



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

Stock Code: 3993

2015 Annual Report

*For identification purposes only

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All statements, other than statements of historical facts, that address business activities, events or developments that the Company expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. The Company’s actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various variables and uncertainties. The Company makes the forward-looking statements in the annual report for the year referred to herein as at 24 March 2016 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.

COMPANY PROFILE

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

The Company is primarily engaged in the mining and processing, smelting, deep processing, trade, research and development of molybdenum, tungsten, copper, gold and other precious and base metals. It possesses a complete industry chain which integrates upstream and downstream processes including the molybdenum mining, processing, roasting, molybdenum chemical products and molybdenum metal processing. As one of the leading molybdenum producers in the world, the Company has the highest production capacity in ferromolybdenum and molybdenum oxides in the PRC. The Company is also one of the largest tungsten concentrates producer in the PRC and the fourth largest existing copper producer in Australia. The Company operates its wholly-owned Sandaozhuang molybdenum/tungsten mine (三道莊鉬鎢礦), one of the largest proved reserves of molybdenum and the second largest proved reserves of tungsten in the world, with very competitive cost for both molybdenum and tungsten. CMOC Mining Pty Limited (“**CMOC Mining**”), a wholly-owned subsidiary of the Company, operates the Northparkes copper and gold mine in Australia (“**NPM**”). NPM is operated with a technologically advanced and highly automated mining method of block caving, and is characterized by its high-quality products, low production cost and long years for processing. In addition, the Shangfanggou molybdenum/iron mine (上房溝鉬鐵礦), which is owned by Luoyang Fuchuan Mining Co., Ltd. (洛陽富川礦業有限公司) (“**Luoyang Fuchuan**”), a joint venture of the Company, is in close proximity to the Sandaozhuang molybdenum mine and has an abundant high-grade molybdenum reserve. The molybdenum mine located in East Gobi, Hami, Xinjiang owned by Xinjiang Luomu Mining Co., Ltd. (新疆洛鉬礦業有限公司) (“**Xinjiang Luomu**”), a subsidiary of the Company, was the first huge porphyry-type molybdenum mine discovered in Xinjiang, the PRC. The mine is large in scale, of high grade, shallow in terms of burial depth and easy for open mining.

The vision of the Company is to become a respected international group. While solidifying and stabilizing the existing advantage in the industry, the Company is dedicated in investments of integrated high-quality resources projects on a global scale and the effective implementation of internationalization strategy of the Company amid the industrial downturn leveraging on its advanced management philosophy, team advantages, good credit and multi-channel financing platform. The Company possessed a professional management team for international acquisition which allows the Company to have a better grasp of domestic and overseas industrial development trend. Based on the market movements and timely adjustments to the Company’s development strategy, the Company constantly solidified its competitive advantage in order to develop the Company into an internationalized resources management group equipped with global vision and in-depth industrial consolidation capability.

The focus of our developmental strategies will be:

- To strengthen and maintain the existing highly competitive cost advantage, be dedicated to continue to reduce costs, improve the management, enhance the efficiency and dig out the potential within the Company;
- To continue to manage and optimize the balance sheet, dispose non-core or under-performing assets and construct multi-channels investment and financing platform; and
- Based on scale, industry chains, technology, funds, market, management advantages and financing platform, by transforming structural adjustments and the way of growth, to actively promote the resources acquisition, and to prioritize mergers and acquisitions of or investment in such quality and mature resources projects which are located in a politically stable area and have good cash flow.

FINANCIAL HIGHLIGHTS

1. CONSOLIDATED BALANCE SHEET

Items	As at 31 December		Increase (decrease)
	2015 RMB	2014 RMB	
Current assets:			
Bank balances and cash	10,414,479,302.30	9,325,581,044.71	11.68%
Financial assets at fair value through profit or loss	4,838,045.50	–	100.00%
Note receivables	602,079,822.07	1,158,139,987.39	-48.01%
Accounts receivable	744,253,181.48	851,358,849.42	-12.58%
Prepayments	227,105,140.15	272,450,320.91	-16.64%
Interests receivable	86,297,819.57	55,295,452.15	56.07%
Dividends receivable	–	61,226,476.23	-100.00%
Other receivables	120,062,905.23	48,949,578.33	145.28%
Inventories	592,503,598.48	432,754,646.84	36.91%
Other current assets	2,940,139,813.99	2,559,100,452.85	14.89%
Total current assets	15,731,759,628.77	14,764,856,808.83	6.55%
Non-current assets:			
Available-for-sale financial assets	2,373,165,292.11	4,928.00	48,156,663.23%
Long-term equity investment	1,260,507,394.45	1,484,565,921.78	-15.09%
Fixed assets	4,495,248,544.61	4,983,502,274.40	-9.80%
Construction in progress	478,679,498.42	372,524,643.53	28.50%
Inventories	275,057,127.19	307,737,812.71	-10.62%
Intangible assets	3,836,026,995.53	3,915,838,078.45	-2.04%
Long-term deferred expenses	124,474,656.00	115,221,782.30	8.03%
Deferred tax assets	412,936,675.15	307,825,177.99	34.15%
Other non-current assets	1,892,672,672.91	1,802,798,943.92	4.99%
Total non-current assets	15,148,768,856.37	13,290,019,563.08	13.99%
Total assets	30,880,528,485.14	28,054,876,371.91	10.07%

FINANCIAL HIGHLIGHTS

1. CONSOLIDATED BALANCE SHEET (Continued)

Items	As at 31 December		Increase (decrease)
	2015 RMB	2014 RMB	
Current liabilities:			
Short-term borrowings	2,906,199,075.88	305,950,000.00	849.89%
Financial liabilities measured at fair value through profit or loss	1,505,910,504.53	998,690,650.00	50.79%
Note payable	782,730,000.00	156,900,000.00	398.87%
Accounts payable	237,376,385.26	192,793,812.46	23.12%
Receipts in advance	37,781,869.32	76,780,913.29	-50.79%
Employee benefits payable	113,520,910.57	137,777,636.28	-17.61%
Taxes payable	-123,612,410.35	207,789,199.47	-159.49%
Interests payable	53,942,855.95	47,062,873.80	14.62%
Dividends payable	27,885,796.67	27,885,796.67	0.00%
Other payables	208,404,265.84	253,313,764.07	-17.73%
Non-current liabilities due within one year	2,494,899,714.54	578,277,474.64	331.44%
Other current liabilities	523,896,357.63	16,651,701.67	3,046.20%
Total current liabilities	8,768,935,325.84	2,999,873,822.35	192.31%
Non-current liabilities:			
Long-term loan	1,941,586,400.00	4,160,920,000.00	-53.34%
Bonds payable	2,000,000,000.00	5,438,722,886.26	-63.23%
Provision	290,908,169.51	280,949,808.78	3.54%
Other non-current liabilities	62,407,518.53	29,876,208.25	108.89%
Total non-current liabilities	4,294,902,088.04	9,910,468,903.29	-56.66%
Total liabilities	13,063,837,413.88	12,910,342,725.64	1.19%
Shareholders' equity:			
Share capital	3,377,439,739.80	1,015,234,105.00	232.68%
Capital reserve	10,720,306,602.38	9,529,866,110.21	12.49%
Other comprehensive income	-632,492,717.76	-208,549,984.41	203.28%
Special reserve	115,200,675.56	271,924,909.24	-57.64%
Surplus reserve	786,050,081.94	704,898,171.11	11.51%
Retained profits	2,986,976,808.88	3,320,200,571.47	-10.04%
Total equity attributable to the shareholders of the parent company	17,353,481,190.80	14,633,573,882.62	18.59%
Minority interests	463,209,880.46	510,959,763.65	-9.35%
Total shareholders' equity	17,816,691,071.26	15,144,533,646.27	17.64%
Total liabilities and shareholders' equity	30,880,528,485.14	28,054,876,371.91	10.07%

