item	1 January 2021	Increase	Decrease	Translation differences of financial statements denominated in foreign currencies	31 December 2021
1. Short-term compensation	715,337,202.55	2,749,932,208.79	2,604,297,772.94	(15,310,429.06)	845,661,209.34
2. Retirement benefits-defined contribution plans	276,447.71	149,571,021.14	148,538,543.99	181.58	1,309,106.44
3. Others (note)	53,736,914.25	19,155,937.99	17,922,885.39	(4,190,382.25)	50,779,584.60
Total	769,350,564.51	2,918,659,167.92	2,770,759,202.32	(19,500,629.73)	897,749,900.38

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

RMB

Item	1 January 2021	Increase	Decrease	Translation differences of financial statements denominated in foreign currencies	31 December 2021
I. Wages or salaries, bonuses, allowances and subsidies	668,840,602.17	2,431,981,964.57	2,290,968,635.50	(10,739,481.65)	799,114,449.59
II. Staff welfare	132,278.97	40,219,902.90	40,231,008.12	(2,896.29)	118,277.46
III. Social security contributions	35,322,799.11	174,051,911.55	169,337,439.97	(4,568,040.58)	35,469,230.11
Including: Medical insurance	27,084,834.40	77,619,247.99	75,457,791.27	(621,579.76)	28,624,711.36
Work injury insurance	8,237,964.71	96,432,663.56	93,879,648.70	(3,946,460.82)	6,844,518.75
IV. Housing funds	328,531.77	86,911,339.17	86,867,060.84	-	372,810.10
V. Termination benefits	-	45,000.00	45,000.00	-	-
VI. Union running costs and employee education costs	10,712,990.53	16,722,090.60	16,848,628.51	(10.54)	10,586,442.08
Total	715,337,202.55	2,749,932,208.79	2,604,297,772.94	(15,310,429.06)	845,661,209.34

All the employee compensation payables are not overdue and not related to non-cash benefits, which is expected to be paid in 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee Benefits Payable (Continued)

(3) Retirement benefits – defined contribution plans

RMB

Item	1 January 2021	Increase	Decrease	Translation differences of financial statements denominated in foreign currencies	31 December 2021
1. Basis pension insurance	276,447.71	126,834,936.22	125,843,544.62	181.58	1,268,020.89
2. Unemployment insurance	-	22,736,084.92	22,694,999.37	-	41,085.55
Total	276,447.71	149,571,021.14	148,538,543.99	181.58	1,309,106.44

The Group participates, as required, in 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 contributed RMB126,834,936.22 and RMB22,736,084.92 (2020: RMB146,567,103.83 and RMB2,813,575.70) to pension insurance and unemployment insurance plans respectively. As at 31 December 2021, the Group has contributions payable of RMB1,268,020.89 and RMB41,085.55 (31 December 2020: RMB276,447.71 and RMB0.00) which are due in this reporting period but not yet paid to pension insurance and unemployment plans respectively. The relevant contributions have been paid after the reporting period.

30. Taxes Payable

RMB

Item	31 December 2021	31 December 2020
PRC enterprise income tax	88,266,328.63	55,843,153.14
Australia enterprise income tax	45,062,296.15	22,433,502.20
Brazil enterprise income tax	23,770,730.09	158,835,945.80
Congo (DRC) enterprise income tax	2,236,075,973.99	410,754,889.18
UK enterprise income tax	4,799,361.41	1,010,921.35
Enterprise income tax of IXM and its subsidiaries	81,042,448.64	74,493,912.23
Urban maintenance and construction tax	3,693,256.74	96,277.72
Value added tax	101,130,456.91	48,001,752.63
Resource tax and royalties of mineral rights	32,952,408.35	13,406,206.29
Education surcharges	3,443,004.48	121,242.46
Individual income tax	33,664,065.61	27,950,882.97
Congo (DRC) exchange tax	4,512,064.78	1,487,728.62
Others	46,266,524.89	30,781,545.78
Total	2,704,678,920.67	845,217,960.37

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other Payables

(1) Summary of other payables

RMB

Item	31 December 2021	31 December 2020
Dividends payable	27,885,796.67	27,885,796.67
Interest payable	161,655,596.08	222,893,031.58
Other payables	2,728,649,575.28	1,348,461,688.93
Total	2,918,190,968.03	1,599,240,517.18

(2) Dividends payable

RMB

Name of entity	31 December 2021	31 December 2020
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.

(3) Interest payable

RMB

Item	31 December 2021	31 December 2020
Interest payable on bank borrowings	93,480,564.20	68,800,612.07
Interest payable on medium-term notes with periodic payments of interest payable and return of principal at maturity (Note (V) 35)	27,793,561.66	91,217,534.25
Interest payable on corporate bonds in USD (note)	36,394,620.94	37,246,304.22
Interest payable on super short-term commercial paper	–	21,495,890.41
Interest payable on corporate bonds in RMB (Note (V) 35)	3,986,849.28	3,986,849.30
Interest payable on amounts with related parties outside the Group (Note (X) 6)	–	145,841.33
Total	161,655,596.08	222,893,031.58

Note: Interest payable on bonds in USD arises from the issuance of bonds in USD by CMO Capital Limited (a subsidiary of the Group). For the details, refer to Note (V) 35.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other Payables (Continued)

(4) Other payables

(a) Other payables by nature:

RMB

Item	31 December 2021	31 December 2020
Project and equipment funds	855,993,735.27	834,503,595.25
Royalties due to Gécamines	154,455,200.70	68,191,336.71
Service and transportation expenses	142,093,141.69	108,038,813.05
Deposits and advances	385,757,531.02	170,439,336.75
Service fees payable	67,220,240.36	47,593,322.52
Resource expenses payable	13,796,344.78	15,702,995.42
Land compensation	55,000.00	40,000.00
Obligations to repurchase restricted stock	97,026,574.00	–
Performance bond relating to transfer of equity (note 1)	907,533,000.00	–
Others	104,718,807.46	103,952,289.23
Total	2,728,649,575.28	1,348,461,688.93

Note 1: On 10 April 2021, the Group's wholly-owned subsidiary signed a Share Subscription Agreement with Hong Kong Brunp CATL New Energy Co., Ltd. ("Brunp CATL"). According to the agreement, Brunp CATL should pay the intention payment relating to the equity transfer amounting to USD137,500,000.00 (equivalent to RMB907,533,000.00) to acquire 25% of equity shares of KFM Holding Limited, a subsidiary of the Group. As at 31 December 2021, the payment has been received.

32. Non-Current Liabilities Due Within One Year

RMB

Item	31 December 2021	31 December 2020
Long-term borrowings due within one year (Note (V) 34)	2,217,577,948.23	3,091,054,941.91
Bonds payable due within one year (Note (V) 35)	2,593,925,000.00	2,000,000,000.00
Lease liabilities due within one year (Note (V) 36)	142,879,384.41	238,591,144.47
Total	4,954,382,332.64	5,329,646,086.38

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Other Current Liabilities

RMB

Item	31 December 2021	31 December 2020
Other accrued expenses	238,640,227.04	159,431,822.36
Convertible financial instruments (note 1)	191,302,878.50	–
Super short-term bond payable (note 2)	–	2,000,000,000.00
Total	429,943,105.54	2,159,431,822.36

Note 1: The Group's subsidiary CMOC Limited signed a series of agreements with an independent third party on 30 December 2021, specifying that the Group should make relevant repayments within one year after the withdrawal date. Meanwhile, the agreements also specify that if the criteria of subscription are satisfied within the term of the agreements, the independent third party may convert its obligatory rights to the preferred stock or perpetual bonds issued by the subsidiary of the Group. Therefore, the Group's receipts under these agreements may be converted to financial instruments for accounting. As of 31 December 2021, the Group has withdrawn USD30,000,000.00 (equivalent to RMB191,271,000.00).

Note 2: The Company issued super short-term commercial paper (20 Luanchuan Molybdenum SCP003) with par value of RMB1,000,000,000.00 at a fixed rate of 3.08% per annum with a maturity of 180 days, on 14 August 2020; the Company issued super short-term commercial paper (20 Luanchuan Molybdenum SCP004) with par value of RMB1,000,000,000.00 at a fixed rate of 3.10% per annum with a maturity of 180 days, on 9 September 2020. This super short-term bond payable were repaid in the current period.

34. Long-Term Borrowings

(1) Categories of long-term borrowings

RMB

Item	31 December 2021	31 December 2020
Secured borrowings (note)	6,828,600,840.63	11,483,428,347.71
Credit borrowings	8,999,555,962.69	6,967,999,414.37
Less: long-term borrowings due within one year (Note (V) 32)	2,217,577,948.23	3,091,054,941.91
Total	13,610,578,855.09	15,360,372,820.17

Note: This represents the borrowings obtained by the Group through pledge of certificates of deposit, equity of subsidiaries, etc. The amounts of pledged assets are set out in Note (V) 22. The Group pledged the 100% equity interest in CMOC DRC to the bank and provide a joint guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-Term Borrowings (Continued)

(2) *Analysis of long-term borrowings due over one year:*

RMB

Maturity date	31 December 2021	31 December 2020
1 to 2 years	9,653,053,493.77	3,075,331,509.56
2 to 5 years	3,957,525,361.32	12,285,041,310.61
Total	13,610,578,855.09	15,360,372,820.17

(3) *Other information*

As at 31 December 2021, the annual interest rate for the above borrowings ranged from 1.8483% to 4.0000% (31 December 2020: 1.1900% to 3.9000%).

As at 31 December 2021, the Group had no long-term borrowing that has been due but not yet repaid.

According to the borrowing agreement entered into between the Group and some banks, the Group is required to satisfy a series of specified financial indicators and requirements. Where the Group violates relevant terms, the banks may request for early repayment from the Company. As of 31 December 2021, the Group has no breach of relevant terms.

35. Bond Payables

(1) *Bonds payables*

RMB

Item	31 December 2021	31 December 2020
Medium-term note	1,150,000,000.00	3,000,000,000.00
Corporate bonds in USD	1,593,925,000.00	1,631,225,000.00
Corporate bonds in RMB	1,000,000,000.00	1,000,000,000.00
Less: Bond payables due within one year (<i>Note (V) 32</i>)	2,593,925,000.00	2,000,000,000.00
Total	1,150,000,000.00	3,631,225,000.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Bond Payables (Continued)

(2) Changes in bond payables

RMB

Name	Par value	Issue date	Term	Issue amount	1 January 2021	Repayment in the year	Issued amount for the year	Accrued interest at par value	Interest paid during the year	Interest payable at the end of the year	Translation differences of financial statements denominated in foreign currencies	Amount due within one year	31 December 2021
16 Luanchuan Molybdenum MTN001 (note 1)	2,000,000,000.00	21 March 2016	5 years	2,000,000,000.00	2,000,000,000.00	2,000,000,000.00	-	18,267,397.25	84,400,000.00	-	-	-	-
19 CMOC 01 (note 2)	1,000,000,000.00	28 November 2019	3 years	1,000,000,000.00	1,000,000,000.00	-	-	42,600,000.00	42,600,000.00	3,866,849.28	-	1,000,000,000.00	-
CMOC CAP B2202 (note 3)	USD300,000,000.00	1 February 2019	3 years	2,010,750,000.00	1,631,225,000.00	-	-	87,347,090.00	87,347,090.00	36,394,620.94	(37,300,000.00)	1,593,925,000.00	-
20 Luanchuan Molybdenum MTN001 (note 4)	1,000,000,000.00	28 May 2020	5 years	1,000,000,000.00	1,000,000,000.00	-	-	42,000,000.00	42,000,000.00	25,084,931.50	-	-	1,000,000,000.00
21 Luanchuan Molybdenum MTN001 (green) (note 5)	150,000,000.00	16 July 2021	3 years	150,000,000.00	-	-	150,000,000.00	2,708,630.16	-	2,708,630.16	-	-	150,000,000.00
Total				6,160,750,000.00	5,631,225,000.00	2,000,000,000.00	150,000,000.00	193,123,117.41	256,547,090.00	68,175,031.88	(37,300,000.00)	2,593,925,000.00	1,150,000,000.00

Note 1: On 17 March 2016, the Company issued medium-term notes with a total par value of RMB2,000,000,000.00 ("16 Luanchuan Molybdenum MTN001"), which are traded in national inter-bank bond market. The proceeds from issuing the medium-term notes are allocated to the Company and subsidiaries as the working capital and for repayment of bank borrowings. The interest on the issued medium-term notes is accrued at the fixed annual interest rate of 4.22% and paid once a year over the term of 5 years. The medium-term notes have been repaid upon maturity in the current year.

Note 2: On 28 November 2019, the Company issued corporate bonds with a total par value of RMB1,000,000,000.00 ("19 CMOC 01"), which are traded in national inter-bank bond market. The proceeds from issuing the corporate bonds are allocated to the Company and subsidiaries as the working capital and for repayment of bank borrowings. The interest on the issued corporate bonds is accrued at the fixed annual interest rate of 4.28% and paid once a year over the term of 3 years. The details of interest payable are set out in Note (V) 31.

Note 3: On 1 February 2019, the Company's subsidiary CMOC Capital Limited issued USD bonds with a total par value of USD300,000,000.00 ("CMOC CAP B2202") at HK Stock Exchange. The proceeds from issuing the corporate bonds are used to satisfy the general operation demands, including but not limited to, repayment of part of the existing debt of the Company. The interest on the USD bonds is accrued at the fixed annual interest rate of 5.48% and paid twice a year over the term of 3 years. An early repayment of USD50,000,000.00 has been made in prior period. The details of interest payable are set out in Note (V) 31.

Note 4: On 28 May 2020, the Company issued medium-term notes with a total par value of RMB1,000,000,000.00 ("20 Luanchuan Molybdenum MTN001"), which are traded in national inter-bank bond market. The proceeds from issuing the medium-term notes are allocated to the Company and subsidiaries as the working capital and for repayment of bank borrowings. The interest on the issued medium-term notes is accrued at the fixed annual interest rate of 4.20% and paid once a year over the term of 5 years. The details of interest payable are set out in Note (V) 31.

Note 5: On 16 July 2021, the Company issued green medium-term notes with a total par value of RMB150,000,000.00 ("21 Luanchuan Molybdenum MTN001 (Green)"), which are traded in national inter-bank bond market. The proceeds from issuing the green medium-term green financing bill are used in construction of low-carbon industrial transformation project. The interest on the issued medium-term notes is accrued at the fixed annual interest rate of 3.90% and paid once a year over the term of 3 years. The details of interest payable are set out in Note (V) 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Lease Liabilities

RMB

Item	31 December 2021	31 December 2020
Operating lease payables	376,817,378.08	486,385,620.61
Less: Lease liabilities included in non-current liabilities due within one year (<i>Note (V) 32</i>)	142,879,384.41	238,591,144.47
Total	233,937,993.67	247,794,476.14

The Group is not exposed to significant liquidity risk related to lease liabilities.

(1) *The maturity analysis of lease liabilities with a term of over one year is as follows:*

RMB

Maturity date	31 December 2021	31 December 2020
1 to 2 years	53,158,693.06	78,969,064.96
2 to 5 years	126,272,273.97	98,501,181.30
Over 4 years	54,507,026.64	70,324,229.88
Total	233,937,993.67	247,794,476.14

37. Long-Term Employee Benefits Payable

RMB

Item	31 December 2021	31 December 2020
1. Retirement benefits-net liability from defined benefit plan	294,597,726.68	308,834,615.99
2. Other long-term benefits		
– Long service leave (<i>note</i>)	11,867,288.57	12,908,135.09
– Others	2,007,975.71	2,054,965.03
Total	308,472,990.96	323,797,716.11

Note: It represents liabilities relating to annual leave and long service leave accrued for employees by overseas companies of the Group, in which the portion expected to be paid within 12 months is accounted for in employee benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Provisions

RMB

Item	31 December 2021	31 December 2020
Rehabilitation and asset abandonment cost (note 1)	2,745,535,816.07	2,449,197,248.22
Lawsuit (note 2)	336,285,942.50	301,310,164.27
Total	3,081,821,758.57	2,750,507,412.49

Note 1: The Group has the obligation of rehabilitation, environmental restoration and dismantling of related assets due to the environmental impact caused by mineral production and development activities. The management's best estimate of future economic benefits outflow generated from the above obligations is recognized as provision upon discounting. The above estimate is determined based on the industry practices and the current local laws and regulations, and significant changes in related laws and regulations may have a significant impact on the Group's estimate.

Note 2: The Group's Niobium-Phosphorus business in Brazil is facing with a series of local litigations and disputes related to tax matters, labors and other civil cases. When the relevant litigations are likely to lose and result in economic benefits outflow, the management of the Group estimate the amount of potential economic benefits outflow and make corresponding provisions.

39. Deferred Income

RMB

Item	31 December 2021	31 December 2020
Refunds of land-transferring fees (note 1)	13,816,824.50	14,202,410.30
R&D subsidies (note 2)	3,000,000.00	3,000,000.00
Demonstration base project subsidies (note 2)	33,856,870.20	40,861,740.00
Comprehensive tax and industrialization award for large-scale tungsten associated copper rhenium	1,200,000.00	1,200,000.00
Subsidy for the closure of Luchanggou Tailing	1,230,000.00	1,230,000.00
Others	—	93,333.32
Total	53,103,694.70	60,587,483.62

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 recognized as an other income in the future when related technology research costs are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred Income (Continued)

Projects related to government grants:

RMB

Item of liabilities	1 January 2021	Increase	Included in other income	Other changes	31 December 2021	Related to assets/ income (note)
Deferred income-subsidies for low-grade scheelite demonstration project	40,861,740.00	-	7,004,869.80	-	33,856,870.20	Related to assets
Subsidies of the return of Nannihu land premium	14,202,410.30	-	385,585.80	-	13,816,824.50	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
Subsidy for closing Luchanggou Tailing	1,230,000.00	-	-	-	1,230,000.00	Related to assets
Others	93,333.32	-	-	93,333.32	-	Related to assets
Total	60,587,483.62	-	7,390,455.60	93,333.32	53,103,694.70	

Note: For the government grants to be received by the Company, it will be divided to assets-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.