FINANCIAL HIGHLIGHTS

2. CONSOLIDATED INCOME STATEMENT

Items	For the year ended 31 December		
	2015 RMB	2014 RMB	Increase (decrease)
I. Total operating revenue	4,196,839,621.19	6,662,382,123.45	-37.01%
Including: Operating Revenue	4,196,839,621.19	6,662,382,123.45	-37.01%
Less: Operating costs	2,622,448,241.43	3,871,429,795.40	-32.26%
Business taxes and levies	242,473,353.45	349,981,670.62	-30.72%
Selling expenses	84,672,795.26	99,817,516.25	-15.17%
Administrative expenses	357,173,860.29	448,352,128.52	-20.34%
Financial expenses	46,182,116.53	181,697,640.05	-74.58%
Impairment losses of assets	230,442,603.42	105,559,909.17	118.31%
Add: Gains (losses) from changes in fair values (loss is filled in column with "-")	-2,773,209.03	888,370.00	-412.17%
Investment income (loss is filled in column with "-")	116,593,344.54	531,758,189.98	-78.07%
Including: Income from investments in associates and joint ventures	-9,858,527.33	86,466,625.43	-111.40%
II. Operating profit (loss is filled in column with "-")	727,266,786.32	2,138,190,023.42	-65.99%
Add: Non-operating income	50,152,647.68	66,656,292.09	-24.76%
Including: Income from disposal of non-current assets	4,079,367.52	21,670,101.53	-81.18%
Less: Non-operating expenses	94,601,056.79	56,786,238.27	66.59%
Including: Losses from disposal of non-current assets	42,120,590.15	51,055,392.73	-17.50%
III. Total profit (the total loss is filled in column with "-")	682,818,377.21	2,148,060,077.24	-68.21%
Less: Income tax expenses	-20,289,977.76	347,858,293.20	-105.83%
IV. Net profit (the total loss is filled in column with "-")	703,108,354.97	1,800,201,784.04	-60.94%
Net profit attributable to owners of the parent company	761,160,070.18	1,824,255,286.97	-58.28%
Profit or loss attributable to minority interests	-58,051,715.21	-24,053,502.93	141.34%
V. Other comprehensive income, net of tax	-423,942,733.35	-157,520,863.72	169.13%
Other comprehensive income attributable to owners of the parent company, net of tax	-423,942,733.35	-157,520,863.72	169.13%
(1) Other comprehensive income not to be reclassified subsequently to profit or loss	-	-	-
(2) Other comprehensive income to be reclassified subsequently to profit or loss	-423,942,733.35	-157,520,863.72	169.13%
Including: 1. Exchange differences arising from translation of financial statements denominated in foreign currencies	-154,955,081.45	-157,520,863.72	-1.63%
2. Gains or losses from changes in the fair value of available-for-sale financial assets	-268,987,651.90	-	100.00%
Other comprehensive income attributable to minority interests, net of tax	-	-	-

FINANCIAL HIGHLIGHTS

2. CONSOLIDATED INCOME STATEMENT (Continued)

Items	For the year ended 31 December		Increase (decrease)
	2015 RMB	2014 RMB	
VI. Total comprehensive income	279,165,621.62	1,642,680,920.32	-83.01%
Total comprehensive income attributable to owners of the parent company	337,217,336.83	1,666,734,423.25	-79.77%
Total comprehensive income attributable to minority interests	-58,051,715.21	-24,053,502.93	141.34%
VII. Earnings per share:			
(1) Basic earnings per share (Note 1)	0.05	0.12	-58.33%
(2) Diluted earnings per share (Note 2)	0.05	0.12	-58.33%

Note 1: As the Company completed capitalisation of capital reserve for the year, and in accordance with rules such as Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)(*公開發行證券的公司信息披露編報規則第9號–淨資產收益率和每股收益的計算及披露*) (2010年修訂), the Accounting Standards for Business Enterprises No. 34 – Earnings per Share (企業會計準則第34號–每股收益) and the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – The Contents and Formats of Annual Report (2015 Revision)(*公開發行證券的公司信息披露內容與格式準則第2號–年度報告的內容與格式*) (2015年修訂)), the Company has restated the number of outstanding ordinary shares on the same basis as at the beginning of the year and, in the meantime adjusted the earnings per share for 2014 from RMB0.36 to RMB0.12 retrospectively.

Note 2: As at the end of the year, the Company had no outstanding diluted ordinary shares (As at the end of last year: the Company's outstanding potential ordinary shares did not have dilutive effect).

FINANCIAL HIGHLIGHTS

3. CONSOLIDATED CASH FLOW STATEMENT

Items	For the year ended 31 December		Increase (decrease)
	2015 RMB	2014 RMB	
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services	4,627,214,360.67	7,859,617,868.81	-41.13%
Refund of taxes	-	-	-
Other cash receipts relating to operating activities	488,703,678.64	119,587,736.21	308.66%
Sub-total of cash inflows from operating activities	5,115,918,039.31	7,979,205,605.02	-35.88%
Cash payments for goods purchased and services received	1,887,827,372.50	2,372,217,158.40	-20.42%
Cash payments to and on behalf of employees	639,924,248.75	691,883,777.41	-7.51%
Payments of various types of taxes	909,091,638.20	1,092,799,630.87	-16.81%
Other cash payments relating to operating activities	320,302,856.46	187,257,901.17	71.05%
Sub-total of cash outflows from operating activities	3,757,146,115.91	4,344,158,467.85	-13.51%
Net cash flow from operating activities	1,358,771,923.40	3,635,047,137.17	-62.62%
II. Cash flows from investing activities:			
Cash receipts from disposals and recovery of investments	12,223,309,959.59	4,668,357,974.57	161.83%
Cash receipts from investment income	250,866,836.77	292,301,129.18	-14.18%
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	12,518,392.27	73,233,797.38	-82.91%
Cash receipts from acquisitions or disposals of subsidiaries and other business units	4,282.41	814,373,425.01	-100.00%
Other cash receipts relating to investing activities	163,708,746.00	34,200,000.00	378.68%
Sub-total of cash inflows from investing activities	12,650,408,217.04	5,882,466,326.14	115.05%
Cash payments for acquisitions or disposals of subsidiaries and other business units	86,272.98	-	100.00%
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	592,982,562.47	601,565,585.43	-1.43%
Cash payments to acquire investments	12,122,847,408.83	9,229,000,000.00	31.36%
Other cash payments relating to investing activities	100,000,000.00	131,158,843.62	-23.76%
Sub-total of cash outflows from investing activities	12,815,916,244.28	9,961,724,429.05	28.65%
Net cash flow from investing activities	-165,508,027.24	-4,079,258,102.91	-95.94%

FINANCIAL HIGHLIGHTS

3. CONSOLIDATED CASH FLOW STATEMENT (Continued)

Items	For the year ended 31 December		Increase (decrease)
	2015 RMB	2014 RMB	
III. Cash flows from financing activities:			
Cash receipts from capital contributions	–	–	–
Including: cash receipts from capital contributions from minority shareholders of subsidiaries	–	–	–
Cash receipts from borrowings	7,289,549,745.87	5,326,397,956.20	36.86%
Other Cash receipts relating to financing activities	1,482,568,890.00	992,093,300.00	49.44%
Sub-total of cash inflows from financing activities	8,772,118,635.87	6,318,491,256.20	38.83%
Cash repayments of indebtedness	4,285,424,431.32	628,820,161.77	581.50%
Cash payments for distribution of dividends or profits and settlement of interests	1,333,347,656.71	974,258,892.86	36.86%
Other cash payments relating to financing activities	1,079,148,360.53	426,161,875.11	153.22%
Sub-total of cash outflows from financing activities	6,697,920,448.56	2,029,240,929.74	230.07%
Net cash flow from financing activities	2,074,198,187.31	4,289,250,326.46	-51.64%
IV. Effect of foreign exchange rate changes on cash and cash equivalents	89,119,174.12	-24,041,546.34	-470.69%
V. Net increase in cash and cash equivalents	3,356,581,257.59	3,820,997,814.38	-12.15%
Add: Opening balance of cash and cash equivalents	5,625,581,044.71	1,804,583,230.33	211.74%
VI. Closing balance of cash and cash equivalents	8,982,162,302.30	5,625,581,044.71	59.67%

CHAIRMAN'S LETTER

Dear Shareholders,

REVIEW

In 2015, the price of bulk and metal products over the world further suffered significant falls, which made the already low season of the industry even more sluggish. The product prices of molybdenum, tungsten and copper, the three sectors where the Group operates, had an accumulated drop of 27.07%, 31.25% and 19.92% respectively throughout the year. The price of molybdenum and tungsten even fell to RMB51,000/tonne and RMB49,000/tonne, which had slipped below the lowest price since 2003 and 2005, respectively. Overseas mining companies started to bear their cost for sharp expansion and aggressive acquisition in the past cyclical heights; companies which suffered less cancelled the dividend payments and substantially reduced the capital expenditure, whereas companies which suffered most disposed of their assets and even those of good quality, so as to reduce liabilities. The fluctuations in the share price of listed companies were unusually wide, due to the multiple impacts exerted by the industry environment, commodity prices and bearish force. It just goes to show the Chinese saying that "No eggs stay intact under an overturned nest."

The Group's net profit after tax attributable to the parent company in 2015 amounted to RMB761 million, representing a decrease of 58.28% as compared to the same period last year. However, I hereby bring the shareholders' attention to the following: (1) the molybdenum and tungsten sectors as a whole still maintained a gross profit margin of 38.74%; (2) according to the research and analysis of the Company, most of the manufacturers in the molybdenum and tungsten industry were in a break-even or deficit condition under the current price and some even had long-term negative cash flows; (3) the C1 cash cost of the copper sector in Australia amounted to USD0.64 per pound, which was equivalent to approximately USD1,410.94/tonne, locating in the forefront of global copper industry cost curve; (4) operating cash flow amounted to RMB1.36 billion and free cash flow amounted to RMB1.46 billion; (5) as of the end of 2015, the Group's debt ratio was 42.30%, holding financial assets of RMB18.2 billion that had an active market and could be realized at any time, among which cash and cash equivalents amounted to RMB8.98 billion.

In July 2015, the conversion of the convertible corporate bonds of RMB4.9 billion issued by the Company was completed successfully, of which the conversion rate exceeded 99%. During the then difficult times with turmoil and pessimistic sentiment haunting the capital markets, the Company implemented a series of fruitful measures such as "mid-term 10 to 20" and "increase in shareholding by senior management", which was highly recognized by the investors and in the capital markets. The conversion of convertible bonds not only enriched the Group's net assets but also augmented our financial strengths.

OUTLOOK

Taking a macro perspective, US dollars has entered into a strong though fluctuating cycle, and the easy-money policies of the Europe and Japan are not able to substantially improve their economy. Amidst the increasingly intensifying global currency turmoil, RMB is not immune. With the end of the super cycle of China, the adverse impact from the massive shocks brought about by the financial crisis is increasingly crippling, and the waves of downward pressure in the aftermath of the transition of the economic growth model and structural adjustments have just begun to exert the impact. As a result, various industries, even the whole country, will need a rather long time for "phasing out unsatisfactory production capacity" and "deleveraging" after "destocking". The growth of emerging countries has slowed down significantly, while Russia and Brazil have even entered a deep recession and it will be a long battle before they can free themselves from the suffering. We have to maintain a clear understanding of the economic scenario at home and abroad.

Meanwhile, in times of industry downturn, there lies abundant investment opportunities. We will adhere to the vision for development and strategies of the Group, give full play to its own advantages by virtue of its strong financial strengths and make good use of financing platforms and instruments in order to take a more proactive stance in promoting the acquisition of overseas resources.

ACKNOWLEDGEMENT

I would like to express my gratitude to the shareholders and the Board for the high degree of trust in me. I would also like to take this opportunity to extend my appreciation to our shareholders, local governments, clients and partners for their continued support to the Group. In the meantime, I would like to express my sincere gratitude to all the Board members, our domestic and overseas management team and all our employees for their diligence, efforts and contributions to the success of the Group.

Li Chaochun
Chairman

Luoyang City, Henan Province, the PRC
24 March 2016

MARKET REVIEW AND PROSPECTS

The revenue of the Company mainly comes from the sales of molybdenum, tungsten and copper products including ferromolybdenum and other molybdenum products, tungsten concentrates and copper concentrates. Its operating results are largely subject to the fluctuations in the molybdenum, tungsten and copper markets. At the same time, the Company has certain ancillary business of sales of gold. Accordingly, the fluctuation of the prices of gold also produced a definite impact on results of the Company.

PRICES COMPARISON OF RELEVANT METAL PRODUCTS OF THE COMPANY FOR THE YEAR OF 2015 AND THE CORRESPONDING PERIOD LAST YEAR

Comparison between average prices of the Company's principal products in 2015 and those in same period of 2014:

Products		Domestic market price of the relevant products of the Company		
		2015	2014	Increase/ decrease on a year-on-year basis (%)
Molybdenum	Molybdenum concentrates (RMB/metric tonne unit)	960	1,351	-28.94
	Ferromolybdenum (RMB'0,000/tonne)	6.79	9.31	-27.07
Tungsten	Black tungsten concentrates (RMB/metric tonne unit)	1,098	1,597	-31.25

Note: The prices of molybdenum and tungsten are extracted from relevant domestic websites.

Products		International market price of the relevant products of the Company		
		2015	2014	Increase/ decrease on a year-on-year basis (%)
Molybdenum	Molybdenum oxide (US\$/pound)	6.65	11.39	-41.62
Copper	Copper (US\$/tonne)	5,493	6,859	-19.92
Gold	(US\$/ounce)	1,160	1,266	-8.37

Note: The prices of molybdenum and tungsten are extracted from the relevant international websites. The price of copper represented the price quoted by the London Metal Exchange ("LME"), and the price of gold represented the price quoted by the London Bullion Market Association ("LBMA").

MARKET REVIEW ON EACH METAL SEGMENTS IN 2015

Molybdenum market

Domestic market: In 2015, the Chinese economic growth continued to decelerate and downward pressure was obvious. Affected by the macro-economy, the steel industry as a whole showed a situation of "three drop, three much" which was drop in prices, demand and production, and much shutdowns, losses and layoffs. The molybdenum industry was tied with the steel market, operation also became very difficult. Due to the continued impact from the steel market and the imbalances in demand and supply in molybdenum steel market itself this year, the downward trend of the market continued. The demand in the first quarter was in the doldrums. The market inventory was adequate but funds were not sufficient. Enterprises began to sell goods at low prices resulted in molybdenum prices decreased slowly. In the second quarter, although a series of policies was implemented, such as reserve of molybdenum, export tariffs abolishment and adjustments of resources tax, the prospect of recovery in the molybdenum market was bleak. Imbalances of supply and demand caused the prices to hit record-lows. Since the third quarter, the factors for domestic economic downturn increased, operating environment of steel industry even worsened. Molybdenum steel production continued to decline, resulting in weaker demand and frequent fall of molybdenum prices. Until the end of the year, as mining enterprises stopped productions, the supply of raw materials tightened that drove the enterprises stood firm on prices and finally molybdenum prices rose slightly with all these factors.

MARKET REVIEW AND PROSPECTS

The average price of molybdenum concentrates for 2015 was RMB960/metric tonne unit (“mtu”), with a year-on-year decrease of 28.94%; the lowest price was RMB680/mtu and the highest price was RMB1,260/mtu. The average price of ferromolybdenum for 2015 was RMB67,900/tonne, with a year-on-year decrease of 27.07%; the lowest price was RMB51,000/tonne and the highest price was RMB87,000/tonne.

International market: In 2015, affected by the global economy downturn, the international molybdenum market was constantly under pressure, and the price of products dropped continuously. In the first quarter, the European manufactory industry was in downslide, the market demand was weak, and the international price of molybdenum oxide went down with fluctuation. In the second quarter, no sign or recovery in European economy was shown, the downstream demand further shrank, and with the Chinese abolishment of tariff caused panic in international market, chases to low prices took place in the molybdenum market, molybdenum oxide prices hit a new low after another. In the third quarter, due to the sluggish demand coupled with European summer holidays, the international Molybdenum market was further worsened. In the fourth quarter, commodity prices generally dropped, bearish trend appeared in non-ferrous metal market, together with the shrinking imports in the PRC as a result of the depreciation of RMB, the international Molybdenum market was hit even further, especially in October some foreign mines jointly clear their inventory to the market, resulted in a plunge of the international molybdenum price, falling to nearly US\$4/pound. Afterwards the larger international producer of molybdenum oxide started negotiation in 2016, with the plans of reduction or pauses of production, suppliers had less stock and became unwilling to sell in low price, the price of molybdenum oxide started to fluctuate in narrow range.

The average international MW price of molybdenum oxide for 2015 was US\$6.65/pound of molybdenum, with a year-on-year decrease of 41.62%; the lowest price was US\$4.20/pound of molybdenum and the highest price was US\$9.45/pound of molybdenum.

Tungsten market

Domestic market: In 2015, China’s economy has entered new normality. Under the slowdown in economic growth, commodity price generally decreased under pressure and the tungsten market immediately went down. The demand decreased and stock became slow-moving. The market went all the way down with the raw materials price fell to the level of ten years ago. Although the tungsten concentrate prices went close to its costs in the first half of the year, the downstream demand was still rigid. The fluctuations of the market was slight and occasional. Starting from the second half of the year, however, overall domestic and international economic situations were even worse and demand was further weakened. The challenges of capital faced by the enterprises were increasingly severe. The trend and speed of falling prices amplified in the tungsten market.

In 2015, the average price of domestic 65% black tungsten concentrates was RMB71,400/tonne, with a year-on-year decrease of 31.25%; the lowest price was RMB49,000/tonne and the highest price was RMB87,000/tonne. The average price of ammonium paratungstate (APT) was RMB112,900/tonne, with a year-on-year decrease of 31.49%; the lowest price was RMB80,000/tonne and the highest price was RMB135,000/tonne.

International market: The decrease in tungsten market price in Europe in 2015 was relatively greater, not only due to the insufficient demand of tungsten as a result of the slowdown in the economic recovery, but also the abolishment of tungsten export tariffs in the PRC which caused a rather great impact to the European tungsten market, resulting in a greater drop in tungsten market price. Chinese tungsten production accounts for more than 80% of global production, due to the severe domestic overcapacity, after the lift of tariffs, domestic companies were expanding their export channels, although compared to last year the rise in annual export was not much, the exports after May had already increased rather significantly than that of the first quarter. The tungsten price posted a unilateral decline in the international market.