40. Other Non-Current Liabilities

RMB

Item	31 December 2021	31 December 2020
Principal, interest and others payable to third parties	380,831.85	1,046,323.63
Production progress fees payable to Gécamines (note 1)	31,878,500.00	32,624,500.00
Deferred management bonus (note 2)	-	16,910,700.78
Share-based payments (note 3)	142,115,117.19	152,383,326.69
Metal flow transaction contract liabilities (note 4)	3,435,245,078.39	3,484,632,889.76
Contract liabilities	9,984,346,200.00	-
Others	109,438.96	111,999.91
Total	13,594,075,166.39	3,687,709,740.77

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Other Non-Current Liabilities (Continued)

Note 1: In accordance with the mining agreement between the Group and Gécamines, Gécamines needs to charge TFM production progress fees. As at 31 December 2021, the outstanding payment is USD5 million, which is expected to be paid after 2022 according to TFM's production plan.

Note 2: The balance at prior year end represents the management bonus determined before IXM becoming a subsidiary of the Group. The portion expected to be paid within 12 months has been reclassified and presented under employee benefits payable.

Note 3: Since 2018, IXM announced a cash-settled share-based payment plan (Phantom Equity Retention Plan, "PERP") which will be exercised in five years and a cash-settled share-based payment plan (Phantom Equity Participant Plan, "PEPP") which will be exercised in four years, respectively. Both PERP and PEPP vested 25% per annum during the period from 2020 to 2023, and will be expired in 2029. Vesting conditions of PERP are mainly related to the net assets of IXM and employees' personal performance, while requiring continuing employment with IXM; Vesting conditions of PEPP are mainly related to requirement of continuing employment with IXM. Both PERP and PEPP calculate the amounts payable on the basis of the value of equity of IXM. In 2021, the Group recognized other non-current liabilities relating to PERP and PEPP amounting to RMB84,683,297.67 and RMB57,431,819.52 respectively.

Note 4: It represents the receipts in advance under metal flow transaction. Refer to Note (V) 28 for details.

41. Share Capital

As at 31 December 2021, the Company had total 21,599,240,583 shares of issued share, with par value of RMB0.2 per share and the total share capital of RMB4,319,848,116.60. The structures and types of shares are shown as follow:

Unit: Shares

	Shares at 1 January 2021	Issuing new shares	Changes for the year			Sub-total	Shares at 31 December 2021
			Bonus	Capitalization of surplus reserve	Others		
I. Shares restricted for trading							
1. Shareholding of state-owned legal person	-	-	-	-	-	-	-
2. Other domestic-owned shares	-	-	-	-	-	-	-
Total shares restricted for trading	-	-	-	-	-	-	-
II. Unrestricted trading shares							
1. RMB Ordinary shares	17,665,772,583	-	-	-	-	-	17,665,772,583
2. Foreign-owned shares listed overseas	3,933,468,000	-	-	-	-	-	3,933,468,000
Total unrestricted trading shares	21,599,240,583	-	-	-	-	-	21,599,240,583
III. Total shares	21,599,240,583	-	-	-	-	-	21,599,240,583

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Capital Reserve

RMB

Item	1 January 2021	Increase	Decrease	31 December 2021
2021:				
Total capital premium	27,582,794,983.23	-	-	27,582,794,983.23
Including: Capital contribution from investors	27,580,672,943.23	-	-	27,580,672,943.23
Others	2,122,040.00	-	-	2,122,040.00
Other capital reserve (note 1)	-	63,060,535.16	-	63,060,535.16
Total	27,582,794,983.23	63,060,535.16	-	27,645,855,518.39
Item	1 January 2020	Increase	Decrease	31 December 2020
2020:				
Total capital premium	27,582,794,983.23	-	-	27,582,794,983.23
Including: Capital contribution from investors	27,580,672,943.23	-	-	27,580,672,943.23
Others	2,122,040.00	-	-	2,122,040.00
Total	27,582,794,983.23	-	-	27,582,794,983.23

Note 1: Other capital reserve represents the cost of the restricted stock incentive plan.

43. Treasury Shares

RMB

Item	1 January 2021	Increase (note 1)	Decrease	31 December 2021
Repurchase of treasury shares	193,840,466.48	684,117,491.95	1,600,938.47	876,357,019.96
Total	193,840,466.48	684,117,491.95	1,600,938.47	876,357,019.96

Note 1: Details are set out in Note (I) 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Treasury Shares (Continued)

The Company's repurchase of A-share ordinary shares by way of centralized competitive bidding transactions in the current year is as follows:

RMB

Month	Quantity	Transaction price		Average transaction price
		Highest price	Lowest price	
September	86,144,064	7.28	5.77	7.00
October	6,255,000	6.00	5.97	5.99
December	7,600,900	5.69	5.67	5.69
Total	99,999,964	7.28	5.67	6.84

If the Company fails to use the repurchased shares within 36 months after the completion of the share repurchase, the repurchased shares that have not been used will be cancelled. The Company's subsidiaries have no purchase, disposal or redemption of any listed shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Other Comprehensive Income

RMB

Item	1 January 2021	Pre-tax amount incurred in the current year	Less: Amount included in other comprehensive income in prior period and transferred to profit or loss in the current period	Amount incurred in the current year			Less: Amount previously included in other comprehensive income and transferred to the cost of long-term assets in the current period	31 December 2021
				Less: Income tax expenses	After-tax amount attributable to shareholders of the parent company	After-tax amount Attributable to minority shareholders		
I. Other comprehensive income that will not be reclassified to profit or loss	(53,027,565.21)	32,292,234.19	-	8,848,778.91	17,782,366.26	5,661,089.02	-	(35,245,198.95)
Including: Changes in fair value of other investments in equity instruments	(23,257,693.38)	(18,513,391.92)	-	(4,628,347.98)	(13,885,043.94)	-	-	(37,142,737.32)
Remeasurement of changes in net liabilities or net assets of defined benefit plans	(29,769,871.83)	50,805,626.11	-	13,477,126.89	31,667,410.20	5,661,089.02	-	1,897,538.37
II. Other comprehensive income that may be reclassified subsequently to profit or loss	(3,532,662,596.55)	(3,914,693,735.82)	(686,442,698.38)	(138,416,896.23)	(2,903,590,733.86)	(186,243,407.35)	(65,271,498.71)	(6,370,981,831.70)
Including: Cash flow hedge reserve	(1,412,459,302.80)	(2,919,543,769.89)	(686,442,698.38)	(138,416,896.23)	(2,094,684,175.28)	-	(65,271,498.71)	(3,441,871,979.37)
Translation differences of financial statements denominated in foreign currencies	(2,120,203,293.75)	(995,149,965.93)	-	-	(808,906,558.58)	(186,243,407.35)	-	(2,929,109,852.33)
Total other comprehensive income	(3,585,690,161.76)	(3,882,401,501.63)	(686,442,698.38)	(129,568,117.32)	(2,885,808,367.60)	(180,582,318.33)	(65,271,498.71)	(6,406,227,030.65)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Special Reserve

RMB

Item	1 January 2021	Increase	Decrease	31 December 2021
2021:				
Safety production expenses	230,899.06	132,789,457.32	132,533,041.56	487,314.82
Total	230,899.06	132,789,457.32	132,533,041.56	487,314.82
Item	1 January 2020	Increase	Decrease	31 December 2020
2020:				
Safety production expenses	302,145.46	186,000,807.50	186,072,053.90	230,899.06
Total	302,145.46	186,000,807.50	186,072,053.90	230,899.06

46. Surplus Reserve

RMB

Item	1 January 2021	Increase	Decrease	31 December 2021
2021:				
Statutory surplus reserve (note)	1,295,599,051.54	167,771,905.11	–	1,463,370,956.65
Item	1 January 2020	Increase	Decrease	31 December 2020
2020:				
Statutory surplus reserve (note)	1,286,827,000.91	8,772,050.63	–	1,295,599,051.54

Note: In accordance with related laws and regulations of the PRC, the Company appropriated the statutory surplus reserve at 10% of the net profit of 2021, totaling to RMB167,771,905.11 (2020: RMB8,772,050.63).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Retained Profits

RMB

Item	31 December 2021	31 December 2020
Retained profits at the beginning of current year	9,472,838,365.96	8,081,590,250.78
Add: Net profit attributable to shareholders of the parent company	5,106,017,249.81	2,328,787,511.92
Less: Appropriation to statutory surplus reserve (note 1)	167,771,905.11	8,772,050.63
Ordinary stock dividends payable (note 2)	712,774,940.21	928,767,346.11
Retained profits at the end of current year	13,698,308,770.45	9,472,838,365.96

Note 1: Refer to Note (V) 46 for details.

Note 2: Cash dividend has been approved in the Annual General Meeting during the current year.

As resolved at the Company's 2020 Annual General Meeting on 21 May 2021, the Company distributed to all shareholders cash dividends at RMB0.33 per 10 shares, totaling to RMB712,774,940.21 (2020: RMB928,767,346.11).

Note 3: Profit distribution declared after the balance sheet date.

According to a proposal of the board of directors, the Company proposed a distribution of cash dividends to all the shareholders at RMB0.7125 for every 10 shares (2020: RMB0.33 for every 10 shares), on the basis of 21,499,240,619 shares of issued share (net of the number of shares in the Company's dedicated repurchase account) (with par value of RMB0.2 per share),

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Operating Income, Operating Costs

(1) Operating income (by category):

RMB

Item	2021		2020	
	Income	Cost	Income	Cost
Principal operating activities	173,351,399,660.10	157,100,249,285.38	112,550,537,600.57	104,199,556,748.87
Including: Sales of goods	25,358,304,123.52	14,131,177,405.58	18,480,803,844.28	13,585,812,784.98
Metal trading	147,993,095,536.58	142,969,071,879.80	94,069,733,756.29	90,613,743,963.89
Other operating activities	511,186,494.72	439,293,063.36	430,481,023.98	336,449,908.84
Including: Income from				
hotel services	54,707,548.40	43,623,819.61	52,313,733.27	41,955,041.45
Other income	456,478,946.32	395,669,243.75	378,167,290.71	294,494,867.39
Total	173,862,586,154.82	157,539,542,348.74	112,981,018,624.55	104,536,006,657.71

(2) Principal operating activities (by products)

RMB

Name of products	2021		2020	
	Operating income	Operating costs	Operating income	Operating costs
Molybdenum, tungsten and related products	5,350,413,902.79	3,162,552,021.69	3,550,860,438.37	2,225,528,480.14
Niobium, phosphorus and related products	5,086,841,778.80	3,615,904,038.10	5,195,268,644.58	3,697,504,188.69
Copper, cobalt and related products	13,268,256,624.20	6,241,622,321.72	8,294,366,471.14	6,642,681,663.76
Copper, gold and related products	1,652,687,869.50	1,111,003,201.84	1,436,122,875.79	1,015,888,358.55
Concentrates metal trading	42,477,651,076.36	39,714,777,592.69	39,155,090,529.66	36,172,326,227.21
Refined metal trading	105,515,444,460.22	103,254,294,287.11	54,914,643,226.63	54,441,417,736.68
Others	103,948.23	95,822.23	4,185,414.40	4,210,093.84
Total	173,351,399,660.10	157,100,249,285.38	112,550,537,600.57	104,199,556,748.87

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Operating Revenue, Operating Costs (Continued)

(3) Performance obligations

Sales of goods and metal trading:

The Group sells mineral products including molybdenum, tungsten, niobium, phosphorus, copper, cobalt and gold, and copper, lead and zinc concentrates, refined metals, aluminum and other secondary metals to customers. In general, contracts on sales of relevant products solely contain one performance obligation, i.e., delivery of goods. The consideration for sales of products is determined based on the fixed price in the sales contract or temporary pricing arrangement. Revenue is recognized at the point in time when the control is transferred to the client. Revenue from sales in the temporary pricing arrangement is recognized based on the fair value of products upon recognition of sales. Subsequent changes in accounts receivable measured at fair value is included in revenue from sales of goods.

In the meanwhile, the Group carries out business by receipts in advance or sales on credit based on credit status of counterparties.

Income from hotel services:

The Group renders services to clients based on its own hotels, relevant revenue is recognized in the period when clients receives and consumes relevant services.

Other income:

The Group also provides customers with ancillary services including diesel and electricity, and receives revenue. Relevant revenue is recognized in the period when the customer obtains and consumes the goods.

49. Taxes And Levies

RMB

Item	2021	2020	Basis of calculation
Urban maintenance and construction tax	21,231,859.52	10,372,289.73	Note (IV)
Education surcharges	19,611,817.43	6,102,854.44	Note (IV)
Resource tax and royalties of mineral rights	1,095,713,197.17	765,956,244.01	Note (IV)
Others	119,520,934.08	109,790,355.18	
Total	1,256,077,808.20	892,221,743.36	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Selling Expenses

RMB

Item	2021	2020
Salary, bonus and allowances	18,653,765.37	15,403,534.56
Entertainment expenditures	2,013,486.88	1,582,401.08
Traveling expense	840,850.17	757,219.97
Market consulting fee	50,647,829.70	33,934,231.33
Others	17,594,006.98	21,779,187.65
Total	89,749,939.10	73,456,574.59

51. Administrative Expenses

RMB

Item	2021	2020
Salary, bonus and allowances	861,919,213.97	627,343,187.10
Depreciation and amortization	145,959,014.17	180,910,327.41
Consulting and agency fees	189,604,296.34	192,028,755.89
Entertainment expenditures	26,575,982.85	23,915,821.90
Insurance costs	59,219,153.57	95,368,388.77
Traveling expense	24,472,854.09	19,128,086.18
Rental expense	30,917,236.57	6,034,021.97
Others	217,342,820.17	185,577,659.69
Total	1,556,010,571.73	1,330,306,248.91

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Financial Expenses

RMB

Item	2021	2020
Interest expenses on bonds	215,050,342.93	314,783,571.47
Discount interest of commercial draft	–	26,386,286.16
Interest expenses on lease liabilities	24,356,158.94	45,979,250.72
Interest expenses on bank borrowings and others	1,416,456,949.36	1,343,142,882.53
Metal flow project financing expenses	108,609,088.13	57,427,470.99
Total interest expenses	1,764,472,539.36	1,787,719,461.87
Less: Interest income	748,777,605.00	691,961,398.68
Exchange differences	(38,501,323.00)	24,945,211.92
Gold lease charges	39,947,120.58	41,545,555.28
Others	77,916,728.97	161,014,545.83
Total	1,095,057,460.91	1,323,263,376.22

53. Other Income

RMB

Item	2021	2020	Related to assets/ related to income
Government subsidies for stabilizing job posts	195,258.02	2,471,279.17	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	7,004,869.80	Related to assets
R&D rewards	9,461,600.00	4,198,000.00	Related to income
Subsidy for installation of heavy metal monitoring facility	–	20,644.00	Related to assets
Special manufacturing development fund	–	500,000.00	Related to income
Tax refunds	19,799,659.00	12,624,000.30	Related to income
High-tech enterprise incentives	200,000.00	510,000.00	Related to income
Sinosure fiscal support fund	3,000,000.00	3,000,000.00	Related to income
Personal tax charges refunded by tax authorities	1,144,279.08	1,128,738.24	Related to income
Rental incentives	–	5,071,524.92	Related to income
Construction of Heluo Craftsman Workshop	–	6,666.68	Related to assets
Social security tax credit	45,076.25	–	Related to income
Special awards and subsidies	9,600,000.00	–	Related to income
Policy cash incentives	5,000,000.00	–	Related to income
Others	2,378,517.44	1,260,695.32	Related to income
Total	58,214,845.39	38,182,004.23	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Investment income

Item	2021	2020
Losses from long-term equity investments under equity method	(2,281,770.77)	(11,735,678.34)
Investment income from held-for-trading financial assets (<i>Note (V) 2</i>)	33,204,166.53	108,218,667.59
Investment income from other non-current financial assets (<i>Note (V) 13</i>)	116,574,573.13	209,536,295.89
Investment income from disposal of held-for-trading financial assets	–	11,312,868.18
Investment income from disposal of subsidiaries	1,165,641.55	–
Investment (loss) income from disposal of other non-current financial assets (<i>Note (V) 13</i>)	(4,774,325.41)	91,483,263.75
Others	(33,592,427.67)	–
Total	110,295,857.36	408,815,417.07

RMB

There are no significant restrictions on remittance of investment income.