According to data of Metal Bulletin, the average international price of ammonium paratungstate (APT) in the European market for 2015 was US\$227/mtu, representing a year-on-year decrease of 35%; the highest price was US\$315/mtu and the lowest price was US\$165/mtu.

Copper market

The Company operated its copper business mainly through NPM and thus the operational performance of the segment was subject to the impact produced by the fluctuation of international copper price.

According to a report from Wood Mackenzie, in 2015 the copper demand grew by approximately 2% compared with 2014. However, SNL Metal and Mining Company reported that world copper production reached 18.80 million tonnes in 2015, which grew by 2.8% compared with 2014. This resulted in copper surplus of 285,000 – 350,000 tonnes. Nevertheless, these surpluses, together with the existing stock, could only meet the world’s consumption for 70 – 75 days. In addition, the shutdown in world copper production, whether planned or unplanned, the degree of production being affected were higher than normal.

MARKET REVIEW AND PROSPECTS

The transaction price of copper (the London Metal Exchange Spot Price) for 2015 fluctuated between US\$4,700/tonne – US\$6,300/tonne (or US\$2.13/pound – US\$2.86/pound) and the average traded price for the year was US\$5,493/tonne (or US\$2.49/pound), a decrease of approximately 20% compared with the average traded price for the 2014, which was US\$6,859/tonne (or US\$3.1/pound).

MARKET PROSPECTS FOR MAIN METAL SEGMENTS FOR THE YEAR OF 2016

1. Molybdenum market

Domestic market: In terms of supply, many large-medium scale mines which have stopped production are attentive to the market trend all the time. Production plans of domestic large mines are undoubtedly the key factor of the market trend in the first half of 2016. For certain companies which were previously forced to stop production due to pressures from capital or whatsoever, it is expected that they can resume production only after the second quarter of 2016.

In terms of demand: In 2016, there might not be much difference in the trend of the iron and steel industry, whereas the survival of steel enterprises is unlike to improve significantly. As China's economy has entered a new stage of development, China's steel consumption has entered the peak period, the contraction in the downstream market demand are emerging, supply and demand intensifies, the steel industry is in its winter, and for now it seems that there is still a long way to go. At this point, lowering production will be one of the necessary choice to seek a way out of survival, but based on long-term growth prospects for special steel and stainless steel, the production of molybdenum steel might not experience considerable changes compared with 2015.

In general, the molybdenum market might not have substantial improvement in 2016, but since the molybdenum price has fallen below the cost of the enterprises, the room and pressure for further downslide are relatively weak. Chances of turning might be in next year.

International market: In 2016, the world molybdenum market will still face the problem of reduced production of the steel industry and the rise in supplies of ancillary molybdenum mine, yet in the low-price environment some enterprises will reduce or pause production to contain strength, and to a certain extent alleviating the demand and supply, trends are the molybdenum price will still go up.

2. Tungsten market

Taking into account that the environment for domestic and overseas economic development remains complex, and China is still in the stage of transition of old and new energy, in 2016 the pressure for domestic tungsten market will continue to rise. However, after the fastening drop of price, the production of tungsten may be now below the line of costs, it is expected that the situation of underselling will be retained. After more enterprises stopped production the stock available to the market will constantly decrease, there is a hope that the speed of prices falling will be controlled. In addition, following a series of government policies to stabilize growth has been gradually implemented and in effect, the economy is expected to achieve a turnaround in performance, and by that time favorable factors will start to show in tungsten market.

3. Copper market

As new projects such as Las Bambas in Peru are gradually reaching their expected production, in addition to the slowing growth in production of the Chinese economy, there will still be oversupply in the copper market in 2016. China as a major consumer of copper, its economy was in a transition period from exports and investments oriented to consumption oriented. The People's Bank of China forecasts the Chinese economic growth will be only 6.8% in 2016, while it was 6.9% in 2015. However, the Chinese Academy of Social Sciences affirms the Chinese economic growth in 2016 will be 6.6% – 6.8%, which is called the "New Normality" of the Chinese economic growth. According to the forecasts by SNL Metal and Mining Company (金屬與礦業公司), the production volume and consumption of copper concentrates will reach 22.6 million tonnes and 22.30 million tonnes respectively in 2016. Both investment banks and relevant research institutes agree that the oversupply of copper will alleviate, and the demand will exceed the supply as cuts in the investment inputs in mines will result in lower grades of copper produced from mines that are already under production in 2017.

BUSINESS REVIEW AND PROSPECTS

2015 BUSINESS REVIEW ON ALL METAL SECTORS

1. Molybdenum Sector

For 2015, the Company realized production volume of molybdenum concentrates (with metal equivalents of 100% MO metal) of 16,999 tons, the production cost in unit cash of RMB53,906/ton and the recovery rate of molybdenum metal of 85.13%.

2. Tungsten Sector

For 2015, the Company realized production volume of tungsten concentrates (with metal equivalents of 100% WO₃) of 9,825 ton (excluding Luoyang Yulu Mining Co., Ltd), the production cost in unit cash of RMB14,925/ton and the recovery rate of tungsten metal of 78.25%.

3. Copper Sector

For 2015, NPM realized production volume of copper metal of 39,964 tons calculated based on 80% equity interests, C1 cash cost of US\$0.64 per pound, the recovery rate of copper of 88.03%; it realized a capacity of 36,305 oz for gold available for sale.

BUSINESS REVIEW FOR THE YEAR OF 2015

During the reporting period, notwithstanding various adverse conditions such as the complicated and ever-changing metal market, the pressure of continued decline in the market price of molybdenum, the gradual decrease in the price of upstream and downstream products under the pressure of weakening demand for tungsten and difficulties in lowering inventory level and intense fluctuation of copper price which resulted in the continuous weak pattern in the industry, the management of the Company, under the leadership of the Board, overcame difficulties, drew on collective wisdom and ideas, and through adopting a series of effective measures including the active promotion of low-efficiency asset stripping, implementing cost reduction and efficiency increase measures, speeding up the promotion of comprehensive recovery of resources, continually strengthening the internal management and paying more efforts on employees' technical training and so forth. As such, the Company attained outstanding results in production operation and related works.

1. Steady progress of development strategy. During the reporting period, the Company continued to strip off non-core and low-efficient assets, simplify the corporate structure, focus on investing resources in the core business of the Company, and entered into the Capital Injection Agreement in relation to Luoyang Yongning Gold & Lead Refining Co., Ltd. ("**Yongning Gold & Lead**") and the Equity Transfer Agreement in relation to Luomu Group Precious Metals Co., Ltd.* ("**Luomu Precious Metals**") to complete the stripping of Yongning Gold & Lead, and further optimize the balance sheet, which provided better conditions to the sustainable, rapid and healthy development of the Company.
2. Endeavoring to push forward costs reduction and efficiency enhancement. During the reporting period, the Company continuously upgraded technology, optimized technological indicators, implemented streamline management, and reduced all non-production expenditure to enhance cost management. Various measures were adopted to lower production costs by tapping into the potential of the Company and increasing revenue while controlling costs, which created a good environment of costs reduction and efficiency enhancement throughout the Company and attained satisfactory results. The Company strengthened the centralized tender and procurement of bulk materials with centralized procurement rate of major materials of 65%. Currently, 268 major materials realize zero inventory, effectively controlling the costs of material procurement. In respect of the technical indicators, the recovery rates of copper and tungsten were improved as compared to the same period last year. For 2015, the Company's total production cost of domestic mining decreased by RMB225 million year-on-year; the total costs of molybdenum concentrates decreased by RMB31.78 million; the total processing costs of ferromolybdenum decreased by RMB24.86 million year-on-year; the total production costs of tungsten concentrates decreased by RMB32.07 million year-on-year; and the above production costs in aggregate decreased by RMB313.71 million as compared to that of the same period last year.