55. Losses from Changes in Fair Value

Item	2021	2020
Sources of fair value change losses:		
Losses from changes in fair value of derivative financial instruments	(3,918,411,379.03)	(2,647,321,593.57)
Losses from changes in fair values of gold lease and forward contract measured at fair value (<i>Note (V) 24</i>)	(6,123,710.21)	(3,958,036.25)
Gains (losses) from changes in fair value of consumable biological assets (<i>Note (V) 8</i>)	11,320,945.27	(9,404,961.04)
Gains from the changes in the fair value of other non-current financial assets at FVTPL	523,133,803.42	744,377,606.01
Gains (losses) from changes in fair value of structured deposits	21,679,140.07	(76,831.34)
Gains from changes in fair value of other held-for-trading financial assets	652,567.89	448,495.10
Total	(3,367,748,632.59)	(1,915,935,321.09)

RMB

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Gains (Losses) from Credit Impairment

RMB

Sources of credit impairment	2021	2020
Gains from credit impairment of notes receivable	735,355.94	1,660,784.68
(Losses) gains from credit impairment of accounts receivable	(621,896.39)	10,063,183.80
Gains from credit impairment of other receivables	35,000.00	2,579.55
Total	148,459.55	11,726,548.03

57. Gains (Losses) from Assets Impairment

RMB

Item	2021	2020
Losses on decline in value of inventories	(25,567,061.48)	(6,817,008.24)
Impairment losses on fixed assets	(34,276,236.35)	(11,823,927.14)
Impairment losses on intangible assets	(882,048.71)	–
Impairment losses on goodwill	–	(228,167,835.22)
Total	(60,725,346.54)	(246,808,770.60)

58. Non-Operating Income

RMB

Item	2021	2020
Government grants	–	50,076.53
Others	19,162,108.50	14,644,820.97
Total	19,162,108.50	14,694,897.50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Non-Operating Expenses

	<i>RMB</i>	
Item	2021	2020
Losses from retirement of non-current assets	12,829,956.03	61,378,872.64
Donations	15,571,939.10	12,200,813.25
Others	24,119,748.37	12,173,751.07
Total	52,521,643.50	85,753,436.96

60. Income Tax Expenses

	<i>RMB</i>	
Item	2021	2020
Current tax expenses calculated according to tax laws and relevant requirements	3,577,912,612.40	1,395,116,370.32
Differences arising on settlement of prior-year income tax	82,925,243.43	10,823,794.74
Adjustments to deferred income tax	(333,136,856.67)	(1,008,290,917.97)
Total	3,327,700,999.16	397,649,247.09

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Income Tax Expenses

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

	2021	2020
Accounting profit	8,755,314,341.72	2,876,289,792.11
Income tax expenses calculated at 15% (2020: 15%)	1,313,297,151.26	431,443,468.82
Effect of expenses that are not deductible for tax purposes	38,156,004.72	53,423,213.58
Effect of tax-free income/additional deduction items	(151,204,719.11)	(182,176,709.96)
Effect of using previously unrecognized deductible losses and deductible temporary differences	(192,686.38)	(3,419,885.51)
Effect of unrecognized deductible losses and deductible temporary differences	8,812,647.39	10,341,802.01
Effect of exchange rate of non-monetary items and corporate restructuring (Note (V) 21 note 2 and 4)	50,888,005.73	83,316,340.02
Deductible losses arising from tax return (Note (V) 21 note 2)	59,020,911.41	(78,271,468.74)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,799,661,390.63	90,386,628.78
Difference arising on settlement of prior-year income tax	82,925,243.43	10,823,794.74
Tax for registered capital (note)	13,715,472.53	24,814,801.07
Changes in deferred income tax due to changes in tax rate	-	(43,032,737.72)
Withholding income tax on dividends from subsidiaries	112,621,577.55	-
Total	3,327,700,999.16	397,649,247.09

Note: It represents the income tax paid by the Group's subsidiary IXM based on the proportion of the registered capital under the tax law in Switzerland.

61. Notes To Items in the Cash Flow Statements

(1) Other cash receipts relating to operating activities

Item	2021	2020
IXM's receipts of net investment income from derivative financial instruments	-	385,058,780.70
Receipts of interest income	608,223,322.41	290,437,381.99
Receipts of compensative assets	-	37,005,706.51
Receipt of subsidy income	50,824,389.79	45,459,135.45
Cash receipts from metal flow transactions	-	3,594,843,466.04
Others	96,020,877.92	81,164,498.37
Total	755,068,590.12	4,433,968,969.06

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Notes To Items in the Cash Flow Statements (Continued)

(2) Other cash payments relating to operating activities

RMB

Item	2021	2020
IXM's payments of deposits for derivative financial instruments	851,942,426.14	1,525,265,058.15
Payments of consulting fee, technology development fee and transportation fee, etc.	605,819,764.41	535,208,890.45
Payments of bank charges, etc.	40,675,658.72	32,295,818.04
Payments of donations and penalty, etc.	17,790,844.74	24,374,564.32
Mining production progress fund	–	37,137,500.00
Cash payments for metal flow transactions	146,547,636.13	70,860,158.70
Others	72,167,616.54	74,433,137.26
Total	1,734,943,946.68	2,299,575,126.92

(3) Cash receipts from disposals and recovery of investments

RMB

Item	2021	2020
Cash receipts from withdrawal of bank structured deposits and wealth management products of other financial institutions	7,551,992,220.75	14,381,294,771.73
Cash receipts from withdrawal of other non-current financial assets	1,805,488,324.99	446,773,166.80
Total	9,357,480,545.74	14,828,067,938.53

(4) Other cash receipts relating to investing activities

RMB

Item	2021	2020
Cash receipts of repayments from third parties and related parties	1,077,853,530.69	2,491,976,308.57
Total	1,077,853,530.69	2,491,976,308.57

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Notes To Items in the Cash Flow Statements (Continued)

(5) Cash payments to acquire investments

RMB

Item	2021	2020
Cash payments for purchase of bank structured deposits and wealth management products of other financial institutions	6,749,000,000.00	15,398,574,543.13
Purchase of non-current financial assets	552,632,479.32	368,774,016.35
Settlement of derivative financial instrument	1,931,844,590.66	160,299,765.18
Cash payments for capital increase in long-term equity investments	6,001,099.69	212,279,664.89
Total	9,239,478,169.67	16,139,927,989.55

(6) Other cash payments relating to investing activities

RMB

Item	2021	2020
Loans to related parties	834,472,563.17	414,831,595.86
Loans to suppliers	189,120,000.00	2,480,172,743.01
Deposits for derivative financial instruments	1,061,792,472.38	194,572,518.00
Other investments in equity instruments	-	1,000.83
Total	2,085,385,035.55	3,089,577,857.70

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Notes To Items in the Cash Flow Statements (Continued)

(7) Other cash receipts relating to financing activities

Item	2021	2020
Cash receipts from gold lease business	1,777,772,000.00	3,715,446,908.04
Receipts in advance for goods	9,984,346,200.00	-
Total	11,762,118,200.00	3,715,446,908.04

RMB

(8) Other cash payments relating to financing activities

Item	2021	2020
Cash paid for gold leasing business	1,449,481,400.00	3,914,440,350.00
Commission charge related to gold leasing business and loans	39,947,120.58	64,339,505.21
Deposits for borrowing and arrangement fee	26,689,627.77	128,718,727.79
Payments of lease liabilities	280,448,302.75	280,357,019.59
Repurchase of treasury shares	684,117,491.95	193,840,466.48
Others	-	136,573,442.45
Total	2,480,683,943.05	4,718,269,511.52

RMB

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Supplementary Information to the Cash Flow Statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	2021	2020
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	5,427,613,342.56	2,478,640,545.02
Add: Provision for impairment on assets	60,725,346.54	246,808,770.60
Provision for credit impairment (gains are indicated with "-")	(148,459.55)	(11,726,548.03)
Depreciation of fixed assets	2,261,358,025.24	2,473,238,791.33
Depreciation of right-of-use assets	266,500,369.60	194,815,254.41
Amortization of intangible asset	1,728,838,326.03	1,634,814,788.34
Amortization of long-term prepaid expenses	38,385,777.33	32,065,353.38
Losses on disposal of fixed assets, intangible assets and other long-term assets	5,274,617.13	812,670.82
Fair value change losses	3,367,748,632.59	2,300,994,101.79
Financial expenses	1,803,159,407.19	1,581,404,940.17
Investment income	(110,295,857.36)	(408,815,417.07)
Changes in deferred tax assets/liabilities	(489,340,969.73)	(2,036,416,622.92)
Increase in inventories	(6,206,177,225.72)	(1,893,846,511.90)
Decrease in operating receivables (increase is indicated with "-")	(539,408,914.06)	(3,260,304,355.77)
Increase in operating payable (decrease is indicated with "-")	(2,136,038,020.84)	5,344,752,679.40
Increase in provisions (decrease is indicated with "-")	20,315,040.46	(238,674,669.33)
Amortization of deferred income	(7,390,455.60)	(7,417,766.28)
Increase in special reserve (decrease is indicated with "-")	256,415.76	(71,246.40)
Losses on retirement of fixed assets	12,829,956.03	61,378,872.64
Transfer from OCI to profit or loss for the period	686,442,698.38	—
Net cash flow from operating activities	6,190,648,051.98	8,492,453,630.20
2. Significant investing and financing activities that do not involving cash receipts or payments:		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	20,392,690,843.69	11,448,950,438.25
Less: Opening balance of cash	11,448,950,438.25	12,392,247,511.85
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	8,943,740,405.44	(943,297,073.60)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Supplementary Information to the Cash Flow Statement

(2) Constitution of cash and cash equivalents

RMB

Item	31 December 2021	31 December 2020
I. Cash	20,392,690,843.69	11,448,950,438.25
Including: Cash on hand	1,322,107.51	756,268.21
Bank deposits that are readily available for payment	20,391,368,736.18	11,448,194,170.04
Other cash and bank balances that are readily available for payment	—	—
II. Cash equivalents	—	—
III. Closing balance of cash and cash equivalents	20,392,690,843.69	11,448,950,438.25

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries as well as cash and bank balances due over 3 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Foreign Currency Monetary Items

(1) Foreign currency monetary items

RMB

Item	Balance in original currencies at 31 December 2021	Exchange rate	Balance in RMB at 31 December 2021
Cash and bank balances			
Including: RMB	2,920,024.91	1.0000	2,920,024.91
USD	71,770,057.89	6.3757	457,584,358.09
EUR	5,835,984.60	7.2207	42,139,975.33
HKD	7,401,730.83	0.8175	6,050,877.03
CAD	1,198,707.32	5.0124	6,008,403.84
AUD	7,529,424.77	4.6263	34,833,671.89
BRL	1,110,403,258.46	1.1425	1,268,631,494.49
GBP	241,715.11	8.4574	2,044,275.69
SGD	79,129.49	4.7217	373,628.71
CDF	10,222,220,488.97	0.0032	32,578,641.37
ZAR	36,122,916.09	0.4008	14,479,610.25
AED	2,583.99	1.7358	4,485.37
CHF	163,719.62	6.9924	1,144,798.38
CLP	80,406,182.00	0.0075	602,935.22
MXP	6,927,030.08	0.3108	2,152,725.20
NAD	126,259.00	0.4001	50,511.45
PEN	1,168,981.56	1.5947	1,864,201.19
TRY	3,189.91	0.4775	1,523.09
IDR	112,116,673.00	0.0004	50,064.61
Short-term borrowings			
Including: USD	170,000,212.66	6.3757	1,083,871,800.14
MXP	325,315,403.89	0.3108	101,098,837.52
PEN	45,100,000.00	1.5947	71,921,978.49
Long-term borrowings			
Including: RMB	700,000,000.00	1.0000	700,000,000.00
PEN	1,634,134.61	1.5947	2,605,990.99
Non-current liabilities due within one year			
Including: PEN	2,426,521.80	1.5947	3,869,628.59

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Foreign Currency Monetary Items (Continued)

(2) Significant overseas operations

Name of subsidiary	Main place of operation	Functional currency	Basis for determining the functional currency
COMC Brazil	Brazil	USD	Determined based on the primary economic environment in which it operates
CMOC Mining	Australia	USD	Determined based on the primary economic environment in which it operates
CMOC Mining Services	Australia	AUD	Determined based on the primary economic environment in which it operates
TFM and KFM	Congo (DRC)	USD	Determined based on the primary economic environment in which it operates
Purveyors South Africa Mine Services CMOC("CMOC South Africa")	Republic of South Africa	USD	Determined based on the primary economic environment in which it operates
IXM Holding SA	Switzerland	USD	Determined based on the primary economic environment in which it operates

64. Hedges

Cash flow hedges

Interest rate swaps contracts

The Group enters into interest rate swaps contracts to mitigate the cash flow risk arising from its floating-rate borrowings, i.e., some of the floating-rate borrowings are converted into fixed-rate borrowings. The Group designated the acquired interest rate swaps contracts as hedging instrument, and the critical terms of these interest rate swaps contracts are similar to those of the borrowings. Through qualitative analysis, the Group determines that the quantitative ratio between hedging instrument and the hedged items is 1:1, and considers the hedge to be highly effective.

At the balance sheet date, the gain or loss arising from the changes in fair value of cash flow hedging instruments recognized in the other comprehensive income is RMB49,596,862.86 (2020: RMB-204,384,664.17), and is expected to be transferred gradually to the income statement within 23 months after the balance sheet date.

During the year, the amount reclassified from other comprehensive income to profit or loss by the Group is RMB-99,413,454.56 (2020: RMB-82,152,272.60).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Hedges (Continued)

Cash flow hedges (Continued)

Forward exchange contracts and exchange rate option contracts

The Group adopts forward foreign exchange contracts and exchange rate option contracts to reduce the cash flow risk of exchange rate fluctuations on the capital expenditure of its subsidiaries in Brazil. The Group designates a portion of the BRL forward foreign exchange contracts and option contracts purchased in 2021 as hedging instruments, which expire and are settled in 2021 and 2022, respectively. The Group adopts ratio analysis to evaluate the effectiveness of the hedges and considers them to be highly effective. The amount of ineffective portion of hedge recognized during the year was not material.

As at the balance sheet date, the loss arising from the changes in fair value of cash flow hedging instruments recognized in the other comprehensive income amounted to RMB-1,745,174.46 (2020: RMB-155,862,707.29).

During the year, the Group transferred out the cash flow hedge reserve previously recognized in other comprehensive income and included such amount in profit or loss and the cost of fixed assets, amounting to RMB14,559,886.07 (2020: Nil) and RMB65,271,498.71 (2020: RMB96,212,838.41) respectively.

Commodity futures contracts

The Group engages in the business of mining and selling copper products and is exposed to cash flow risk arising from changes in the copper price for the copper products expected to be sold. Therefore, the Group uses copper futures contracts to reduce the cash flow risk arising from changes in the commodity prices of copper products expected to be sold. The refined copper produced and sold by the Group is the same as the refined copper corresponding to the copper futures contracts. Through qualitative analysis, the Group determines that the quantitative ratio between hedging instrument and the hedged items is 1:1, and considers the hedge to be highly effective.

As at the balance sheet date, the gain or loss arising from the changes in fair value of cash flow hedging instruments recognized in other comprehensive income amounted to RMB-2,967,395,458.29 (2020: RMB-1,144,405,402.19).

During the year, the amount reclassified from other comprehensive income to profit or loss is RMB-601,589,129.89 (2020: Nil).

Fair value hedges

Refined copper futures contracts

The Group adopts refined copper futures contracts to hedge its exposure to price fluctuations in refined copper inventories. Through qualitative analysis, the Group determines that the quantitative ratio between hedging instrument and the hedged items is 1:1, and considers the hedge to be highly effective. As at the balance sheet date, inventories include fair value changes of RMB3,246,551.07 (2020: RMB229,725,442.85) accounted for as hedged items.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Hedges (Continued)

Hedging instruments

Key information on the Group's hedging instruments is as follows:

	31 December 2021 Book value of hedging instrument Liabilities	Items including hedging instruments as presented on the balance sheet
Cash flow hedges		
Interest rate risk – Interest rate swaps contracts	357,204,494.71	Non-current derivative financial liabilities
Exchange risk – Forward foreign exchange contracts and exchange rate option	267,840.22	Derivative financial liabilities
Commodity price risk – Commodity futures contracts	348,264,857.16	Derivative financial liabilities
Fair value hedges		
Commodity price risk – Commodity futures contracts	3,246,551.07	Derivative financial liabilities

(VI). CHANGES IN SCOPE OF CONSOLIDATION

1. Acquisition of Subsidiaries

(1) Acquisition in 2021

RMB

Acquiree	Date of equity acquisition	Cost on equity acquisition	Percentage of equity acquired (%)	Acquisition method	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net profit
							(losses) of the acquiree from the acquisition date to the end of the period
Luanchuan Junlong Mining Co., Ltd. ("Junlong Mining") (Note 1)	20 December 2021	26,000,000.00	100	By cash	Transfer of control	-	(191,130.12)

Note 1: On 26 November 2021, the Company entered into an Equity Transfer Agreement with a third-party natural person, and acquired 100% shares of Jun Long Mining and the exploration rights of lead ores in Wangfugou, Luanchuan County, Henan Province at the consideration of RMB26,000,000.00. In the opinion of the management, the above transaction did not constitute a business acquisition and accordingly was deemed as an asset acquisition. The shares have been delivered on 20 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VI). CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

1. Acquisition of Subsidiaries (Continued)

(1) Acquisition in 2021 (Continued)

Assets, liabilities and acquisition consideration of the acquiree on the acquisition date

RMB

	Jun Long Mining Fair value on the acquisition date
Cash and bank balances	0.99
Fixed assets	36,194.09
Intangible assets	25,963,804.92
Sub-total of assets	26,000,000.00
Sub-total of liabilities	-
Net assets	26,000,000.00
Net assets acquired	26,000,000.00
Acquisition consideration – Cash	26,000,000.00

(2) Acquisition in 2020

RMB

Acquiree	Date of equity acquisition	Cost on equity acquisition	Percentage of equity acquired (%)	Acquisition method	Acquisition date	Determination basis for the acquisition date	Net profit (losses)	
							Income of the acquiree from the acquisition date to the end of the period	of the acquiree from the acquisition date to the end of the period
Kisanfu copper-cobalt mine	11 December 2020	3,598,995,938.68	95	By cash	11 December 2020	Transfer of control	-	(476,330.79)

Note: The Group acquired 100% shares of Jenny East Holdings Ltd. and Kisanfu Holdings Ltd. held indirectly by Freeport-McMoRan Inc. (Delaware) ("FCX") from FCX and the shares have been delivered on 11 December 2020, accordingly acquiring 95% shares of Phelps Dodge Congo S.A.R.L. indirectly and 95% equity in Congo (DRC) Kisanfu copper-cobalt mine. In the opinion of the management, the above transaction did not constitute a business acquisition and accordingly was deemed as an asset acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VI). CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

1. Acquisition of Subsidiaries (Continued)

(2) Acquisition in 2020 (Continued)

Assets, liabilities and acquisition consideration of the acquiree on the acquisition date

RMB

	Kisanfu copper-cobalt mine Fair value on the acquisition date
Cash and bank balances	2,981,883.08
Prepayments	665,917.34
Other receivables	13,054,146.23
Current assets	16,701,946.65
Fixed assets	1,856,363.63
Intangible assets	3,779,476,028.48
Non-current assets	3,781,332,392.11
Sub-total of assets	3,798,034,338.76
Accounts payable	10,279,304.16
Employee benefits payable	16,763.03
Taxes payable	164,233.00
Other payables	-
Current liabilities	10,460,300.19
Sub-total of liabilities	10,460,300.19
Net assets	3,787,574,038.57
Less: Minority interests	188,523,072.73
Net assets acquired	3,599,050,965.84
Acquisition consideration – Cash	3,599,050,965.84

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VI). CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

2. Disposal of Subsidiaries

(1) Disposal of subsidiaries

Name of the subsidiary	Disposal price	Disposal percentage (%)	Disposal method (%)	Time point of loss of control	Determination basis for time point of loss of control	Difference between the disposal price and the share of net assets in the subsidiary at the consolidated financial statement level corresponding to the disposal of the investments	Percentage of remaining equity on the date of loss of control (%)	Carrying amount of remaining equity on the date of loss of control	Fair value of remaining equity on the date of loss of control	Gains or losses arising from remeasurement of remaining equity at fair value	Method and key assumptions adopted in determination of fair value of remaining equity on the date of loss of control	Amount transferred to investment income (losses) from other comprehensive income associated with the equity investments in original subsidiary
Luoyang Yuehe Properties Co., Ltd. (Note 1)	55,500,000.00	100	By agreement	30 June 2021	The time when the registration of change of shares is completed and the Company no longer participates in the operation decision and management	1,161,007.80	-	-	-	-	N/A	-
Luanchuan Huqi Mining Co., Ltd. (Note 2)	5,000.00	100	By agreement	14 April 2021	The time when the registration of change of shares is completed and the Company no longer participates in the operation decision and management	4,633.75	-	-	-	-	N/A	-

Note 1: On 25 June 2021, the Company entered into an Equity Transfer Agreement with a third party, pursuant to which the Company shall transfer 100% equity in Luoyang Yuehe Properties Co., Ltd. at the consideration of RMB55,500,000. The equity has been delivered on 30 June 2021.