BUSINESS REVIEW AND PROSPECTS

3. Accelerated promotion of industrial strategy of the comprehensive recovery of resources. During the reporting period, the comprehensive recovery of resources of the Company continuously made new breakthroughs. The industrial pattern of comprehensive recycling of various metal resources was significantly accelerated. The industrialization of the copper by-products recovery has been fully realized, with the production volume of 1,580 tons of 20% copper concentrate. Comprehensive recovery of fluorite has entered the stage of laboratory experiment while the recovery system for by-products of rhenium had been established and moving towards the stage of trial production, by which products have been made.
4. Continual enhancement of the internal management and employees' technical training. During the reporting period, through the implementation of integrated management, safety management, equipment management, energy management, etc., the construction of standardized and informationalized management of the Company has stepped up comprehensively. It has strengthened the employees' technical training, improved the operating skills and continually implemented refined and standardized management. With reference to the safety standards for the NPM copper-gold mine in Australia, the Ten Principal Standards for Safety which has taken into account the actual circumstances of the Company has been formulated, whereas the Standards for Operations Safety and the Reward and Punishment Measures for Production Safety throughout the Company has been revised and optimized, fostering the establishment of the safety management system in a solid manner.
5. Management integration. Australian NPM continued to advance its management whereas the Company will expand its highly efficient and stable operation. The Company continued to promote the integration of the advanced management experience among Australian mining enterprises which inspired the Company's corporate culture and operational concepts and accelerated the overall progress of management integration.
6. Credit rating upgraded with all overall a strong capital structure, and its financial strength stands at the forefront amongst its industry peers. The Company is recognized for its advantages in its rich resources, solid position in the industry and technological capabilities. China Chengxin International Credit Rating Co., Ltd., a member of Moody's Investors Service, Inc., issued the 2015 Credit Rating Tracking Report of China Molybdenum Co., Ltd. on 24 June 2015, and according to which, the credit rating of the Company has been upgraded from AA+ to AAA, the credit rating outlook is stable and the bond credit rating of "12 CMOC MTN1" has been upgraded from AA+ to AAA. The upgrade of the credit ratings allows the Company to expand its financing channels while lowering the finance costs in its future operations, in turn fostering the development of its strategy.
7. Keep elevating the market value management and safeguarding the investors' interests. During the irrational drop in the securities market in July 2015, in order to safeguard the investors' interests while the share price of the Company was under pressure caused by irrational sellings, the Company stabilized the secondary market price through all kinds of active and effective measures including acquisition of A Shares by directors, supervisors, senior management, and the proposed interim profit distribution of the issue of bonus shares on the basis of 20 bonus shares for every 10 shares of the Company. The Company safeguarded the investors' interests with practical actions, which restored investors' confidence, while establishing a positive image of capital market and highlighting the Company's strong confidence in the expectations of future development. The annual growth rate in total market value of the Company's A shares was as high as 70%. The shares of the Company maintained high liquidity.

BUSINESS REVIEW AND PROSPECTS

BUSINESS PROSPECTS FOR 2016

Based on the future economic and market dynamics, we have confirmed the estimated targets: In 2016, the Company plans to produce 16,058 tons of molybdenum concentrates (containing 100% MO) with a planned cash cost of production of 56,298/ton (net of resource tax, depreciation and amortization, sales and general management), and 8,850 tons of tungsten concentrates (containing 100% WO₃) with a planned cash cost of production of 14,879/ton (net of resource tax, depreciation and amortization, sales and general management costs); the estimated output of NPM copper-gold mine in Australia in 2016 calculated based on 80% of equity interests: saleable copper metal of 39,368 tons with C1 cash cost of US\$0.77/pound, and saleable gold of 35,053 ounces C1 cash cost means: cash operating costs (including mining, processing, site administration expenses, logistics and smelting/refining costs) after deduction of the earnings generated from byproducts.

For the purpose of realizing the foregoing estimated targets, in 2016, the Company will actively respond to the opportunities and challenges brought by the fluctuation in the market price of molybdenum, tungsten, copper and gold and proactively optimize the product structure in order to balance the production and sales and maximize the revenue. Leveraging the advantages in scale, value chain, capital and market and financing platform in capital market, the Company will tap into both internal potentiality and seek merging and acquisition of international advanced resources with advantages in management, technology and capital as a support. The Company will further enhance the Company's comprehensive ability and profitability and accelerate the pace of the Company's internationalization strategy with a cultivation of new driver for economic growth in order to generate a more adequate return for shareholders. The operation level will focus on the following tasks:

1. To consolidate the competitive advantages of cost of molybdenum and tungsten businesses, actively promote the technological advancement and structural adjustment to create a strong momentum for further development, achieve further optimization of the processing business and asset layout in Luanchuan area, and enhance the construction of automation, informatization, standardization;
2. To continue to advance the non-core assets stripping, simplify the corporate structure and optimize the balance sheet;
3. To vigorously promote the integrated industrial progress of polymetallic resources recycling and reusing so as to nurture and stabilize a new economic growth point;
4. To further promote the management work including benchmarking management, standardization management, improving and strengthening quality management, cost management, informatization management, investment management, risk management, human resources management, standardization construction and corporate cultural construction to promote the upgrading of the Company's management;
5. To strengthen the establishment of safety and management system, firmly promote the implementation of Ten Standards of Safety Management, vigorously foster all staff with safety culture to raise safety awareness;
6. To speed up the promotion and integration of the advanced management and technology in Australia, achieve synergistic effect at home and abroad and consolidate the internationalized management foundation of the company;
7. To use the cyclical opportunity brought by the bulk commodities and search for merger and acquisition of high-quality overseas resources items in a proactive and cautious manner; and
8. To establish a sound corporate market value management system in a bid to improve the management level and actively safeguard the interests of investors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 December 2015, the net profit of the Group was reduced from RMB1,800.2 million for the year ended 31 December 2014 to RMB703.1 million, representing a decrease of RMB1,097.1 million or 60.9%. For the year ended 31 December 2015, net profit attributable to the owners of the parent company was RMB761.2 million, representing a decrease of RMB1,063.1 million or 58.3% from RMB1,824.3 million for the year ended 31 December 2014. The decrease was due to the price decline of the company's major products.

The comparative analysis for the year ended 31 December 2015 and the year ended 31 December 2014 is as follows:

OPERATING RESULTS

For the year ended 31 December 2015, the Group recorded an operating revenue of RMB4,196.8 million, representing a decrease of RMB2,465.6 million or 37.0% from RMB6,662.4 million for the year ended 31 December 2014. For the year ended 31 December 2015, the gross profit of the Group was RMB1,574.4 million, representing a decrease of RMB1,216.6 million or 43.6% from RMB2,791.0 million for the same period last year.

The table below sets out the turnover, cost of sales, gross profit and gross profit margin of our products in 2015 and 2014:

Product Name	2015				2014			Gross Profit Margin (%)
	Operating Revenue (RMB million)	Operating Cost (RMB million)	Gross Profit (RMB million)	Gross Profit Margin (%)	Operating Revenue (RMB million)	Operating Cost (RMB million)	Gross Profit (RMB million)	
Domestic market								
— Molybdenum and tungsten-related products	2,399.4	1,462.2	937.3	39.1	3,558.6	1,925.6	1,632.9	45.9
— Gold, silver and related products	0.0	0.0	0.0	0.0	274.2	273.7	0.5	0.2
— Electrolytic lead	0.0	0.0	0.0	0.0	215.7	246.4	-30.7	-14.2
— Copper-related products	463.3	299.0	164.2	35.5	630.6	305.1	325.5	51.6
— Others	296.7	208.0	88.7	29.9	474.7	405.3	69.4	14.6
Sub-total	3,159.4	1,969.2	1,190.2	37.7	5,153.8	3,156.2	1,997.5	38.8
International market								
— Molybdenum and tungsten-related products	21.7	21.0	0.7	3.1	56.5	28.7	27.9	49.3
— Copper-related products	979.5	632.2	347.3	35.5	1,418.8	686.5	732.3	51.6
— Others	36.2	0.0	36.2	100.0	33.2	0.0	33.2	100.0
Sub-total	1,037.4	653.2	384.2	37.0	1,508.6	715.2	793.4	52.6
Total	4,196.8	2,622.4	1,574.4	37.5	6,662.4	3,871.4	2,791.0	41.9

During the reporting period, due to the price decline of the major products of the Company, sales reduction of the molybdenum products, disposal of electrolytic lead, gold and silver smelting businesses, as well as other factors, the realized operating revenue of the Company was RMB4,196.8 million, representing a decrease of 37.0% as compared with the same period last year.

During the reporting period, through strengthening internal management, implementing various cost control measures, the Company has effectively reduced the production costs, offset part of the adverse impact that the Company confronted due to price decline of the major products.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the reporting period, the gross profit of the Company was RMB1,574.4 million, representing a decrease of RMB1,216.6 million as compared with the same period last year. Although through product structural adjustment, the Company has sold the electrolytic lead, gold and silver smelting businesses that have a lower gross profit margin, the overall gross profit margin has reduced 4.4 percentage point to 37.5% as compared with the same period last year, due to the continuous decline of the market price of the major products.

For the year ended 31 December 2015, the operating cost of the Group was RMB2,622.4 million, representing a decrease of RMB1,249.0 million or 32.3% from RMB3,871.4 million for the same period last year. The main reasons include the sales decline of molybdenum product, cost decline of unit sales, sales of gold, silver and electrolytic lead business and other factors.