Note 2: On 14 April 2021, the Company entered into an Equity Transfer Agreement with a third party, pursuant to which the Company shall transfer 100% equity in Luanchuan Huqi Mining Co., Ltd. at the consideration of RMB5,000. The equity has been delivered on 14 April 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VI). CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

3. Changes in Scope of Consolidation due to Other Reasons

On 17 June 2021, the Group established a tier-4 wholly-owned subsidiary, Shanghai Moju Engineering Consulting Co., Ltd. in Shanghai, the main business of which includes engineering services, information consulting services, non-ferrous metal trading, import and export trading, etc.

On 11 June 2021, the Group established a tier-4 wholly-owned subsidiary, Shanghai Fuyi Engineering Consulting Co., Ltd. in Shanghai, the main business of which includes engineering services, information consulting services, non-ferrous metal trading, import and export trading, etc.

On 19 July 2021, the Group established a tier-1 wholly-owned subsidiary, Luoyang Xinchu Equipment Technology Co., Ltd. in Luoyang, the main business of which includes technology services, technology development and technology consulting, etc. The actual operation has not yet commenced as at the balance sheet date.

On 16 December 2021, the Group established a tier-2 wholly-owned subsidiary, Shanghai Hongmu Technology Services Co., Ltd. in Shanghai, the main business of which includes technology services, technology development, technology consulting, technology exchange, technology transfer and technology promotion, engineering services, etc. The actual operation has not yet commenced as at the balance sheet date.

On 20 December 2021, the Group established a tier-2 wholly-owned subsidiary, Hainan Muxing Trading Co., Ltd. in Hainan, the main business of which includes import and export of goods, import and export of technology, import and export agency, etc. The actual operation has not yet commenced as at the balance sheet date.

On 11 January 2021, the Group established a tier-2 subsidiary, CMOC Singapore Pte. Ltd. in Singapore, the main business of which is metal trading.

On 23 March 2021, the Group established a tier-2 subsidiary, KFM Holding Limited in Hong Kong, the main business of which is investment holding. The actual operation has not yet commenced as at the balance sheet date.

On 12 April 2021, the Group established a tier-3 subsidiary, Kisanfu Africa Holding (Pty) Limited in South Africa, the main business of which is investment holding. The actual operation has not yet commenced as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

(1) Constitution of the Group

Name of the subsidiary	Main place of operation	Incorporation	Paid-in capital	Nature of business	Shareholding ratio (%)		Acquisition method
					Direct	Indirect	
China Molybdenum Metal Material Company Limited ("Metal Material")	China	Luoyang, Henan	RMB650,000,000.00	Processing and sales of mineral products	100	-	Investment establishment
China Molybdenum Tungsten Co., Ltd. ("Wu Ye")	China	Luanchuan, Henan	RMB100,000,000.00	Refining and sales of mineral products	100	-	Investment establishment
Luanchuan Fu Kai Trading Co., Ltd. ("Fu Kai")	China	Luanchuan, Henan	RMB100,000.00	Trading of molybdenum and tungstenic products	100	-	Investment establishment
China Molybdenum Refining Co., Ltd. ("Ye Lian")	China	Luanchuan, Henan	RMB5,638,250.27	Refining and sales of mineral products	100	-	Investment establishment
Luanchuan Furun Mining Co., Ltd. ("Fu Run")	China	Luanchuan, Henan	RMB1,000,000.00	Refining and sales of mineral products	100	-	Investment establishment
China Molybdenum (Hong Kong) Company Limited ("CMOC HK")	Hong Kong, China	Hong Kong, China	HKD2,148,552,236.38	Sales of mineral products	100	-	Investment establishment
Luoyang Mudu International Hotel Co., Ltd. ("International Hotel")	China	Luoyang, Henan	RMB290,000,000.00	Hotel	100	-	Investment establishment
Xinjiang Luomu Mining Co., Ltd. ("Xin Jiang Luo Mu")	China	Xinjiang	RMB1,400,000,000.00	Selection and sales of mineral products	65.1	-	Investment establishment
Luanchuan County Jiuyang Mining Co., Ltd. ("Jiu Yang")	China	Luanchuan, Henan	RMB33,390,000.00	Refining and sales of mineral products	51	-	Investment establishment
Luanchuan County Sanqiang Molybdenum Tungsten Co., Ltd. ("San Qiang")	China	Luanchuan, Henan	RMB55,480,000.00	Refining and sales of mineral products	51	-	Investment establishment
Luanchuan County Dadongpo Tungsten Molybdenum Co., Ltd. ("Da Dong Po")	China	Luanchuan, Henan	RMB65,654,411.50	Refining and sales of mineral products	51	-	Investment establishment
Luochuan Qixing Mining Company Limited ("Qi Xing")	China	Luanchuan, Henan	RMB6,000,000.00	Refining and sales of mineral products	90	-	Investment establishment
China Molybdenum Sales Co., Ltd. ("Sales Company")	China	Luanchuan, Henan	RMB50,000,000.00	Sales of mineral products	100	-	Investment establishment
CMOC Holding Limited ("CMOC Limited")	Hong Kong, China	Hong Kong, China	USD3,731,449,582.10	Investment holding	100	-	Investment establishment
Schmoke (Shanghai) International Trading Co., Ltd. ("Schmocke")	China	Shanghai	RMB660,000,000.00	Import and export of goods and technology	100	-	Investment establishment
Beijing Yongbo Resources Investment Holding Co., Ltd. ("Beijing Yongbo")	China	Beijing	RMB267,800,000.00	Consulting, asset management and sales	100	-	Investment establishment
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-tech")	China	Luoyang, Henan	RMB270,000,000.00	Production, processing and sales of metal products	100	-	Business combinations not involving enterprises under common control
Luoyang Xinchu Equipment Technology Co., Ltd. ("Luoyang Xinchu") (Note 1)	China	Luoyang, Henan	RMB47,036,000.00	Technology services	100	-	Investment establishment
Luanchuan Junlong Mining Co., Ltd. (Note 2)	China	Luanchuan, Henan	RMB10,000,000.00	Sales of mineral products	100	-	Asset acquisition

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of the subsidiary	Main place of operation	Incorporation	Paid-in capital	Nature of business	Shareholding ratio (%)		Acquisition method
					Direct	Indirect	
Upnorth Investment Limited ("Upnorth")	China	BVI	-	Investment holding	-	100	Investment establishment
CMOC Mining Pty Limited ("CMOC Mining")	Australia	Australia	USD346,000,000.00	Production, processing and sales of mineral products	-	100	Investment establishment
CMOC Mining USA LTD ("CMOC USA")	USA	USA	USD34,624,839.00	Consulting	-	100	Investment establishment
CMOC DRC Limited ("CMOC DRC")	Hong Kong, China	Hong Kong, China	-	Mining services	-	100	Investment establishment
CMOC UK Limited ("CMOC UK")	UK	UK	USD1.30	Mining services and sales	-	100	Investment establishment
CMOC Luxembourg S.A.R.L ("CMOC Luxembourg")	Luxembourg	Luxembourg	USD600,020,000.00	Investment holding	-	100	Investment establishment
CMOC Capital Limited ("CMOC Capital")	BVI	BVI	-	Investment holding	-	100	Investment establishment
Oriental Red Investment Limited	BVI	BVI	-	Investment holding	-	100	Investment establishment
CMOC Congo	Congo (DRC)	Congo (DRC)	USD928.11	Consulting services	-	100	Investment establishment
CMOC BHR Limited	Hong Kong, China	Hong Kong, China	-	Investment holding	-	100	Investment establishment
Shanghai Ruichao Investment Co., Ltd("Rui Chao")	China	Shanghai	RMB250,000,000.00	Consulting, enterprise operating and management	-	100	Investment establishment
Tibet Schmocke Investment Co., Ltd. ("Tibet Schmocke")	China	Tibet	RMB10,000,000.00	Consulting, asset management and sales	-	100	Investment establishment
Shanghai Donghe Trading Co., Ltd.	China	Shanghai	-	Sales of metal materials, and mineral products	-	100	Investment establishment
Shanghai Hongmu Technology Services Co., Ltd. (Note 1)	China	Shanghai	-	Technology services	-	100	Investment establishment
CMOC Metals Holding Limited	Hong Kong, China	Hong Kong, China	-	Investment holding	-	100	Investment establishment
Natural Resource Elite Investment Limited ("NREIL")	Hong Kong, China	Hong Kong, China	USD212,400,000.00	Investment holding	-	100	Investment establishment
W-Source Holding Limited	Hong Kong, China	Hong Kong, China	USD1,125.87	Investment holding	-	100	Business combinations not involving enterprises under common control

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of the subsidiary	Main place of operation	Incorporation	Paid-in capital	Nature of business	Shareholding ratio (%)		Acquisition method
					Direct	Indirect	
New Frontier Elite Investment Limited ("NRFIL")	Hong Kong, China	Hong Kong, China	-	Investment holding	-	100	Investment establishment
Ridgeway Commodities S.A.	Switzerland	Switzerland	USD99,108.42	Metal trading	-	100	Investment establishment
IXM Holding SA	Switzerland	Switzerland	USD102,818.49	Investment holding	-	100	Business combinations not involving enterprises under common control
IXM B.V. and its subsidiaries	Switzerland	Netherland	USD0.05	Metal trading	-	100	Business combinations not involving enterprises under common control
Luoyang Dinghong Trading Co., Ltd. ("Dinghong")	China	Luoyang, Henan	RMB211,120,000.00	Sales of metal materials, and mineral products etc.	-	100	Investment establishment
CMOC Singapore Pte. Ltd. (Note 1)	Singapore	Singapore	-	Metal trading	-	100	Investment establishment
KFM Holding Limited. (Note 1)	Hong Kong, China	Hong Kong, China	-	Investment holding	-	100	Investment establishment
CMOC Mining Services Pty. Limited ("CMOC Mining Services")	Australia	Australia	-	Mining services	-	100	Investment establishment
Long March No.1 Investment Limited ("Long March")	China	BVI	USD1,020,000.00	Investment holding	-	100	Investment establishment
Bandra Investment Limited ("Bandra")	China	BVI	-	Investment holding	-	100	Investment establishment
CMOC Brazil Mineração, Indústria e Participações Ltda. ("CMOC Brazil")	China	Brazil	USD830,000,000.00	Production, processing and sales of mineral products	-	100	Investment establishment
Ningbo Baiya Investment Co., Ltd. ("Ningbo Baiya")	China	Ningbo, Zhejiang	RMB11,000,000.00	Investment management	-	100	Investment establishment
Hainan Muxing Trading Co., Ltd. (Note 1)	China	Haikou, Hainan	-	Import and export trading	-	100	Investment establishment
Purveyors South Africa Mine Services CMOC ("CMOC South Africa")	The Republic of South Africa	The Republic of South Africa	-	Logistics transportation	-	100	Business combinations not involving enterprises under common control
CMOC International DRC Holdings Limited ("CIDHL")	Bermuda	Bermuda	-	Investment holding	-	100	Business combinations not involving enterprises under common control

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Name of the subsidiary	Main place of operation	Incorporation	Paid-in capital	Nature of business	Shareholding ratio (%)		Acquisition method
					Direct	Indirect	
BHR Newwood Investment Management Limited ("BHR")	BVI	BVI	USD470,000,000.00	Investment holding	-	100	Business combinations not involving enterprises under common control
CMOC overseas recruitment Entity ("CMOC ORE")	USA	USA	USD2,900,000.00	Consulting	-	100	Investment establishment
Kisanfu Africa Holding (Pty) Limited (Note 1)	The Republic of South Africa	The Republic of South Africa	-	Investment holding	-	100	Investment establishment
Congo Construction Company SARL	Congo (DRC)	Congo (DRC)	USD100,000.00	Refining and sales of mineral products	-	100	Business combinations not involving enterprises under common control
TF Holdings Limited ("TFHL")	Bermuda	Bermuda	USD8,400.00	Investment holding	-	100	Business combinations not involving enterprises under common control
Shanghai Aoyide Trading Co., Ltd. ("Shanghai Aoyide")	China	Shanghai	RMB60,000,000.00	Domestic non-ferrous trading	-	100	Investment establishment
Shanghai Moju Engineering Consulting Co., Ltd. (Note 1)	China	Shanghai	RMB10,000,000.00	Consulting	-	100	Investment establishment
Shanghai Fuyi Engineering Consulting Co., Ltd. (Note 1)	China	Shanghai	RMB10,000,000.00	Consulting	-	100	Investment establishment
Jenny East Holding Ltd.	Bermuda	Bermuda	USD37,176.00	Investment holding	-	100	Asset acquisition
Kisanfu Holding Ltd.	Bermuda	Bermuda	USD97,876,162.00	Investment holding	-	100	Asset acquisition
Tenke Fungurume Mining S.A.	Congo (DRC)	Congo (DRC)	-	Mining and processing	-	80	Business combinations not involving enterprises under common control
CMOC Kisanfu Mining SARL	Congo (DRC)	Congo (DRC)	USD102,132,800.00	Mining and processing	-	95	Asset acquisition
CMOC Commodity	Hong Kong, China	Hong Kong, China	-	Investment holding	-	100	Investment establishment

Note 1: These subsidiaries are newly established by the Group during the year.

Note 2: It is the Group's subsidiary, which was acquired during the year.

Note 3: In August 2021, the Company absorbed and merged with the originally wholly-owned subsidiary China Molybdenum Tungsten Sales and Trading Co., Ltd., which was directly held by the Company.

Note 4: The subsidiaries of the Group incorporated in China are all limited liability companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(2) Significant non-wholly owned subsidiaries

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%	325,209,846.88	(165,166,381.80)	5,914,656,485.40

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%	159,531,147.79	(41,759,360.00)	5,148,828,866.97

(3) Financial information of significant non-wholly owned subsidiaries

RMB

Name of the subsidiary	31 December 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TFM	11,698,510,368.88	32,770,772,417.87	44,469,282,786.75	3,701,065,133.15	11,194,935,226.62	14,896,000,359.77

RMB

Name of the subsidiary	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
TFM	6,827,422,443.12	33,669,888,767.71	40,497,311,210.83	1,587,457,897.15	13,165,708,978.63	14,753,166,875.78

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in Subsidiaries (Continued)

(3) Financial information of significant non-wholly owned subsidiaries (Continued)

RMB

Name of the subsidiary	2021			Cash flows from operating activities
	Operating income	Net profit	Total comprehensive income	
TFM	16,584,080,087.55	5,267,027,982.67	5,021,616,770.26	5,243,805,429.68

RMB

Name of the subsidiary	2020			Cash flows from operating activities
	Operating income	Net profit	Total comprehensive income	
TFM	9,728,158,688.76	797,655,738.99	797,655,738.99	3,352,796,649.41

2. Interests in joint ventures and associates

(1) Significant joint ventures and associates

Name	Main place of operation	Place of incorporation	Nature of business	Shareholding ratio (%)		Accounting treatments for investments in joint ventures and associates
				Direct	Indirect	
Huan Yu	Xuzhou, Jiangsu	Xuzhou, Jiangsu	Investment	50	-	Equity method
Yulu Mining	Luoyang, Henan	Luoyang, Henan	Refining and sales of mineral products	40	-	Equity method
Huayue Nickel Cobalt	Indonesia	Indonesia	Refining and sales of mineral products	-	30	Equity method

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(2) Major financial information of significant joint ventures

RMB

Joint ventures	31 December 2021/2021 Huan Yu (Note1)	31 December 2020/2020 Huan Yu (Note1)
Current assets	314,146,541.57	261,826,141.05
Including: Cash and cash equivalents	21,401,191.35	9,495,437.55
Non-current assets	2,449,875,892.82	2,638,904,311.20
Total assets	2,764,022,434.39	2,900,730,452.25
Current liabilities	295,660,104.64	1,024,340,241.40
Non-current liabilities	1,152,248,231.78	458,045,405.11
Total liabilities	1,447,908,336.42	1,482,385,646.51
Minority interests	(40,377,477.51)	(59,349,212.52)
Equity attributable to equity holders of the Company	1,356,491,575.48	1,477,694,018.26
Share of net assets calculated based on shareholding ratio	678,245,787.74	738,847,009.13
Adjusting events (Note 2)	(14,364,851.68)	4,752,594.36
Carrying amount of equity investments in joint ventures	663,880,936.06	743,599,603.49
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A
Operating income	793,423,101.40	220,949,382.80
Financial expenses	50,865,019.08	69,529,535.66
Income tax expenses	6,459,931.49	(19,802,476.51)
Net loss	(169,614,186.02)	(221,862,841.74)
Net profit from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	(169,614,186.02)	(221,862,841.74)
Dividends received from joint ventures in the current period	-	-

Note 1: The joint venture of the Group, Huan Yu, has 90% equity interest of Fu Chuan; meanwhile, the Company directly 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 profit or loss of Fu Chuan under equity method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(3) Major financial information of significant associates

RMB

Associates	31 December 2021/2021		31 December 2020/2020	
	Yulu Mining (Note)	Huayue Nickel Cobalt	Yulu Mining (Note)	Huayue Nickel Cobalt
Current assets	155,824,949.49	1,639,501,391.86	155,929,030.34	146,957,754.96
Including: Cash and cash equivalents	389,701.99	665,049,442.33	312,295.86	70,230,215.54
Non-current assets	50,493,193.01	7,161,026,706.72	51,063,721.79	2,954,002,024.60
Total assets	206,318,142.50	8,800,528,098.58	206,992,752.13	3,100,959,779.56
Current liabilities	33,156,141.84	3,325,315,875.97	28,950,764.97	1,394,502,488.63
Non-current liabilities	–	3,828,586,905.89	–	–
Total liabilities	33,156,141.84	7,153,902,781.86	28,950,764.97	1,394,502,488.63
Minority interests	–	–	–	–
Equity attributable to equity holders of the Company	173,162,000.66	1,646,625,316.72	178,041,987.16	1,706,457,290.93
Share of net assets calculated based on shareholding ratio	69,264,800.26	493,987,595.02	71,216,794.86	511,937,187.30
Adjusting events	5,269,121.06	–	7,183,189.59	2,895,151.23
Carrying amount of equity investments in associates	74,533,921.32	493,987,595.02	78,399,984.45	514,832,338.53
Fair value of equity investments in associates where there is quoted price	N/A	N/A	N/A	N/A
Operating income	317,670,979.55	–	317,477,918.85	–
Financial expenses	90,551.85	(9,386,099.02)	(13,300.63)	19,367,439.87
Income tax expenses	(21,591,307.36)	–	(26,258,794.33)	–
Net profit (loss)	168,267,873.74	(30,595,383.97)	179,162,585.85	(16,952,576.63)
Net profit from discontinued operations	–	–	–	–
Other comprehensive income	–	(38,887,094.37)	–	–
Total comprehensive income	168,267,873.74	(69,482,478.34)	179,162,585.85	(16,952,576.63)
Dividends received from associates in the current period	88,000,000.00	–	119,800,000.00	–

Note: Although the Group holds 40% equity interest of Yulu Mining, but shares 50% dividend rights. For details, refer to Note (V) 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Significant Joint Operation

Name of joint operation	Main place of operation	Place of incorporation	Nature of business	Shareholding ratio /shares (%)	
				Direct	Indirect
Northparkes Joint Venture ("NJV") (Note)	Australia	Australia	Copper gold mining	-	80

Note: On 1 December 2013, the Company had completed acquiring 80% joint control interests of unincorporated joint venture in Northparkes Copper gold mining and some relevant assets related to Copper gold mining business of NJV held by North Mining Limited. Afterwards, the unincorporated joint venture NJV became a joint operation of the Company.

Northparkes mines held by NJV is a quality Copper and gold mining operation with advanced mining method of block caving in Goonumbra, 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 NJV is located in the town of Parkes in New South Wales, Australia. The 80% interest of NJV under joint control is held by CMOG Mining, 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 NJV Management Agreement, the Company, as the manager of the Northparkes mine, is responsible for the daily operations of Northparkes. The parties to the joint arrangement, as the joint controllers, share the rights to the assets or assume liabilities of the joint arrangement regarding Northparkes mine in proportion to their respective shareholding. The parties reached an agreement, specifying that to ensure the interests of all parties (including their respective share of production volume), the benefit of the counterparties of the joint arrangement shall be protected in the case that any party to the joint arrangement breaches the contract.

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, held-for-trading financial assets, derivative financial assets, accounts receivable, financing receivables, other receivables, non-current assets due within one year, other current assets, other investments in equity instruments, other non-current financial assets, non-current derivative financial assets, other non-current assets, held-for-trading financial liabilities, derivative financial liabilities, notes payable, accounts payable, other payables, borrowings, other current liabilities, non-current derivative financial 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 manages and monitors these exposures to ensure the risks are monitored within a certain range.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

RMB'000

	31 December 2021	31 December 2020
Financial assets		
with FVTPL		
Held-for-trading financial assets	7,117,298	7,435,129
Derivative financial assets	1,830,819	2,060,111
Other non-current financial assets	3,912,405	4,678,192
with FVTOCI		
Financing receivables	662,974	405,698
Other investments in equity instruments	67,773	86,214
At amortized cost		
Cash and bank balances	24,318,025	16,947,648
Accounts receivable	745,903	702,194
Other receivables	2,158,422	592,403
Other current assets	4,475,288	4,460,260
Non-current assets due within one year	447,046	–
Other non-current assets	3,827,456	1,712,116
Financial liabilities		
with FVTPL		
Held-for-trading financial liabilities	4,402,514	4,291,951
Derivative financial liabilities	2,636,505	5,021,780
Non-current derivative financial liabilities	357,204	417,159
At amortized cost		
Short-term borrowings	26,911,900	20,464,481
Notes payable	2,906,024	627,938
Accounts payable	1,260,248	876,915
Other payables	2,918,191	1,599,241
Non-current liabilities due within one year	4,811,503	5,091,055
Other current liabilities	191,303	2,000,000
Long-term borrowings	13,610,579	15,360,373
Bonds payable	1,150,000	3,631,225
Other non-current liabilities	32,259	33,671

The Group adopts sensitivity analysis technique to analyze how the profit or loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and benefits, and minimize the adverse impacts of risks on the Group's operation performance, and maximize 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 analyze 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, CHF and AUD. The principal business activities of the subsidiaries in the PRC are denominated and settled in RMB. The principal business activities of the subsidiaries in Australia are mainly denominated and settled in AUD or USD. The Group's Niobium and Phosphorus businesses in Brazil are principally denominated and settled in USD and BRL and the Group's Copper-Cobalt business in Congo (DRC) is principally denominated and 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 changes on the foreign exchange risk, and manages foreign exchange risk by purchasing forward exchange contracts and exchange rate option contracts. For details, refer to Note (V) 3, 14 & 25.

As at 31 December 2021, except that the balances of the financial assets and financial liabilities set out below are denominated in USD, HKD, AUD, EUR, CAD, RMB, BRL, GBP, CDF, ZAR, SGD, AED, CHF, CLP, MXN, NAD, PEN, PLN and TRY (converted in RMB), the Group's financial assets and financial liabilities are denominated and settled in 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

RMB'000

Item	31 December 2021	31 December 2020
USD		
Cash and bank balances	457,584	14,969
Short-term borrowings	(1,083,872)	(195,747)
Sub-total	(626,286)	(180,778)
HKD		
Cash and bank balances	6,051	6,183
Sub-total	6,051	6,183
AUD		
Cash and bank balances	34,834	47,463
Sub-total	34,834	47,463
EUR		
Cash and bank balances	42,140	6,406
Sub-total	42,140	6,406
CAD		
Cash and bank balances	6,008	6,176
Sub-total	6,008	6,176
RMB		
Cash and bank balances	2,920	296,675
Long-term borrowings	(700,000)	(700,000)
Sub-total	(697,080)	(403,325)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

Item	31 December 2021	31 December 2020
BRL		
Cash and bank balances	1,268,631	72,254
Sub-total	1,268,631	72,254
GBP		
Cash and bank balances	2,044	18,074
Sub-total	2,044	18,074
CDF		
Cash and bank balances	32,579	2,474
Sub-total	32,579	2,474
ZAR		
Cash and bank balances	14,480	12,240
Sub-total	14,480	12,240
SGD		
Cash and bank balances	374	921
Sub-total	374	921
AED		
Cash and bank balances	4	5
Sub-total	4	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

Item	31 December 2021	31 December 2020
CHF		
Cash and bank balances	1,145	536
Sub-total	1,145	536
CLP		
Cash and bank balances	603	70
Sub-total	603	70
MXN		
Cash and bank balances	2,153	422
Short-term borrowings	(101,099)	(50,494)
Sub-total	(98,946)	(50,072)
NAD		
Cash and bank balances	51	57
Sub-total	51	57

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

Item	31 December 2021	31 December 2020
PEN		
Cash and bank balances	1,864	208
Short-term borrowings	(71,922)	(134,412)
Long-term borrowings	(2,606)	(7,361)
Non-current liabilities due within one year	(3,870)	(19,580)
Sub-total	(76,534)	(161,145)
PLN		
Cash and bank balances	–	32
Sub-total	–	32
IDR		
Cash and bank balances	50	–
Sub-total	50	–
TRY		
Cash and bank balances	2	277
Sub-total	2	277
Total	(89,852)	(622,152)

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, and HKD) 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 assets and liabilities of USD, and RMB increases against the foreign currency. A negative number indicates that a decrease in profit before tax of a company with HKD as its functional currency is resulted from having USD and RMB cash and bank balances and HKD increases against the foreign currency, and of companies with USD as their functional currency is resulted from having assets and liabilities of AUD, HKD, EUR, CAD, RMB, BRL, GBP, CDF, ZAR, SDG, AED, CHF, CLP, MXN, NAD, PEN, PLN and TRY, USD increases against them. If the relevant functional currency decreases against these foreign currencies, it will have an opposite effect on the pre-tax profit. The Group does not consider the effect of current forward foreign exchange contracts and foreign exchange option contracts in the sensitivity analysis as below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

RMB'000

Item	Changes in exchange rates	2021		2020	
		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	64,286	64,286	19,054	19,054
	Depreciation by 10% of EUR against RMB	-	-	-	-
Entities which are denominated in HKD					
Pre-tax profit and equity	Depreciation by 10% of USD against HKD	(1,658)	(1,658)	(976)	(976)
	Depreciation by 10% of RMB against HKD	(88)	(88)	(92)	(92)
Entities which are denominated in USD					
Pre-tax profit and equity	Depreciation by 10% of AUD against USD	(3,483)	(3,483)	(4,746)	(4,746)
	Depreciation by 10% of HKD against USD	(605)	(605)	(618)	(618)
	Depreciation by 10% of EUR against USD	(4,214)	(4,214)	(641)	(641)
	Depreciation by 10% of CAD against USD	(601)	(601)	(618)	(618)
	Depreciation by 10% of RMB against USD	69,796	69,796	40,425	40,425
	Depreciation by 10% of BRL against USD	(126,863)	(126,863)	(7,225)	(7,225)
	Depreciation by 10% of GBP against USD	(204)	(204)	(1,807)	(1,807)
	Depreciation by 10% of CDF against USD	(3,258)	(3,258)	(247)	(247)
	Depreciation by 10% of ZAR against USD	(1,448)	(1,448)	(1,224)	(1,224)
	Depreciation by 10% of SGD against USD	(37)	(37)	(92)	(92)
	Depreciation by 10% of CHF against USD	(114)	(114)	(54)	(54)
	Depreciation by 10% of CLP against USD	(60)	(60)	(7)	(7)
	Depreciation by 10% of MXN against USD	9,895	9,895	5,007	5,007
	Depreciation by 10% of NAD against USD	(5)	(5)	(6)	(6)
	Depreciation by 10% of PEN against USD	7,253	7,266	16,114	16,114
	Depreciation by 10% of PLN against USD	-	-	(3)	(3)
	Depreciation by 10% of TRY against USD	-	-	(28)	(28)
	Depreciation by 10% of IDR against USD	(5)	(5)	-	-

The management of the Group believes that the year-end foreign currency risk cannot reflect the foreign currency risk of the year, and the sensitivity analysis cannot reflect the inherent foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings (see Note (V) 23 and 34 for details). The Group pays close attention to the effect on cash flow change risks from the changes in interest rate and also hedges part of the interest rate risk assumed by the Group through interest rate swap contracts (see Note (V) 64 for details).

The sensitivity analysis on interest rate risk is based on the following assumption:

- Changes in market interest rates affect the interest income or expenses of floating-rate financial instruments.

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

RMB'000

Item	Changes in interest rates	2021		2020	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Floating interest rate	Increase 50 base points of interest rate	(103,414)	(103,414)	(139,700)	(139,700)
Floating interest rate	Decrease 50 base points of interest rate	103,414	103,414	139,700	139,700

1.1.3. Commodity price risk

International Copper prices and Cobalt prices have a significant impact on the operating results of the Group's subsidiaries in Australia and Congo (DRC). Copper and Cobalt prices fluctuated in the past and the factors causing the fluctuation were beyond the control of the Group. The Group does not hedge against the fluctuation risk of Copper and Cobalt prices. In addition, IXM engages in business related to metal trading platform, of which the operating result is significantly affected by the international price fluctuation of metals. IXM hedges the risk of the metal price fluctuation through commodity futures contract and commodity option contract. Details are set out in Note (V) 3, 14 and 25.

The table below shows the sensitivity analysis of the price of Copper and Cobalt on the balance sheet date, which reflects the pre-tax effect of unpriced accounts receivable of the Group's subsidiaries in Australia and Congo (DRC) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 (Continued)

RMB'000

Item	Increase/(Decrease) percentage	2021		2020	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Market price of copper	5%	6,205	6,205	2,515	2,515
Market price of copper	(5%)	(6,205)	(6,205)	(2,515)	(2,515)

RMB'000

Item	Increase/(Decrease) percentage	2021		2020	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Market price of cobalt	5%	63,469	63,469	10,438	10,438
Market price of cobalt	(5%)	(63,469)	(63,469)	(10,438)	(10,438)

1.1.4. Other price risk

The equity instrument investments held by the Group, including other non-current financial assets measured at fair value, are 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 directly or indirectly exposed to the risk of fluctuation of securities market price. If the equity price of the equity instrument investments held by the Group increases or decreases by 5% while other variables remain unchanged, the shareholders' equity and profit or loss of the Group will increase or decrease by RMB103,771,000 at the end of the year (excluding the impact of income tax) (2020: RMB139,700,000).

1.2. Credit risk

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to the failure of counterparties to fulfill an obligation, including the carrying amount of the financial assets recognized in the balance sheet of the Group.

In order to minimize the credit risk, the Group has specific personnel of the credit management department 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 losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group's policies on assessment of significant increase in credit risk since initial recognition, basis for determination of credit impairment on financial assets, classification of financial instruments on expected credit loss on a portfolio basis, and direct written-down of financial instruments are set out in Note (III) 10.2.1, Note (III) 10.2.2, Note (III) 10.2.3, and Note (III) 10.2.4.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.2. Credit risk (Continued)

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 commercial acceptances. Of which, most bank acceptances are issued by banks with higher credit rating, therefore, the management of the Group considers relevant credit risk on bank acceptances is low; all customers corresponding to commercial acceptances have long-term cooperation with the Group, and relevant provision for impairment on credit risk is accounted for based on credit levels of counterparties. Details are set out in Note (V) 5.

The Group only trades with recognized, creditworthy third parties. Total amount of top five entities with the largest balances of accounts receivable as at 31 December 2021 accounts for 31.07% of the amount of total accounts receivable (31 December 2020: 29.50%). 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 used. Details of analysis on related credit risk are set out in Note (V) 4.

For credit risk arising from 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. Details of analysis on related credit risk are set out in Note (V) 7, 9 and 22.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.3. Liquidity risk (Continued)

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 utilization of bank borrowings and ensures compliance with loan covenants.

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

RMB'000

2021	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Non-derivative financial liabilities					
Short-term borrowings	27,719,257	-	-	-	27,719,257
Long-term borrowings	2,284,105	10,240,924	4,324,495	-	16,849,524
Held-for-trading financial liabilities	4,402,514	-	-	-	4,402,514
Notes payable	2,906,024	-	-	-	2,906,024
Accounts payable	1,260,248	-	-	-	1,260,248
Other payables	2,918,191	-	-	-	2,918,191
Other current liabilities	191,303	-	-	-	191,303
Bonds payable	2,641,041	-	1,310,213	-	3,951,254
Lease liabilities	148,880	57,718	142,860	64,257	413,715
Other non-current liabilities	-	32,259	-	-	32,259
Derivative financial instruments	-	-	-	-	-
Derivative financial liabilities	2,636,505	-	-	-	2,636,505
Non-current derivative financial liabilities	-	357,204	-	-	357,204
Total	47,108,068	10,688,105	5,777,568	64,257	63,637,998

RMB'000

2020	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Non-derivative financial liabilities					
Borrowings	21,078,416	3,262,619	13,491,283	-	37,832,318
Held-for-trading financial liabilities	4,291,951	-	-	-	4,291,951
Notes payable	627,938	-	-	-	627,938
Accounts payable	876,915	-	-	-	876,915
Other payables	1,599,241	-	-	-	1,599,241
Non-current liabilities due within one year	5,422,581	-	-	-	5,422,581
Other current liabilities	2,009,404	-	-	-	2,009,404
Bonds payable	-	2,812,550	1,187,717	-	4,000,267
Lease liabilities	-	82,918	103,426	73,840	260,184
Derivative financial instruments					
Derivative financial liabilities	5,021,780	-	-	-	5,021,780
Non-current derivative financial liabilities	-	-	417,159	-	417,159
Total	40,928,226	6,158,087	15,199,585	73,840	62,359,738

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(IX). DISCLOSURE OF FAIR VALUE