Set out below is the component of cost of the major products of the Company:

Product	Component of cost	Amount for the current period (RMB million)	Percentage	Amount for the same period last year (RMB million)	Percentage	Percentage of changes in amount during the year (%)
			over total cost for the current period (%)		over total cost for the same period last year (%)	
Molybdenum and tungsten-related products	Materials	363.9	26.4	524.9	30.4	(30.7)
	Labor	284.3	20.6	338.3	19.6	(16.0)
	Depreciation	149.6	10.9	180.4	10.5	(17.1)
	Energy	234.2	17.0	237.7	13.8	(1.5)
Gold and silver-related products	Manufacturing fees	345.9	25.1	445.4	25.8	(22.3)
	Materials	–	–	200.9	74.6	(100.0)
	Labor	–	–	41.6	15.4	(100.0)
	Depreciation	–	–	4.7	1.7	(100.0)
Electrolytic lead	Energy	–	–	4.5	1.7	(100.0)
	Manufacturing fees	–	–	17.6	6.5	(100.0)
	Materials	–	–	231.1	89.3	(100.0)
	Labor	–	–	6.8	2.6	(100.0)
Copper and related products	Depreciation	–	–	10.8	4.2	(100.0)
	Energy	–	–	7.6	2.9	(100.0)
	Manufacturing fees	–	–	2.5	1.0	(100.0)
	Materials	182.0	18.7	342.6	32.4	(46.9)
	Labor	189.1	19.5	162.3	15.3	16.5
	Depreciation	468.0	48.1	437.4	41.3	7.0
	Energy	83.9	8.6	87.9	8.3	(4.6)
	Manufacturing fees	49.5	5.1	28.0	2.6	76.5

BUSINESS TAXES AND LEVIES

For the year ended 31 December 2015, the Group recorded business taxes and levies of RMB242.5 million, representing a decrease of RMB107.5 million or 30.7% from RMB350.0 million for the same period in 2014, mainly due to the change of the national resources tax policy: changing from fixed levies on amounts to levies on fixed rate ad valorem, resulting the decrease in the resource tax borne by the Company, and also due to the price decline in this period's products.

SELLING EXPENSES

For the year ended 31 December 2015, the selling expenses of the Group amounted to RMB84.7 million, representing a decrease of RMB15.1 million or 15.2% from RMB99.8 million for the same period in 2014, mainly due to the decrease in transportation fees of relevant products during this period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2015, the administrative expenses of the Group was RMB357.2 million, representing a decrease of RMB91.2 million or 20.3% from RMB448.4 million for the same period in 2014. The decrease in administrative expenses was mainly due to the completion of some technical research and development projects, representing the impact of an expense reduction in research and development compared with the same period last year, and the change in the scope of consolidation for disposing subsidiaries in 2015.

For the year ended 31 December 2015, the Group's administrative expenses included a technology development fee of RMB80.2 million. The main projects comprised Research on the Integrated Technology for the Intensified Mining of the Open Pit and Treatment of the Open Areas in Sandaozhuang and Specification (三道莊露天礦強化開採與空區處理一體化工藝與規範研究), Research on Application of Thickening of Reclaimed Water for Tungsten Processing Prior to Treatment at the Treatment Plants (選鎢回水廠前濃密應用研究), Applied Research on Improvement of Winter Recycle Rate of Molybdenum Processing (提高鎢粗選冬季回收率應用研究), Experimental Research on Improvement of Recycle Rate of Molybdenum Roughing (提高鎢粗選回收率試驗研究), Ore-dressing Technical Development Research on Tungsten Fluorite Flotation Tailings Comprehensive Recovery(鎢浮選尾礦螢石綜合回收選礦技術開發研究) and other projects of the Group.

FINANCE EXPENSES

For the year ended 31 December 2015, the finance expenses of the Group amounted to RMB46.2 million, representing a decrease of RMB135.5 million or 74.6% from RMB181.7 million for the same period in 2014. Mainly due to the increase of the structured deposit, the respective interest income of the Company increased during the period.

INVESTMENT INCOME

For the year ended 31 December 2015, the investment income of the Group was RMB116.6 million, representing a decrease of RMB415.2 million or 78.1% from RMB531.8 million for the same period in 2014, mainly due to in the same period of last year, a rather significant increase in equity transfer income after the disposal of equity interests in a subsidiary.

NON-OPERATING INCOME

For the year ended 31 December 2015, the non-operating income of the Group amounted to RMB50.2 million, representing a decrease of RMB16.5 million or 24.8% from RMB66.7 million for the same period of 2014, mainly due to a decrease of RMB17.6 million in profits of disposal of non-current assets as compared with the same period of last year.

NON-OPERATING EXPENSES

For the year ended 31 December 2015, the non-operating expenses of the Group amounted to RMB94.6 million, representing an increase of RMB37.8 million or 66.6% from RMB56.8 million for the same period in 2014. Such increase was mainly attributable to the exemption of Luoyang Kunyu Mining Co., Ltd. (the "Kunyu Mining") dividends receivable for RMB28.5 million during this period.

INCOME TAX EXPENSES

For the year ended 31 December 2015, the income tax expenses of the Group amounted to RMB-20.3 million, representing a decrease of RMB368.2 million or 105.8% from RMB347.9 million for the same period of 2014. Such decrease was mainly due to the decrease in profit in this period as compared with the same period last year and the recognised deductible loss in equity and debt arising from the disposal of Luomu Precious Metals and Yongning Gold & Lead during the period.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

For the year ended 31 December 2015, the net profit of the Group attributable to owners of the parent company amounted to RMB761.2 million, representing a decrease of RMB1,063.1 million or 58.3% from RMB1,824.3 million for the year ended 31 December 2014. Such decrease was mainly due to a decrease in the net profit for the year ended 31 December 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MINORITY INTERESTS

For the year ended 31 December 2015, the minority interests of the Group were RMB58.1 million, representing a decrease of RMB34.0 million or 141.3% from RMB24.1 million for the same period last year. Such decrease was mainly due to the increase in loss assumed by minority shareholders during this period.

FINANCIAL POSITION

For the year ended 31 December 2015, the total assets of the Group amounted to RMB30,880.5 million, comprising non-current assets of RMB15,148.7 million and current assets of RMB15,731.8 million. Equity attributable to shareholders of the parent company for the year ended 31 December 2015 increased by RMB2,719.9 million or 18.6% to RMB17,353.5 million from RMB14,633.6 million for the year ended 31 December 2014. Such increase was mainly due to the conversion of the A share convertible corporate bonds issued at the end of 2014.

CURRENT ASSETS

For the year ended 31 December 2015, the current assets of the Group increased by RMB966.9 million or 6.6% to RMB15,731.8 million from RMB14,764.9 million for the year ended 31 December 2014. The increase in the current assets was mainly attributable to the increase in monetary fund resulting from operation of production and issuance of short-term financing bonds.

NON-CURRENT ASSETS

For the year ended 31 December 2015, the non-current assets of the Group amounted to RMB15,148.7 million, representing an increase of RMB1,858.7 million or 14.0% from RMB13,290.0 million for the year ended 31 December 2014. The increase in the non-current assets was mainly attributable to the increase in foreign equity investment and asset management plan by the Group in this period.

CURRENT LIABILITIES

For the year ended 31 December 2015, the current liabilities of the Group amounted to RMB8,768.9 million, representing an increase of RMB5,769.0 million or 192.3% from RMB2,999.9 million for the year ended 31 December 2014. The increase in the current liabilities was mainly attributable to the increase in short-term financing and long-term loans due within one year.

NON-CURRENT LIABILITIES

For the year ended 31 December 2015, the non-current liabilities of the Group amounted to RMB4,294.9 million, representing a decrease of RMB5,615.6 million or 56.7% from RMB9,910.5 million for the year ended 31 December 2014. The decrease in the non-current liabilities was mainly due to the issuance of A share convertible corporate bonds in 2014 and the transference of long-term loans due within one year into current liabilities.

CONTINGENCY

As at 31 December 2015, the Group had the following contingent liabilities:

On 30 January 2013, the Company received relevant files from the Intermediate People's Court of Luoyang City, Henan Province, stating that West Lead Mine, Yangshuao, Luanchuan County (樂川縣楊樹凹西鉛礦) ("Yangshuao") filed a lawsuit accusing that the tailing storage built by the No. 3 Ore Processing Branch, a branch of the Company, was in its mining area. As the height of the dam of the tailing storage grew and the level of the groundwater rose, the mining facilities and equipment of Yangshuao were damaged and its mining needed to be written off. The plaintiff was unable to exploit the defined lead-zinc ore and an economic loss was thus incurred. Therefore, the plaintiff contended that No. 3 Ore Processing Branch shall cease the infringement and compensate the plaintiff for a direct economic loss of approximately RMB18.0 million and loss of obtainable profits. According to the results of judiciary appraisal, the assessed value of the mining rights of Yangshuao related to this litigation is RMB1.724 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The first instance of the case started in December 2015. The trial has now completed but the court judgment is pending. The Company is of the opinion that, in accordance with the existing situation and the submitted evidence, the existence of tort alleged by Yangshuao cannot be confirmed; meanwhile, the Company has filed a counterclaim, requesting the court, in accordance with law, to order the immediate cessation of tort infringed by Yangshuao against the Company's land use rights within the afore-mentioned range of mining area. The Company currently believes that the litigation would not have any significant impact on the financial position of the Company and has not made any provision for an amount claimed in the aforesaid issue in its year-end financial statements.