1. Fair Value of Assets and Liabilities Measured at Fair Value

RMB'000

Item	Fair value at 31 December 2021			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
1. Continuous fair value measurement				
(1) Held-for-trading financial assets:				
– Accounts receivable	–	6,110,112	–	6,110,112
– Structured deposits	–	–	938,637	938,637
– Wealth management products	–	–	48,186	48,186
– Others	–	20,362	–	20,362
(2) Other equity instruments:				
– Equity instrument investments	–	–	67,773	67,773
(3) Inventories:				
– Trading inventories	–	17,921,751	–	17,921,751
– Consumable biological assets	–	–	45,644	45,644
(4) Financing receivables:	–	–	662,974	662,974
(5) Other non-current financial assets:				
– Wealth management products entrusted by banks	–	–	135,501	135,501
– Fund trust	–	–	350,657	350,657
– Share of partnership	–	–	1,525,402	1,525,402
– Share of funds	–	–	730,289	730,289
– Directional capital management plan	–	–	1,016,523	1,016,523
– Equity in unlisted companies	–	–	137,839	137,839
– Equity in listed companies	16,194	–	–	16,194
(6) Derivative financial assets:				
– Commodity futures contract	436,958	–	–	436,958
– Forward exchange contract	–	58,414	–	58,414
– Forward commodity contract	–	1,335,447	–	1,335,447
Total assets measured continuously at fair value	453,152	25,446,086	5,659,425	31,558,663
(7) Held-for-trading financial liabilities:				
– Accounts payable	–	3,618,367	–	3,618,367
– Liabilities from forward commodity contract and gold lease measured at fair value	–	784,147	–	784,147
(8) Derivative financial liabilities:				
– Commodity futures contract	1,547,035	–	–	1,547,035
– Forward exchange contract	–	44,921	–	44,921
– Forward commodity contract	–	891,530	–	891,530
– Interest rate swaps	–	357,204	–	357,204
– Commodity option contract	–	–	153,019	153,019
Total liabilities measured continuously at fair value	1,547,035	5,696,169	153,019	7,396,223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(IX). DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Fair Value of Assets and Liabilities Measured at Fair Value (Continued)

RMB'000

Item	Fair value at 31 December 2020			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
1. Continuous fair value measurement				
(1) Held-for-trading financial assets:				
– Accounts receivable	–	7,205,800	–	7,205,800
– Others	–	19,877	209,452	229,329
(2) Other equity instruments:				
– Equity instrument investments	–	–	86,214	86,214
(3) Inventories:				
– Trading inventories	–	12,109,909	–	12,109,909
– Consumable biological assets	–	–	35,431	35,431
(4) Financing receivables:	–	–	405,698	405,698
(5) Other non-current financial assets:				
– Wealth management products entrusted by non-banking financial institutions	–	–	450,743	450,743
– Wealth management products entrusted by banks	–	–	130,233	130,233
– Share of partnership	–	–	1,475,251	1,475,251
– Share of funds	–	–	790,200	790,200
– Directional capital management plan	–	–	1,448,584	1,448,584
– Equity in unlisted companies	–	–	79,099	79,099
– Equity in listed companies	304,082	–	–	304,082
(6) Derivative financial assets:	1,191,451	863,263	5,397	2,060,111
Total assets measured continuously at fair value	1,495,533	20,198,849	5,116,302	26,810,684
(7) Held-for-trading financial liabilities:				
– Accounts payable	–	3,842,218	–	3,842,218
– Liabilities from forward commodity contract and gold lease measured at fair value	–	449,733	–	449,733
(8) Derivative financial liabilities:	3,868,125	1,443,142	127,672	5,438,939
Total liabilities measured continuously at fair value	3,868,125	5,735,093	127,672	9,730,890

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 include accounts receivable, trading inventories, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities at FVTPL, and the related fair value is determined with reference to the closing price and long-term offer of corresponding products and the yield rate of similar debt instruments in open market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(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 Level 3 fair value include held-for-trading financial assets, financing receivables, consumable biological assets, derivative financial assets, other investments in equity instruments, other non-current financial assets and derivative financial liabilities. The fair value of held-for-trading assets and wealth management products included in other non-current financial assets is measured based on the expected yield rate provided by the third party financial institution and discounting of the future cash flow. The fair value of consumable biological assets is measured based on the prices of the same kind of wood, the growth period of tree and the discounting of the subsequent input and maintenance fee. The fair value of financing receivables is based on the note discount rate provided by the third party financial institution and discounting of the future cash flow. The fair values of share of partnership, share of funds, directional capital management plan and equity in unlisted companies included in other equity instruments and other non-current financial assets are determined based on the comparable company analysis, the agreed price for transfer or the valuation report provided by third-party financial institutions, or the financial statements provided by the investee with appropriate adjustments. The fair values of derivative financial assets and derivative financial liabilities are determined by the management with option pricing model.

RMB'000

Assets/liabilities measured at fair value	Fair value at 31 December 2021	Valuation techniques	Parameters	Significant input data that cannot be observed	Relationship between the input data that cannot be observed and the fair value
Held-for-trading financial assets/other non-current financial assets	1,472,981	Discounted cash flow method	Expected cash flows of the products, yield of similar financial products in private market	Yield of similar financial products in private market	Higher yield of similar financial products in private market, lower fair value
Other investments in equity instruments/other non-current financial assets	3,477,826	Comparable companies analysis/Negotiating transfer price/Net asset adjustment method	Price-to-sales, recent transaction price, DLOM-discount of lack of marketability, lock-up period discount	DLOM-discount of lack of marketability, lock-up period discount	Higher discount rate, lower fair value
Consumable biological assets	45,644	Discounted cash flow method	Wood price, growth cycle, and follow-up estimated investment	Follow-up estimated investment	Higher follow-up estimated investment, lower fair value
Financing receivables	662,974	Discounted cash flow method	Expected cash flow of notes, note discount rate in private market	Note discount rate in private market	Higher note discount rate in private market, lower fair value
Derivative financial liabilities	153,019	Option pricing model	Present price of financial products, exercise price of options, effective period, risk-free interest rate, volatility	Volatility	Higher volatility, higher fair value

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(IX). DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Financial instruments subsequently not measured at fair value

The management of the Group has assessed cash and bank balances, accounts receivable, other receivables, other current assets, short-term borrowings, notes payable, accounts payable, other payables, non-current liabilities due within one year, other current liabilities, etc. As the remaining term is not long, fair values are approximate to the carrying amounts.

The Group's financial assets and financial liabilities which are subsequently not measured at fair value include other non-current assets, and long-term borrowings and other non-current liabilities respectively. The floating interest rate of the Group's long-term borrowings is linked to the market interest rate.

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of the parent	Place of registration	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent	Proportion of the Company's voting power held by the parent
Cathay Fortune Corporation	Shanghai	Investment management	RMB181,818,200	24.69%	24.69%

As at 31 December 2021, 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. Joint ventures and associates of the Company

For details of joint ventures and associates of the Company, please refer to Note (VII) 2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates of the Company (Continued)

Other joint ventures or associates which have transactions with the Group in the current year or in previous years are as follows:

Joint ventures or associates	Relationship with the Company
Fu Chuan	Subsidiary of the joint venture
Yulu Mining	Associate
Luoyang Shenyu	Associate
Huayue Nickel Cobalt	Associate
You Qing	Associate

4. Other related parties

Other related parties	Relationship with the Company
LMG	Shareholder of the Company
CFC	Shareholder of the Company
Shanghai Shangju Industrial Co., Ltd. ("Shangju")	Subsidiary of the shareholder
Shanghai Yunsheng International Trade Co., Ltd. ("Yunsheng")	Subsidiary of the shareholder

5. Related party transactions

(1) Sales and purchase of goods, rendering and receipt of services

RMB

Related party	Details of related party transaction	2021	2020
Luoyang Shenyu	Sales of products	51,082,296.03	34,060,471.26
Luoyang Shenyu	Rendering of services	952,380.95	780,708.44
Luoyang Shenyu	Purchase of products	5,063,154.83	–
Yulu Mining	Rendering of services	11,176,533.19	11,524,711.12
Yulu Mining	Purchase of products	93,219,354.85	–
Fu Chuan	Purchase of products	684,603,577.70	216,091,416.58
Fu Chuan	Purchase of services	6,811,677.73	30,449.05
Fu Chuan	Sales of products	31,483,343.81	16,316,088.44
Fu Chuan	Rendering of services	238,865,135.52	3,296,863.17
You Qing	Rendering of services	–	479,750.94

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Related party leases

RMB

Lessor	Category of leased asset	2021		2020	
		Increase in right-of-use assets	Interest expenses of lease liabilities	Increase in right-of-use assets	Interest expenses of lease liabilities
Shangju	Buildings	64,388,325.87	2,453,891.72	-	-
Yunsheng	Buildings	34,829,039.52	1,495,859.28	-	-

(3) Borrowings/loans with related parties

RMB

Related party	Total amount of borrowings/loans	Total amount of repayments	Interest for the year	Interest rate	Inception date	Maturity date	Balance at 31 December 2021
Lent to							
Huayue Nickel					From March 2020 to	From March 2021 to	
Cobalt	834,472,563.17	841,512,609.10	52,122,216.69	6%	September 2021	September 2022	407,791,549.93

(4) Compensation for key management personnel

RMB'000

Item	2021	2020
Compensation for key management personnel	64,266	24,868

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

RMB

Item	Related party	31 December 2021		31 December 2020	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	Yulu Mining	5,265,235.97	133,740.92	-	-
Other receivables	Luoyang Shenyu	583,333.33	-	583,333.33	-
Other receivables	Fu Chuan	-	-	3,755,087.85	-
Other receivables	You Qing	-	-	508,536.00	-
Other receivables	Shangju	4,716,599.37	-	-	-
Other receivables	Yunsheng	2,564,464.47	-	-	-
Prepayments	Fu Chuan	-	-	130,506,458.61	-
Interest receivable	Huayue Nickel	65,183,288.85	-	13,061,072.16	-
	Cobalt	-	-	-	-
Other non-current assets	Huayue Nickel	-	-	414,831,595.86	-
	Cobalt	-	-	-	-
Non-current assets due within one year	Huayue Nickel	407,791,549.93	-	-	-
	Cobalt	-	-	-	-
Accounts payable	Fu Chuan	56,574,511.69	-	17,336,117.62	-
Accounts payable	Yulu Mining	10,349,439.19	-	-	-
Other payables	Fu Chuan	-	-	11,455,538.22	-
Interest payable	Fu Chuan	-	-	145,841.33	-
Lease liabilities	Shangju	46,425,665.17	-	-	-
Lease liabilities	Yunsheng	25,242,120.33	-	-	-
Non-current liabilities due within one year	Shangju	20,090,244.50	-	-	-
Non-current liabilities due within one year	Yunsheng	10,923,276.32	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors

Emoluments of each director for the year 2021 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	Share-based payments RMB'000	Total RMB'000
Executive directors:							
Li Chaochun (Note 1)	–	3,120.00	1,880.00	53.77	61.36	9,748.96	14,864.09
Sun Ruiwen (Note 1)	–	560.00	4,140.00	32.23	42.80	23,397.50	28,172.53
Li Faben (Note 1)	–	139.07	1,330.72	11.94	17.80	–	1,499.53
Non-executive directors:							
Guo Yimin (Note 2)	–	–	–	–	–	–	–
Yuan Honglin (Note 1)	7.50	1,264.58	3,532.50	43.22	49.32	10,416.16	15,313.28
Cheng Yunlei (Note 2)	–	–	–	–	–	–	–
Independent non-executive directors:							
Wang Yougui (Note 1)	300.00	–	–	–	–	–	300.00
Yan Ye (Note 1)	300.00	–	–	–	–	–	300.00
Li Shuhua (Note 1)	300.00	–	–	–	–	–	300.00
Total	907.50	5,083.65	10,883.22	141.16	171.28	43,562.62	60,749.43

Emoluments of each director for the year 2020 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	Share-based payments RMB'000	Total RMB'000
Executive directors:							
Li Chaochun	–	360.00	5,100.00	3.77	51.85	–	5,515.62
Li Faben	–	360.00	4,300.00	22.01	40.81	–	4,722.82
Non-executive directors:							
Guo Yimin (Note 2)	–	–	–	–	–	–	–
Yuan Honglin	45.00	45.00	–	–	–	–	90.00
Cheng Yunlei (Note 2)	–	–	–	–	–	–	–
Independent non-executive directors:							
Wang Yougui	300.00	–	–	–	–	–	300.00
Yan Ye	300.00	–	–	–	–	–	300.00
Li Shuhua	300.00	–	–	–	–	–	300.00
Total	945.00	765.00	9,400.00	25.78	92.66	–	11,228.44

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

Emoluments of each supervisor for the year 2021 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 (Note 1)	90.00	–	–	–	90.00
Kou Youmin (Note 1, 2)	–	–	–	–	–
Xu Wenhui (Note 1)	257.75	649.96	24.81	35.95	968.47
Wang Zhengyan (Note 1)	62.25	776.38	4.78	7.08	850.49
Total	410.00	1,426.34	29.59	43.03	1,908.96

Emoluments of each supervisor for the year 2020 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 (Note 2)	–	–	–	–	–
Wang Zhengyan	320.00	2,300.00	22.01	40.81	2,682.82
Total	410.00	2,300.00	22.01	40.81	2,772.82

Note 1: On 21 May 2021, the Company held the 2020 Annual General Meeting of Shareholders, and completed the election of the Board of Directors and Board of Supervisors. The sixth session of the Board of Directors of the Company includes Mr. Yuan Honglin, Mr. Guo Yimin, Mr. Li Chaochun, Mr. Sun Ruiwen, Mr. Cheng Yunlei, Mr. Wang Yougui, Ms. Yan Ye and Mr. Li Shuhua. The tenure of Mr. Li Faben as an executive director and executive vice president was ended in June 2021. The sixth session of the Board of Supervisors of the Company includes Ms. Kou Youmin, Mr. Zhang Zhenhao, and Mr. Xu Wenhui, the employee representative. The tenure of Ms. Wang Zhengyan as an employee representative supervisor was ended in June 2021. The tenure of relevant directors will be ended on the date of the Company's 2023 Annual General Meeting.

Note 2: The agreed remuneration of Mr. Guo Yimin, Mr. Cheng Yunlei and Ms. Kou Youmin as directors or supervisors of the Company is RMB90,000.00 in 2020 and 2021. As Mr. Guo Yimin, Mr. Cheng Yunlei and Ms. Kou Youmin are also directors or supervisors of LMG, Luoyang, shareholder of the Company, according to Regulations on Clean Leadership in State-owned Enterprise, leaders in the state-owned enterprises shall not "assume leadership positions in enterprise funded by their own state-owned enterprises or in other enterprises, institutions, social organizations and intermediary agencies without approval, or accept remuneration and other income without authorization (for those approved to assume positions)", Mr. Guo Yimin, Mr. Cheng Yunlei and Ms. Kou Youmin gave up position allowances during their staying in the office provided by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

Three of the top five of 2021 remunerations are directors of the Company (2020: no directors or supervisors), and the emoluments of the top five staffs that are not directors or supervisors are as follows:

	2021	2020
Salary, bonus and allowances	39,366.37	84,847.91
Pension	38.37	1,761.22
Share-based payments	28,994.10	–
Total	68,398.84	86,609.13

RMB'000

The range of emoluments of the top five staffs that are not directors or supervisors is as follows:

Range of emoluments	Number of the current year	Number of the prior year
HKD11,000,001 to HKD11,500,000 (equivalent to RMB 9,258,000 to RMB9,679,000)	–	1
HKD12,500,001 to HKD13,000,000 (equivalent to RMB 10,521,000 to RMB10,941,000)	–	1
HKD14,000,001 to HKD14,500,000 (equivalent to RMB 11,783,000 to RMB12,204,000)	–	2
HKD19,000,001 to HKD19,500,000 (equivalent to RMB 15,762,000 to RMB16,177,000)	1	–
HKD43,500,001 to HKD44,000,000 (equivalent to RMB 36,611,000 to RMB37,032,000)	–	1
HKD63,000,001 to HKD63,500,000 (equivalent to RMB 52,265,000 to RMB52,680,000)	1	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XI). SHARE-BASED PAYMENTS

2021 Phase I Employee Stock Ownership Plan

As approved by the Annual General Meeting of CMOC held on 21 May 2021, the Company intended to grant the Employee Stock Ownership Plan (ESOP Phase 1) to five incentive recipients ("Holders"). The grant date was 21 May 2021, and the source of the shares came from the A-share ordinary shares of CMOC repurchased by the Company's dedicated repurchase account. The total number of shares granted to the incentive recipients is 48,513,287 shares, and the grant price is RMB2 per share.

According to the ESOP Phase 1, the terms of the plan shall not exceed 48 months and the lock-up period of the underlying shares acquired shall be 12 months, which is calculated from the date when the Employee Stock Ownership Plan is approved by the General Meeting of Shareholders of the Company and the Company announces the last transfer of the underlying shares into the dedicated repurchase account (17 June 2021). After the expiration of the lock-up period of the underlying shares, the interests of the Employee Stock Ownership Plan shall be allocated to the holders in three installments based on the results of the performance assessment, with the allocation ratio of 30%, 30% and 40% respectively. If the performance assessment criteria are not met in any of the assessment periods, the interests corresponding to the allocation period shall not be allocated, and the relevant interests shall be mandatorily withdrawn by the Management Committee at the grant price and transferred to other eligible employees of the Employee Stock Ownership Plan at the price decided by the Management Committee.

The above is subsequently measured as equity-settled share-based payments by the Group.

1. Summary of share-based payments

RMB

	2021
Total number of the Company's equity instruments granted during the period	185,320,756.34
Total number of the Company's equity instruments vested during the period	–
Total number of the Company's equity instruments lapsed during the period	–
Range of exercise prices of the Company's share options outstanding at the end of the period	RMB2
Remaining contractual life of the Company's share options outstanding at the end of the period	About 2.5 years
Range of exercise prices and remaining contractual life of the Company's other equity instruments outstanding at the end of the period	N/A

2. Equity-settled share-based payments

RMB

	2021 Phase I Employee Stock Ownership Plan
The method of determining the fair value of equity instruments at the grant date	Based on the closing price of A shares of the Company at the grant date The basis of determining the number of equity
The basis of determining the number of equity instruments expected to be vested	If the holders meet the requirements stipulated in the "Disposal of the holders' interests" of the stock ownership plan and satisfies the assessment criteria for the Company's performance and personal performance, the corresponding equity instruments are exercisable.
Reasons for the significant difference between the estimate in the current period and that in the prior period	N/A
Amounts of equity-settled share-based payments accumulated in capital reserve	63,060,535.16
Total expenses recognized arising from equity-settled share-based payments	63,060,535.16

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XII). COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

	2021	2020
Contracted but not recognized in the financial statements:		
– Commitment for acquisition and construction of long-term assets	1,723,508	1,512,479
– Commitment for investment (Note)	359,940	164,986
Total	2,083,448	1,677,465

Note: The commitment for investment represents the Group's investment in other non-current financial asset.

As at 31 December 2021, the Group has no other commitments that need to be disclosed.

2. Contingencies

(1) Pending litigation

Copper-Cobalt business of the Group in Congo (DRC)

The Group's Copper-Cobalt business in Congo (DRC) may be involved in some lawsuits, claims and liability claims in the daily operation. 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-phosphate business in Brazil

The Group's Niobium-phosphate business in Brazil may be involved in various litigations and disputes in its daily operation. The management determines the possibility of losing the litigations 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 is low, the management would determine them 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XII). COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(2) *Guarantees*

As at 31 December 2021, the Group provides guarantees for the Australian Northparkes copper and gold mine business to Southwest Welsh government agencies of Australia, with guaranteed amount of AUD 46,940,000 (equivalent to RMB217,140,000). The relevant business venture agrees to any liability of the business compulsory executed from this guarantee. As at 31 December 2021, no material guarantee responsibility was undertaken.

In 2020, IXM, a subsidiary of the Group, provided guarantee for a supplier located in China, assisting the supplier to get facility totaling USD50,000,000.00 from the bank. The maximum guarantee undertaken by IXM is limited to 5.0% of the unsettled principal and interest under the credit facility, while bearing no obligations on the remaining principle and interest of the facility. As at 31 December 2020, the Group's guarantee obligation on the utilized facility amounted to USD1,530,000, equivalent to RMB9,980,000. As at 31 December 2021, such guarantee obligations have expired.

(3) *Issue Relating to Additional Royalties for Reserve Increase of TFM Copper and Cobalt Business in DRC*

The Group calculated and paid the additional royalties for the reserve increase to minority shareholder, Gecamines, in accordance with the first addendum to the amended and restated shareholders' agreement signed by the then shareholders and TFM in 2010 (the "2010 First Addendum to the Shareholders' Agreement"). Since the fourth quarter of 2021, the Group and the management team of TFM kept ongoing communications via conferences with the Special Committee formed by the DRC President's Office on the issues involving the relationship between the two shareholders of TFM, which include the ore reserves of TFM and the corresponding additional royalties paid and payable to non-controlling shareholder, Gecamines, based on the reserves.

Taking into account the interpretation of the 2010 Shareholders' Agreement, all available evidences and the professional opinions of external legal advisers, the management of the Group believes that its previous operation and the payment of the royalties for the reserve increase are in compliance with the 2010 Shareholders' Agreement. As at 31 December 2021 and the date of this announcement, the communications between the Group and the Special Committee of DRC President's Office did not result in the Group having any significant current obligations at the end of the year apart from the relevant additional royalties accrued or paid recorded in the financial statements.

This communication process was complex and dynamic. Gecamines pursued its claims through various means including legal approaches, and the Group also defended its interests in the TFM copper cobalt business in the DRC through various means including multi-level communications with the DRC government and Gecamines. At present, consensus has not been achieved in terms of some details between the Group and the non-controlling shareholder, and in the future the two shareholders will jointly engage an international independent third party to verify the reserve increase and resolve the differences through fair and impartial negotiation. The Group is currently unable to accurately predict or estimate the impact of this event on the financial statements (timing and amount incurred). As of the date of this announcement, TFM copper cobalt business operated normally.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XIII) EVENTS AFTER THE BALANCE SHEET DATE

1. Dividend distribution plan of 2021

According to the proposal of the board of directors, the Company will distribute a cash dividend of RMB0.7125 (2020: RMB0.33 per 10 shares) for every ten shares to all shareholders based on the issued 21,499,240,619 shares (net of the number of shares in the Company's dedicated repurchase account) (par value of RMB0.2 per share) for the year of 2021.

2. The first issue of medium-term notes (continuously linked) in 2022

On 14 February 2022, the Company issued Phase I medium-term notes (continuously linked) for 2022 ("22 Luanchuan Molybdenum MTN001 (continuously linked)") with a total amount of RMB1 billion, an issue rate of 3.8% and a term of 3 years. The medium-term notes are subject to a coupon rate adjustment mechanism during the term of the notes.

3. The first issue of super short-term financing bonds in 2022

On 3 March 2022, the Company issued Phase I super short-term financing bonds for 2022 ("22 Luanchuan Molybdenum SCP001") with a total amount of RMB1 billion and an issue rate of 2.4%. The date of value is 4 March 2022 and date of payment is 2 April 2022.

4. Please refer to respective notes for other events after the balance sheet date other than those disclosed above.

(XIV). OTHER SIGNIFICANT EVENTS

1. Segment Reporting

(1) *Reporting segment's determination basis and accounting policies*

The management divided the Group's business into six (2020: Six) operating segments, namely Molybdenum Tungsten related products, Copper and gold-related products, Niobium and Phosphorus related products, Copper and Cobalt related products, metal trading and others on the basis of the Group's internal organization structure, management requirements and internal reporting system. The Group's management evaluates the operating results of these segments regularly, in order to determine the allocation of resources and assess their performance.

These reporting segments are determined on the basis of internal management and reporting system. Information of segment reporting is disclosed according to segment accounting policies and measurement standards, which should be consistent with those adopted in the preparation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XIV). OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment Reporting (Continued)

(2) Reporting segment's financial information

RMB'000

2021	Molybdenum & tungsten related products	Copper & gold related products	Niobium & Phosphorus related products	Copper & cobalt related products	Metal trading	Others	Unallocated item	Intersegment eliminations	Total
Operating income									
External income	5,350,414	1,652,688	5,086,842	13,268,257	147,993,096	511,289	-	-	173,862,586
Inter-segment income	-	-	-	-	-	-	-	-	-
Total segment operating income	5,350,414	1,652,688	5,086,842	13,268,257	147,993,096	511,289	-	-	173,862,586
Total operating income in the financial statements	5,350,414	1,652,688	5,086,842	13,268,257	147,993,096	511,289	-	-	173,862,586
Operating cost	3,162,552	1,111,003	3,615,904	6,241,622	142,969,072	439,389			157,539,542
Taxes and levies							1,256,078	-	1,256,078
Selling expenses							89,750	-	89,750
Administrative expenses							1,556,010	-	1,556,010
Research and development expenses							272,385	-	272,385
Financial expenses							1,095,057	-	1,095,057
Add: Gains (losses) from changes in fair value							(3,367,749)	-	(3,367,749)
Investment income							110,296	-	110,296
Income (losses) from disposal of assets							(5,275)	-	(5,275)
Other income							58,215	-	58,215
Gains (losses) from assets impairment							(60,725)	-	(60,725)
Gains (losses) from credit impairment							148	-	148
Segment operating profit							8,788,674	-	8,788,674
Operating profit in the financial statements							8,788,674	-	8,788,674
Add: Non-operating income							19,162	-	19,162
Less: Non-operating expenses							52,522	-	52,522
Total profit							8,755,314	-	8,755,314
Less: Income tax expenses							3,327,701	-	3,327,701
Net profit							5,427,613	-	5,427,613

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XIV). OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment Reporting (Continued)

(2) Reporting segment's financial information (Continued)

RMB'000

2020	Molybdenum & tungsten related products	Copper & gold related products	Niobium & Phosphorus related products	Copper & cobalt related products	Metal trading	Others	Unallocated item	Intersegment eliminations	Total
Operating income									
External income	3,550,860	1,436,123	5,195,269	8,294,366	94,069,734	434,667	-	-	112,981,019
Inter-segment income	-	-	-	-	-	-	-	-	-
Total segment operating income	3,550,860	1,436,123	5,195,269	8,294,366	94,069,734	434,667	-	-	112,981,019
Total operating income in the financial statements	3,550,860	1,436,123	5,195,269	8,294,366	94,069,734	434,667	-	-	112,981,019
Operating cost	2,225,528	1,015,888	3,697,505	6,642,682	90,613,744	340,660	-	-	104,536,007
Taxes and levies							892,222	-	892,222
Selling expenses							73,457	-	73,457
Administrative expenses							1,330,306	-	1,330,306
Research and development expenses							173,583	-	173,583
Financial expenses							1,323,263	-	1,323,263
Add: Gains (losses) from changes in fair value							(1,915,935)	-	(1,915,935)
Investment income							408,815	-	408,815
Income (losses) from disposal of assets							(813)	-	(813)
Other income							38,182	-	38,182
Gains (losses) from assets impairment							(246,809)	-	(246,809)
Gains (losses) from credit impairment							11,727	-	11,727
Segment operating profit							2,947,348	-	2,947,348
Operating profit in the financial statements							2,947,348	-	2,947,348
Add: Non-operating income							14,695	-	14,695
Less: Non-operating expenses							85,753	-	85,753
Total profit							2,876,290	-	2,876,290
Less: Income tax expenses							397,649	-	397,649
Net profit							2,478,641	-	2,478,641

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XIV). 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 Switzerland, and sells its products 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.

RMB'000

	2021	2020
Revenue		
China	85,770,993	64,181,302
India	257,385	307,389
Netherland	2,830,587	2,534,105
Korea	13,607,460	7,470,459
Taiwan	629,732	276,254
Belgium	4,603,679	2,132,187
Bulgaria	305,663	452,662
Finland	662,421	1,322,185
France	183,056	84,248
Germany	3,270,876	3,544,451
Italy	200,245	957,283
Spain	1,061,629	863,259
Sweden	1,829,331	612,379
Switzerland	3,400,728	3,273,909
Turkey	1,561,001	421,072
UAE	3,815,705	2,503,932
US	4,051,677	6,043,428
Canada	576,939	327,896
Brazil	6,755,217	4,855,002
Mexico	4,607,390	1,220,780
South Africa	34,285	504,265
Zambia	25,328	127,434
Australia	402,948	14,225
Japan	3,914,842	2,911,285
UK	12,738,151	2,886,052
Singapore	9,171,915	1,445,539
Russia	180,067	147,206
Chile	1,376,580	-
Malaysia	667,531	-
Thailand	1,720,529	-
Slovenia	64,002	-
Greece	-	224,420
Ireland	-	505,923
Others	3,584,694	830,488
Total	173,862,586	112,981,019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XIV). OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment Reporting (Continued)

(3) *External revenue by location of resources or business and non-current assets by location*

RMB'000

Item	2021	2020
External revenue from Chinese business	8,452,251	8,085,502
External revenue from Australian business	1,652,688	1,027,097
External revenue from Brazil business	5,086,842	2,433,549
External revenue from Congo (DRC) business	13,268,257	808,442
External revenue from Switzerland business	145,402,548	100,626,429
Sub-total	173,862,586	112,981,019

RMB'000

Item	31 December 2021	31 December 2020
Non-current assets located in China	9,154,551	10,857,460
Non-current assets located in Australia	4,300,990	4,480,241
Non-current assets located in Brazil	8,638,509	10,207,092
Non-current assets located in Congo (DRC)	36,414,552	33,885,527
Non-current assets located in Switzerland	373,165	509,712
Sub-total	58,881,767	59,940,032

Note: The above non-current assets do not include deferred tax assets, other investments in equity instruments, other non-current financial assets, and non-current derivative financial assets.

(4) *Reliance on major customers*

In 2021 and 2020, there were no major customers of the Group with revenue accounting for over 10% of operating income of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

1. Cash and Bank Balances

RMB

Item	31 December 2021			31 December 2020		
	Amount in original currency	Exchange rate	Amount in RMB	Amount in original currency	Exchange rate	Amount in RMB
Cash:			-			-
RMB	-	-	-	-	-	-
Bank balances:			4,208,336,354.31			4,948,637,106.52
RMB	-	-	4,046,538,081.41	-	-	4,948,557,796.36
USD	25,377,334.71	6.3757	161,798,272.90	12,155.00	6.5249	79,310.16
Other cash and bank balances:			261,457,517.91			2,096,392,321.93
RMB	-	-	261,457,517.91	-	-	2,096,392,321.93
Total			4,469,793,872.22			7,045,029,428.45

Note: As at 31 December 2021, the restricted other cash and bank balances mainly included deposits for mines, certificates of deposit pledged for obtaining short-term borrowings, deposits for derivative financial instruments, which were restricted, amounting to RMB41,278,357.82, RMB125,600,000.00 and RMB73.31 (31 December 2020: RMB52,567,110.15, RMB1,625,600,000.00 and RMB418,217,176.91) respectively.

2. Accounts Receivable

RMB

Category	31 December 2021	31 December 2020
Accounts receivable	1,070,044,033.56	365,342,418.35
– Measured at amortized cost	1,070,044,033.56	365,342,418.35
Total	1,070,044,033.56	365,342,418.35

Credit risk of accounts receivable:

The accounts receivable for which the loss allowance is recognized based on expected credit loss are as follows:

RMB

	31 December 2021			31 December 2020		
	Book balance	Provision for loss	Book value	Book balance	Provision for loss	Book value
Accounts receivable for which the loss allowance is recognized based on expected credit loss	1,080,889,782.87	10,845,749.31	1,070,044,033.56	367,442,563.98	2,100,145.63	365,342,418.35

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

3. Other Receivables

RMB

Item	31 December 2021	31 December 2020
Interest receivable	381,051,625.43	468,074,888.87
Dividend receivable	584,906,084.08	44,006,084.08
Other receivables	2,954,015,971.56	3,170,568,218.33
Total	3,919,973,681.07	3,682,649,191.28

Credit risk of other receivables:

The other receivables for which the loss allowance is recognized based on expected credit loss are as follows

RMB

	31 December 2021			31 December 2020		
	Book balance	Provision for loss	Book value	Book balance	Provision for loss	Book value
Other receivables for which the loss allowance is recognized based on expected credit loss	2,981,753,444.61	27,737,473.05	2,954,015,971.56	3,193,425,691.38	22,857,473.05	3,170,568,218.33

As at 31 December 2021, the management of the Company believes that there's no significant ECL on the remaining receivables, except for the receivables of RMB27,737,473.05 (31 December 2020: RMB22,857,473.05) that have become credit-impaired and for which impairment has been provided fully.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

4. Long-Term Equity Investments

Details of long-term equity investments are as follows:

RMB

Investee	Initial investment cost	31 December 2021	31 December 2020
Under equity method			
Yulu Mining	20,000,000.00	74,533,921.32	78,399,984.45
Huan Yu	973,335,000.00	432,362,938.25	530,037,670.29
Fuchuan Mining	–	3,163,495.92	–
Luoyang Shenyu	1,500,000.00	2,901,884.19	2,454,764.46
Sub-total	994,835,000.00	512,962,239.68	610,892,419.20
Under cost method – subsidiaries			
Ye Lian	5,638,250.27	5,638,250.27	5,638,250.27
Xiao Shou Mao Yi	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	290,000,000.00	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
Fu Kai	261,520,000.00	261,520,000.00	261,520,000.00
Sales Company (note 1)	50,000,000.00	50,700,000.00	50,700,000.00
Qi Xing	46,963,636.00	46,963,636.00	46,963,636.00
CMOC Limited (note 1)	575,797,299.48	25,889,849,209.48	25,866,849,209.48
Schmocke	500,000,000.00	660,000,000.00	660,000,000.00
Beijing Yongbo	10,000,000.00	267,800,000.00	267,800,000.00
CMOC Mining (note 1)	–	39,000,000.00	39,000,000.00
High-tech	189,394,789.58	189,394,789.58	189,394,789.58
Yuehe Properties	60,232,948.26	–	60,232,948.26
Shanghai Donghe Trading Co., Ltd. (note 3)	–	63,060,535.16	–
Luoyang Xin Chu	47,036,000.00	47,036,000.00	–
Junlong Mining	26,000,000.00	26,000,000.00	–
Sub-total	5,681,548,865.25	31,529,130,600.56	31,362,167,013.66
Total	6,676,383,865.25	32,042,092,840.24	31,973,059,432.86
Less: Impairment provision (note 2)		62,254,715.50	60,769,322.96
Net long-term equity investments		31,979,838,124.74	31,912,290,109.90

Note 1: The Company provides guarantee for the subsidiaries' USD borrowings and recognizes relevant investment cost on the basis of the fair value of the guarantee.

Note 2: Impairment provision made by the Company's subsidiaries Fu Run, Jiu Yang, San Qiang, Da Dong Po.

Note 3: Investment cost recognized by the Company for settlement of employee stock ownership plan of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

5. Operating Income, Operating Costs

Item	RMB	
	2021	2020
Principal operating income	4,061,543,078.89	2,743,178,634.78
Other operating income	296,973,641.75	175,328,528.66
Principal operating cost	1,968,187,736.11	1,390,652,941.21
Other operating cost	220,439,733.20	140,257,066.80

6. Investment Income

Item	RMB	
	2021	2020
Loss from long-term equity investments under equity method	(9,030,179.52)	(7,314,791.87)
Investment income from other non-current financial assets (Note (V) 12)	22,855,150.00	44,102,706.96
Investment income from held-for-trading financial assets	13,562,354.97	75,626,728.22
Dividends income from subsidiaries	977,000,000.00	-
Investment loss from disposal of subsidiaries	(4,911,143.16)	-
Others	(4,401,355.54)	-
Total	995,074,826.75	112,414,643.31

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

7. Supplementary Information To The Cash Flow Statement

RMB

Supplementary information	2021	2020
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,677,719,051.12	87,720,506.30
Add: Provision for impairment on assets	16,471,764.09	72,593,250.10
Provision for credit impairment	84,410.88	(4,131,033.03)
Depreciation of fixed assets	174,001,637.24	161,110,762.50
Amortization of intangible asset	35,650,999.62	45,438,319.61
Amortization of long-term prepaid expenses	41,455,006.65	34,023,239.17
(Income) losses on disposal of fixed assets, intangible assets and other long-term assets	(11,742,662.34)	10,298,027.59
Fair value change losses (gains are indicated with "-")	915,212,185.40	652,937,002.83
Financial expenses (income is indicated with "-")	336,921,997.43	373,740,091.72
Investment loss (income is indicated with "-")	(995,074,826.75)	(112,414,643.31)
Changes in deferred tax assets/liabilities	59,558,432.12	(82,386,439.02)
Decrease in inventories (increase is indicated with "-")	16,288,287.80	(56,950,572.39)
Decrease in operating receivables (increase is indicated with "-")	(650,836,859.57)	(307,759,420.57)
Increase in operating payable (decrease is indicated with "-")	114,946,919.14	(121,424,834.18)
Amortization of deferred income	(385,585.80)	(385,585.80)
Increase in special reserve (decrease is indicated with "-")	142,660.59	130,270.80
Net cash flow from operating activities	1,730,413,417.62	752,538,942.32
2. Net changes in cash and cash equivalents:		
Closing balance of cash	4,208,336,354.31	4,948,637,106.52
Less: Opening balance of cash	4,948,637,106.52	3,233,637,947.06
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net (decrease) increase in cash and cash equivalents	(740,300,752.21)	1,714,999,159.46

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8. Related Party Relationships and Transactions

Please refer to Note (VII) 1 for details of the subsidiaries of the Company and Note (V) 11 for associates and joint ventures of the Company.