The NPM business of the Group provided guarantees to government agencies of New South Wales, Australia through certain banks in relation to the operation of the business. The guarantees amounted to AUD28.38 million (equivalent to RMB134.6 million) as at 31 December 2015. The owners of the joint venture agreed with the enforcement of the guarantees arising from any obligations in relation to the business. As at 31 December 2015, no significant obligations for the guarantees occurred.

As at 31 December 2015, the Company provided the maximum guarantee of RMB148.5 million in aggregate to Luoyang Fuchuan, a subsidiary of the Company's joint venture, Xuzhou Huanyu Molybdenum Co., Ltd.* (徐州環宇鋁業有限公司) ("Xuzhou Huanyu") in accordance with its proportion of capital contribution, the term of which is from the effective date of the contract to two years after the expiry date of performance of debts. The Company's management considered such financial guarantee did not have significant impact on its financial statements.

GEARING RATIO

The gearing ratio (total liabilities divided by total assets) of the Group decreased to 42.3% for the year ended 31 December 2015 from 46.0% for the year ended 31 December 2014. The decrease in the gearing ratio was mainly due to the issuance of A share convertible corporate bonds by the Company in 2014.

CASH FLOW

For the year ended 31 December 2015, the Group had cash and cash equivalents of RMB8,982.2 million, representing an increase of RMB3,356.6 million or 59.7% from RMB5,625.6 million for the year ended 31 December 2014.

For the year ended 31 December 2015, net cash inflow generated from operating activities was RMB1,358.8 million; net cash outflow generated from investment activities was RMB-165.5 million; net cash inflow generated from financing activities was RMB2,074.2 million.

During 2015, the Group implemented strict internal management and costs saving measures, thus maintaining sound operation status and healthy financial position. As at the end of 2015, the Company had sufficient capital which enabled it to operate in a virtuous cycle or satisfy the liquidity requirement for coping with the variations in the production capacity.

EXPOSURE TO RISKS RELATED TO PRICE FLUCTUATIONS OF MAJOR PRODUCTS

The income of the Company primarily derived from sales of molybdenum, tungsten and copper products, including ferromolybdenum, tungsten concentrates, copper concentrates and other molybdenum products. Its operational results are mainly influenced by fluctuations in the market prices of molybdenum, tungsten and copper. At the same time, the NPM copper and gold mine of the Company also has certain ancillary business of sales of gold. The price fluctuations in gold also have an impact on the Company. Since the fluctuations in exploration and smelting of relevant resources are relatively insignificant, the Company's profit and profit margin in the reporting period are closely related to the price trend of commodities. If there is a significant fluctuation in the prices of molybdenum, tungsten, copper and gold in the future, the operating results of the Company will become unstable. In particular, if the prices of molybdenum, tungsten and copper plummet, the operating results of the Company will fluctuate significantly.

EXPOSURE TO RISKS RELATED TO RELIANCE ON MINERAL RESOURCES

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

EXPOSURE TO RISKS RELATED TO PRODUCTION SAFETY OR NATURAL DISASTERS

The Company and all of its subsidiaries invested substantial resources on safety production, established a relatively sound management body, personnel and systems and continuously push forward the safety standardization management to form a relatively complete system of production safety management, prevention and supervision. However, safety incidents are unavoidable. As a mining resources development enterprise, large amounts of barren rock and tail slag are produced in the production process. If the management of slag discharge fields and tailing storage is inefficient, small scale of disaster may occur. The Company is required to use explosives in the mining process. If there are defects in the management of storage and use of such materials, there may be possible risk of casualties. In addition, tailing storage and slag discharge fields may be damaged if serious natural disaster happens such as heavy rain and debris flow.

EXPOSURE TO RISKS RELATED TO INTEREST RATE

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

EXPOSURE TO RISKS RELATED TO EXCHANGE RATE

The Company's principal domestic business operation is denominated in RMB and the reporting currency is RMB, the lawful currency of the PRC. As the production capacity of the Company increases along with its development in the markets and recovery in the overseas markets of molybdenum, tungsten and copper, there will be abundant products exported by the Company or through its subsidiaries to different countries. As at 31 December 2015, the balance of loans for the mergers and acquisitions of CMOC Limited and CMOC Mining Pty Limited (wholly-owned subsidiaries of the Company) were approximately EUR276 million and US\$379 million, respectively. All the assets of CMOC Mining Pty Limited are located in Australia, and the functional currency was U.S. Dollar. The exchange rate risks of the Company are primarily arising from assets and liabilities held in foreign currencies other than the function currency. Therefore, the risk, arising from the change in exchange rate, which the Company was exposed to was not substantial. Currently, the Company has no formal corresponding hedging policy in place and has no derivatives to hedge against the Company's currency risks.

EMPLOYEES

As at 31 December 2015, the Group had approximately 6,389 full-time employees, classified as follows by function and department:

Department	Employees	Proportion
Management & administration	600	9.4%
Quality control, research and development	1,033	16.2%
Production	4,108	64.3%
Finance, sales and other support	648	10.1%
Total	6,389	100%

The remuneration policy for the employees of the Company principally consists of a salary point and performance remuneration system, based on the employees' positions and responsibilities and their quantified assessment results. Remuneration assessment is conducted based on the linkage between employee's remunerations and the Company's results and employee's performances, which provides a consistent, fair and impartial remuneration system for all the employees. The domestic companies of Group have participated in the social insurance contribution plans introduced by the PRC local governments. In accordance with the laws and regulations regarding to the national and local labor and social welfare in the PRC, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. Pursuant to the current applicable PRC local regulations, the percentage of certain insurance policies are as follows: the pension insurance, medical insurance, unemployment insurance and the contribution to housing reserve fund of our PRC employees represent 20%, 6%, 1.5% and 5% to 12% of his or her total basic monthly salary respectively. Employees in Australia are enrolled under the requisite pension fund and healthcare scheme as required by Australian law.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SHORT-TERM FINANCING BONDS

The Company successfully issued short-term financing bonds on 23 October 2015 and 26 February 2016.

MEDIUM-TERM NOTES

The Company has successfully issued medium-term notes on 21 March 2016.

For details of the above-mentioned matters, please refer to the announcements of the Company dated 21 March 2016, 29 February 2016, 23 October 2015, 23 September 2015, 28 June 2015 and 23 March 2015 and the circular to the shareholders dated 30 April 2015.

ANALYSIS TO MAJOR SUBSIDIARIES

(1) Main subsidiaries

① *CMOC Mining Pty Limited*

Legal representative:	Li Chaochun
Date of establishment:	25 July 2013
Registered capital and paid-up capital:	US\$346 million
Registered address:	Governor Phillip Tower Level 61, 1 Farrer Place, Sydney, Australia
Major businesses engaged:	Copper and other nonferrous metal ore exploration, mining, processing and sales of related products

CMOC Limited, a wholly-owned subsidiary of the Company, holds 100% of the shares of this company. As of 31 December 2015, the total assets of this company amounted to RMB6,182.3034 million with net asset of RMB2,946.6009 million. Operating revenue of this company for the year 2015 amounted to RMB1,479.0353 million with operating profit of RMB325.4519 million and net profit of RMB322.423 million.

(2) Disposal of subsidiaries

① *Luoyang Yongning Gold & Lead Refining Co., Ltd.*

Legal representative:	Xie Fengxiang
Date of establishment:	21 September 2007
Registered capital and paid-up:	RMB1 million
Registered address:	East Wing of Yangyu Village, Xishandi Town, Luoning County, Henan Province, the PRC
Major businesses engaged:	Major businesses engaged: Smelting of lead and recycling of co-products, procurement and sale of mineral products, export of self-produced products of this company, import of raw and auxiliary materials, mechanical equipment, instruments and meters and components required by the production and research of this company, processing business in relation to the products of this company, etc. Smelting of lead, sulfuric acid, recycling and sales of coproducts like oxygen, etc., procurement and sale of mineral products, export of self-produced products of this company, import of raw and auxiliary materials, mechanical equipment, instruments and meters and components required by the production and research of this company, processing business in relation to the products of this company and property development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On 14 May 2015, the 26th extraordinary meeting of the third session of the Board considered and approved the Resolution in Relation to the Increase in the Registered Capital and Debt Restructuring of Luoyang Yongning Gold & Lead Refining Co., Ltd. (《關於同意洛陽永寧金鉛冶煉有限公司增加註冊資本及債務重組方案的議案》). Lingbao Dinglong Mining Company Limited (hereinafter referred to as “**Dinglong Mining**”) subscribed by cash for the new registered capital of RMB122 million in Yongning Gold & Lead. Luomu Precious Metals, a wholly-owned subsidiary of the Company, would waive the pre-emptive rights. Meanwhile, the Company would carry out the debt restructuring with Yongning Gold & Lead in relation to the debt of RMB684 million owed to the Company. The equity interests in the company held by the Company through Luomu Precious Metals was diluted from 75% to 0.61%.