(1) Details of related party transactions

(1.1) Sales and purchase of goods, provision and receipt of services

RMB

Related party	Type of transaction	Content of the transaction	Pricing method and decision-making process	2021 Amount	2020 Amount
Sales Company	Goods	Sales of goods	Contract price	307,818,316.55	300,803,580.16
Ye Lian	Goods	Sales of goods	Contract price	2,025,395,208.17	1,089,800,722.29
Da Dong Po	Goods	Sales of goods/provision of services related to tailing processing	Contract price	86,893,324.24	75,801,128.35
Jiu Yang	Goods	Sales of goods	Contract price	89,435.90	14,155.51
San Qiang	Goods	Sales of goods	Contract price	95,433,820.70	41,918,097.61
Wu Ye	Goods	Sales of goods	Contract price	722,169,118.13	850,888,449.26
Metal Material	Goods	Sales of goods	Contract price	159,032.92	304,784,417.19
Xin Jiang Luo Mu	Service	Provision of services	Contract price	3,394.80	3,221.20
Beijing Yongbo	Service	Provision of services	Contract price	61,715,028.93	30,442,498.01
High-tech	Goods	Sales of goods	Contract price	739,800.72	45,294.46
International Hotel	Goods	Sales of goods	Contract price	180,000.00	-
Schmoeke	Service	Provision of services	Contract price	32,619.47	-
IXM	Goods	Sales of goods	Contract price	85,789,066.28	-
Dinghong	Goods	Sales of goods	Contract price	458,435,621.05	-
Total				3,844,853,787.86	2,694,501,564.04
Jiu Yang	Goods	Purchase of goods and materials	Contract price	17,894,742.90	56,432.48
Metal Material	Service/goods	Receipt of service/purchase of goods and materials	Contract price	-	326,051.86
Xiao Shou Mao Yi	Goods	Purchase of goods and materials	Contract price	-	172,803.69
Ye Lian	Service	Receipt of service	Contract price	7,904.00	799,250.44
Schmoeke	Service	Receipt of service	Contract price	-	15,050,515.89
International Hotel	Service	Receipt of service	Contract price	-	1,303,658.65
Da Dong Po	Service/goods	Receipt of service/purchase of goods and materials	Contract price	71,329,394.98	62,161,782.22
Wu Ye	Goods	Purchase of goods and materials	Contract price	49,447.43	102,543.36
San Qiang	Goods	Purchase of goods and materials	Contract price	2,053,089.24	1,509,173.30
High-tech	Goods	Purchase of goods and materials	Contract price	92,168.97	82,143.17
CMOC Limited	Service	Receipt of service	Contract price	-	24,374,352.65
Total				91,426,747.52	105,938,707.71

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8. Related Party Relationships and Transactions (Continued)

(1) Details of related party transactions (Continued)

(1.2) Loans and borrowings with the related parties

Except for the related party financing disclosures in Note (X) 6, the financing transactions between the Company and other related parties are as follows:

RMB

	Lending in the current year	Recovery in the current year	Closing balance of current year	Lending in the prior year	Recovery in the prior year	Closing balance of prior year
Lent to:						
Sales Company	3,480,342,382.49	3,870,622,300.00	525,127,932.49	3,525,431,850.00	4,162,194,447.95	915,407,850.00
Ye Lian	1,454,272,391.61	1,326,965,603.34	226,799,060.39	2,747,865,072.12	2,648,372,800.00	99,492,272.12
International Hotel	-	82,489,065.18	-	-	-	82,489,065.18
Jiu Yang	120,907,227.18	-	120,907,227.18	-	-	-
Metal Material	60,000.00	60,000.00	-	350,000,000.00	350,000,000.00	-
CMOC HK	-	652,490,000.00	-	-	45,130,000.00	652,490,000.00
CMOC Limited	35,732,602.74	287,917,351.00	35,732,602.74	707,100,000.00	1,625,591,699.00	287,917,351.00
Qi Xing	345,547.82	-	68,072,994.86	677,285.08	58,501.34	67,727,447.04
Schmoeke	2,003,922,420.00	1,422,944,375.38	1,067,022,410.00	1,220,824,365.38	1,348,780,000.00	486,044,365.38
Fu Run	828.37	-	11,578,195.25	-	-	11,577,366.88
Yuehe Properties	68,654.32	144,337.74	-	430,040.58	60,232,948.26	75,683.42
Wu Ye	150,000,000.00	150,000,000.00	-	150,000,000.00	150,000,000.00	-
Beijing Yongbo	1,494,000,000.00	1,684,772,630.01	-	637,229,439.21	446,456,809.20	190,772,630.01
Dinghong	1,454,085,200.61	900,200,953.34	803,884,297.67	1,444,000,000.00	1,193,999,949.60	250,000,050.40
IXM	1,978,054,901.52	1,905,127,417.81	72,927,483.71	300,545,416.67	300,545,416.67	-
Total	12,171,792,156.66	12,283,734,033.80	2,932,052,204.29	11,084,103,469.04	12,331,362,572.02	3,043,994,081.43

RMB

	Borrowing in the current year	Repayment in the current year	Closing balance of current year	Borrowing in the prior year	Repayment in the prior year	Closing balance of prior year
Borrowed from:						
Sales Company	3,869,137,716.56	3,401,973,172.16	467,164,544.40	-	164,234,982.55	-
Xiao Shou Mao Yi	150,647.13	19,538,169.17	-	-	-	19,387,522.04
Wu Ye	1,780,393,652.90	1,775,262,815.33	5,437,024.82	-	-	306,187.25
Metal Material	52,861,945.51	48,877,386.44	4,308,048.82	-	-	323,489.75
San Qiang	133,068,272.84	133,047,620.66	417,442.88	-	-	396,790.70
Da Dong Po	188,569,816.95	188,718,472.75	512,070.44	-	-	660,726.24
Da Chuan	-	-	-	-	14,820,992.46	-
Xin Jiang Luo Mu	31,981,464.74	45,043,475.22	166,242,812.41	-	-	179,304,822.89
Fu Kai	-	10,000,000.00	1,295,366.25	-	-	11,295,366.25
Hu Qi	-	9,895,366.25	-	-	-	9,895,366.25
Ye Lian	4,338,883,399.16	4,338,883,399.16	-	-	507,727.88	-
Schmoeke	997,975,206.20	524,367,393.73	591,248,083.00	263,691,598.58	264,585,741.04	117,640,270.53
Beijing Yongbo	801,044,708.50	534,770,252.29	324,800,409.47	608,169,028.69	583,975,312.26	58,525,953.26
CMOC Limited	1,229,847,918.68	575,134,828.07	1,659,775,444.00	1,016,994,956.13	11,932,602.74	1,005,062,353.39
Dinghong	1,896,730,304.73	2,136,082,156.94	65,950,742.49	468,524,462.23	163,221,867.53	305,302,594.70
IXM	834,273.82	51,074,800.58	35.66	50,248,918.32	8,355.90	50,240,562.42
Jiu Yang	18,662,745.37	8,888,634.57	9,774,110.80	-	-	-
International Hotel	52,451,174.66	32,423,371.73	20,027,802.93	-	-	-
CMOC HK	16,224,659.68	-	16,224,659.68	-	-	-
High-tech	34,773,860.81	28,355,614.56	6,418,246.25	-	-	-
Total	15,443,591,768.24	13,862,336,929.61	3,339,596,844.30	2,407,628,963.95	1,203,287,582.36	1,758,342,005.67

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8. Related Party Relationships and Transactions (Continued)

(1) Details of related party transactions (Continued)

(1.3) Interest on related party borrowings/loans

The interest on the Company's borrowings from/loans to related parties is as follows:

	2021 RMB	2020 RMB
Net interest paid to (received from) subsidiaries	(31,202,201.68)	(94,425,828.43)

(1.4) Guarantees with related parties

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	AUD37,000,000	18 December 2013	21 November 2023	Yes
China Molybdenum Co., Ltd.	CMOC Brazil and CMOC Luxembourg	USD900,000,000	29 September 2016	14 September 2023	Yes
China Molybdenum Co., Ltd.	CMOC Congo (DRC)	USD1,590,000,000	15 November 2016	15 November 2023	No
China Molybdenum Co., Ltd.	CMOC Capital	USD300,000,000	01 February 2019	01 February 2022	No
China Molybdenum Co., Ltd.	CMOC Limited	USD600,000,000	05 February 2020	03 February 2025	No
China Molybdenum Co., Ltd.	CMOC Limited	RMB700,000,000	02 June 2020	02 June 2025	No
China Molybdenum Co., Ltd.	CMOC Limited	USD100,000,000	03 August 2020	03 August 2023	No
China Molybdenum Co., Ltd.	CMOC Limited	USD504,000,000	27 August 2021	03 June 2024	No
China Molybdenum Co., Ltd.	CMOC Limited	RMB1,500,000,000	26 May 2021	26 May 2024	No
China Molybdenum Co., Ltd.	Shanghai Aoyide	RMB50,000,000	08 June 2020	08 June 2024	No
China Molybdenum Co., Ltd.	Shanghai Aoyide	USD25,000,000	11 June 2021	12 June 2022	No
China Molybdenum Co., Ltd.	Shanghai Aoyide	USD4,000,000	14 July 2020	14 July 2026	No
China Molybdenum Co., Ltd.	Shanghai Aoyide	USD20,000,000	25 November 2020	12 June 2022	No
China Molybdenum Co., Ltd.	Shanghai Aoyide	RMB50,000,000	17 February 2021	09 May 2022	No
China Molybdenum Co., Ltd.	Shanghai Aoyide	USD25,000,000	13 June 2021	12 June 2022	No
China Molybdenum Co., Ltd.	Dinghong, Donghe, Shanghai Aoyide	USD100,000,000	25 November 2021	25 November 2024	No
China Molybdenum Co., Ltd.	Metal Material	RMB700,000,000	30 November 2020	30 December 2021	Yes
China Molybdenum Co., Ltd.	Fu Chuan	RMB400,000,000	18 December 2020	17 December 2021	Yes
China Molybdenum Co., Ltd.	Fu Chuan	RMB400,000,000	17 December 2020	17 December 2021	Yes
China Molybdenum Co., Ltd.	Fu Chuan	RMB376,000,000	07 December 2021	18 June 2023	No
China Molybdenum Co., Ltd.	Fu Chuan	RMB383,000,000	10 December 2021	09 February 2023	No
China Molybdenum Co., Ltd.	Fu Chuan	RMB80,000,000	30 November 2021	29 December 2022	No
China Molybdenum Co., Ltd.	Wu Ye	RMB235,000,000	22 December 2021	22 June 2023	No
China Molybdenum Co., Ltd.	Huayue Nickel Cobalt	USD100,000,000	30 September 2021	21 March 2029	No
China Molybdenum Co., Ltd. (note)	BHR Newwood Investment Management Limited	USD690,000,000	05 April 2017	05 April 2024	No

Note: On 11 July 2017, as decided by the resolution of the Investment Committee of the Company, the Company increased investment of RMB1,872,972,510.00 in the form of conversion of capital by debt in its wholly-owned subsidiary CMOC Limited; in the meanwhile, the Company provided guarantee for the borrowings denominated in USD of BHR, subsidiary of CMOC Limited in 2021 and recognized relevant investment cost based on the fair value of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8. Related Party Relationships and Transactions (Continued)

(2) Amount due from/to related parties

RMB

Account	Related party	31 December 2021	31 December 2020
Accounts receivable	Ye Lian	855,927,219.91	145,636,557.40
	Da Dong Po	56,556,574.99	104,472,353.22
	San Qiang	86,521,670.72	66,145,105.66
	Wu Ye	–	14,659,789.31
	High-tech	485,306.13	51,182.75
	Beijing Yongbo	65,417,930.64	–
	Xin Jiang Luo Mu	3,836.12	–
Dividends receivable	Jiu Yang	26,993,751.76	26,993,751.76
	San Qiang	10,118,892.09	10,118,892.09
	Da Dong Po	6,893,440.23	6,893,440.23
	Sales Company	290,000,000.00	–
	Ye Lian	134,000,000.00	–
	Wu Ye	116,000,000.00	–
Other receivables	Sales Company	525,127,932.49	915,407,850.00
	CMOC HK	–	652,490,000.00
	Schmocke	1,067,022,410.00	486,044,365.38
	CMOC Limited	35,732,602.74	287,917,351.00
	Beijing Yongbo	–	190,772,630.01
	Qi Xing	68,072,994.86	67,727,447.04
	International Hotel	–	82,489,065.18
	Ye Lian	226,799,060.39	99,492,272.12
	Fu Run	11,578,195.25	11,577,366.88
	Yuehe Properties	–	75,683.42
	Dinghong	803,884,297.67	250,000,050.40
	Jiu Yang	120,907,227.18	–
	IXM	72,927,483.71	–
	Interest receivable	CMOC Limited	–
Sales Company		32,273,030.35	21,691,095.75
Beijing Yongbo		–	9,404,680.25
Jiu Yang		3,690,794.50	–
Ye Lian		5,631,411.12	5,371,096.32
Metal Material		1,610,572.68	1,610,572.68
Dinghong		9,650,454.76	1,533,981.39
Wu Ye		–	1,192,034.82
IXM		–	237,842.09
CMOC HK		110,953,497.67	202,239,331.16
Schmocke		24,943,640.14	7,577,083.54

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8. Related Party Relationships and Transactions (Continued)

(2) Amount due from/to related parties (Continued)

RMB

Account	Related party	31 December 2021	31 December 2020
Interest payable	Sales Company	2,371,505.80	660,356.13
	Wu Ye	1,870,981.40	552,969.13
	Xin Jiang Luo Mu	486,050.06	507,614.60
	International Hotel	54,862.36	79,812.82
	Beijing Yongbo	215,425.69	56,248.75
	Jiu Yang	22,730.42	52,467.08
	Xiao Shou Mao Yi	–	25,150.69
	Metal Material	–	17,293.48
	San Qiang	14,714.44	2,024.11
	Da Dong Po	10,270.65	786.16
	Ye Lian	1,799,401.49	–
	Dinghong	53,243.09	–
	CMOC Limited	41,393,961.14	–
	Other payables	CMOC Limited	1,659,775,444.00
Xin Jiang Luo Mu		166,242,812.41	179,304,822.89
Schmocke		591,248,083.00	117,640,270.53
IXM		35.66	50,240,562.42
Wu Ye		5,437,024.82	306,187.25
CMOC HK		16,224,659.68	–
Xiao Shou Mao Yi		–	19,387,522.04
Fu Kai		1,295,366.25	11,295,366.25
Hu Qi		–	9,895,366.25
Dinghong		65,950,742.49	305,302,594.70
San Qiang		417,442.88	396,790.70
Da Dong Po		512,070.44	660,726.24
Metal Material	4,308,048.82	323,489.75	
Sales Company	467,164,544.40	–	
Beijing Yongbo	324,800,409.47	58,525,953.26	
International Hotel	20,027,802.93	–	
High-tech	6,418,246.25	–	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

8. Related Party Relationships and Transactions (Continued)

(2) Amount due from/to related parties (Continued)

RMB

Account	Related party	31 December 2021	31 December 2020
Accounts payable	Jiu Yang	9,774,110.80	–
	Da Dong Po	37,830,681.44	5,658,471.57
	Mudu Trading	–	1,992,480.00
	San Qiang	–	902,902.19
	Ye Lian	–	689,928.00
	Jiu Yang	4,355,162.30	633,564.00
	Metal Material	–	58,365.64
	High-tech	–	30,102.75
Contract liabilities	Qi Xing	1,540.52	–
	Metal Material	17,740,558.33	17,685,087.73
	Wu Ye	37,833,950.59	–
	Sales Company	15,944,593.62	150,922,501.79
	Dinghong	33,926,193.82	–
Prepayments	IXM	17,729,574.00	–
	Beijing Yongbo	73,586.68	73,586.68
Held-for-trading financial assets	IXM	46,755,873.65	–
Financing receivables	Ye Lian	150,000,000.00	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(XVI). SUPPLEMENTARY INFORMATION

1. Non-Recurring Profit and Loss

RMB

Item	2021
Net profit	5,427,613,342.56
Add (less): Non-recurring profit or loss items	
– Loss on disposal of non-current assets	5,274,617.13
– Government grants	(58,214,845.39)
– Impairment losses of long-term assets	35,158,285.06
– Donation expenses	15,571,939.10
– Fair value changes arising from held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other non-current financial assets besides the transactions under effective hedging relationship relating to the Company's normal course of operation, as well as investment income from disposal of the above financial assets/liabilities	3,663,615,218.75
– Other fair value change losses	(11,320,945.27)
– Other net non-operating income or expenses other than the above	17,787,595.90
– Other profit or loss that meets the definition of non-recurring profit or loss (note)	(1,165,641.55)
– Profit or loss relating to metal trading business other than above items	(4,867,724,256.55)
Sub-total	(1,201,018,032.82)
Income tax effects from non-recurring profit or loss items	198,826,642.76
Net profit after deducting non-recurring profit or loss items	4,425,421,952.50
Including: Net profit attributable to shareholders of the parent company	4,103,233,118.22
Net profit attributable to minority interests	322,188,834.28

Note: This represents the investment income from disposal of subsidiaries.

2. Return on Net Assets And Earnings Per Share ("EPS")

The calculation of net assets and EPS is prepared by China Molybdenum Co., Ltd. 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.

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	12.93	0.24	0.24
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	10.39	0.19	0.19



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



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