② *Luomu Group Precious Metals Co., Ltd.*

Legal representative:	Wang Bin
Date of establishment:	6 August 2007
Registered capital and paid-up capital:	RMB282.9976 million
Registered address:	Lichun West Road, Jianxi District, Luoyang, the PRC (at zone of Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd.)
Major businesses engaged:	Sale of nonferrous metals, ferrous metals and non-metal mineral products (exclusive of coal)

The Company held the 4th extraordinary meeting of the fourth session of the board of directors by way of circulation on 11 August 2015, during which the Resolution in Relation to the Approval of the Transfer of 100% Equity Interests in Luomu Group Precious Metals Co., Ltd. (《關於轉讓洛陽鉛業集團貴金屬有限公司100%股權的議案》) was considered and approved. On the same day, the Company and Dinglong Mining entered into the Equity Transfer Agreement of Luomu Group Precious Metals Co., Ltd. (《關於洛陽鉛業集團貴金屬有限公司之股權轉讓協議》), pursuant to which the 100% equity interests of Luomu Precious Metals held by the Company were transferred to Dinglong Mining for the sum of RMB10,000 as negotiated and confirmed by both parties. Saved for equity interests of 0.61% held in Yongning Gold & Lead, Luomu Precious Metals does not have other actual business and major assets.

Upon completion of the equity transfer mentioned above, the Company will cease to have any equity interest relationship with Luomu Precious Metals and Yongning Gold & Lead, net profits attributable to shareholders of the listed company for the then year decreased RMB161.89 million in aggregate under the influence of equity transfer and debt restructuring.

(3) Newly-established subsidiaries

- ① In January 2015, Schmocker (Shanghai) International Trading Co., Ltd. (施莫克(上海)國際貿易有限公司), a subsidiary of the Company, established Shanghai Ruichao Investment Co., Ltd. (上海睿朝投資有限公司) as its wholly-owned subsidiary in Shanghai with the registered capital of RMB250 million.
- ② In April 2015, Schmocker (Shanghai) International Trading Co., Ltd., a subsidiary of the Company, established Tibet Schmocker Investment Co., Ltd. (西藏施莫克投資有限公司) as its wholly-owned subsidiary in Tibet with the registered capital of RMB10 million.
- ③ In April 2015, China Molybdenum (Hong Kong) Company Limited, a subsidiary of the Company, established Upnorth Investment Limited as its wholly-owned subsidiary in the BVI with the registered capital of US\$1.
- ④ On 23 October 2015, the Company established Beijing Yongbo Resources Investments Holdings Co., Ltd. (北京永帛資源投資控股有限公司) as its wholly-owned subsidiary in Beijing with the registered capital of RMB500 million.

RESOURCES AND RESERVES

I. RESOURCES AND RESERVES

As at 31 December 2015, the mineral resources and ore reserves of the Company were as follows:

(I) Summary of molybdenum and tungsten mine resources and reserves of the Company

1. Summary of molybdenum and tungsten resources and reserves of Sandaozhuang Mine

1) Estimation of mineral resources under JORC Code – (as at 31 December 2015)

Total (million tons)	Measured (million tons)	Indicated (million tons)	Inferred (million tons)	Mo %	WO ₃ %
551.36	321.17	226.32	3.87	0.10	0.09

2) Estimation of mineral reserves under JORC Code – (as at 31 December 2015)

Total (million tons)	Estimated proven reserves (million tons)	Estimated probable reserves (million tons)	Mo %	WO ₃ %	Molybdenum metal (‘000 tons)	WO ₃ metal (‘000 tons)
301.67	225.97	75.70	0.10	0.12	311.31	360.16

Notes: 1. At a 0.03% grade molybdenum cut-off;

2. The molybdenum and tungsten resources of and reserves Sandaozhuang Mine were estimated based on the independent technical review report issued by Minarco Asia Pacific Pty Limited appointed by the Company in 2007. The decrease in the molybdenum resources and reserves of the mine was attributable to the commencement of mining, while the data as at the end of the year had been confirmed by our own experts.

2. Summary of molybdenum resources and reserves of Shangfanggou Mine

1) Estimation of mineral resources under JORC Code – (as at 31 December 2015)

Total (million tons)	Measured (million tons)	Indicated (million tons)	Inferred (million tons)	Mo %
463	14.59	291.41	156.83	0.139

RESOURCES AND RESERVES

2) Estimation of mineral reserves under JORC Code – (as at 31 December 2015)

Total (0'000 tons)	Molybdenum grade %	Measured reserves (0'000 tons)	Molybdenum grade %	Probable reserves (0'000 tons)	Molybdenum grade %
4,122.38	0.181	356.262	0.243	3,766.12	0.175

- Notes:
- The molybdenum resources and reserves of Shangfanggou Mine were estimated based on the independent technical report on Shangfanggou Mine issued by Wardrop Engineering Inc appointed by the Company in 2010. The data of such resources and reserves of the molybdenum mine had been confirmed by our own experts. The molybdenum mine did not operate in 2014 and 2015 and its molybdenum resources and reserves remained the same as those disclosed in the annual report for 2013.
 - The Shangfanggou molybdenum mine is owned by Luoyang Fuchuan, a joint venture of the Company. Its shareholding structure as at the date of this report is as follows: 10% equity interest of which is owned by Luanchuan Fuhai Business and Trading Company Limited* (樂川縣富凱商貿有限公司), its wholly-owned subsidiary and 90% equity interest of which is owned by Xuzhou Huanyu, a joint venture of the Company (the Company holds 50% equity interest of Xuzhou Huanyu and Luoyang Guoyuan Investment Management Consultancy Co., Ltd.* (洛陽國元投資管理諮詢有限公司) holds 50% equity interests in Xuzhou Huanyu).

3. Molybdenum resources and reserves of Xinjiang Mine

1) Estimation of mineral resources reserve under the PRC standards

Mineral reserves (million tons)	Molybdenum metal (0'000 tons)	Molybdenum metal		Molybdenum metal		Molybdenum metal		Average grade (%)
		Average grade (%)	(331+111b) (0'000 tons)	Average grade (%)	(332+122b) (0'000 tons)	Average grade (%)	(333) (0'000 tons)	
441	50.8	0.115	12.94	0.134	8.34	0.128	29.53	0.106

2) Estimation of mineral reserve under the PRC standards

Mineral reserves (million tons)	Molybdenum metal (0'000 tons)	Average grade (%)	Molybdenum metal (111b) (0'000 tons)	Average grade (%)	Molybdenum metal (122b) (0'000 tons)	Average grade (%)
141.58	19.98	0.141	12.23	0.142	7.75	0.139

- Note: The molybdenum ore resources and reserves at the Xinjiang Mine were estimated based on the Opinions on the Examination of Mineral Resources and Reserves in the Molybdenum Exploration Report in East Gobi, Hami, Xinjiang* (《新疆哈密市東戈壁鉬礦勘探報告》礦產資源儲量評審意見書) (Xin Guo Tu Zi Chu Ping [2011] No. 016) issued by Xinjiang Uygur Autonomous Region Mineral Resources Evaluation Center (新疆維吾爾自治區礦產資源儲量評審中心) in January 2011. The data of such resources and reserves of the molybdenum mine had been confirmed by our own experts in compliance with the PRC Resources/Reserves Category (1999).

RESOURCES AND RESERVES

(II) Summary of copper, gold and silver resources and ore reserves of NPM of the Company

1) Copper, gold and silver mineral resources under the JORC Code

	Measured resources				Indicated resources				Inferred resources				Total resources				Total metal		
	As of 31 December 2015				As of 31 December 2015				As of 31 December 2015				As of 31 December 2015				Cu	Au	Ag
Tonnage	Cu grade	Au grade	Ag grade	Tonnage	Cu grade	Au grade	Ag grade	Tonnage	Cu grade	Au grade	Ag grade	Tonnage	Cu grade	Au grade	Ag grade	(million tons)	(million Oz)	(million Oz)	
(million tons)	(%)	(g/t)	(g/t)	(million tons)	(%)	(g/t)	(g/t)	(million tons)	(%)	(g/t)	(g/t)	(million tons)	(%)	(g/t)	(g/t)				
Total volume from NPM	21.13	0.50	0.28	2.02	350.17	0.56	0.18	1.76	126.56	0.56	0.17	1.69	497.86	0.56	0.18	1.75	2.78	2.86	28.05

2) Copper, gold and silver ore reserves under the JORC Code

	Estimated proven reserves				Estimated probable reserves				Total ore reserves				Total metal					
	As of 31 December 2015				As of 31 December 2015				As of 31 December 2015				Cu	Au	Ag			
Tonnage	Cu grade	Au grade	Ag grade	Tonnage	Cu grade	Au grade	Ag grade	Tonnage	Cu grade	Au grade	Ag grade	Tonnage	Cu grade	Au grade	Ag grade	(million tons)	(million Oz)	(million Oz)
(million tons)	(%)	(g/t)	(g/t)	(million tons)	(%)	(g/t)	(g/t)	(million tons)	(%)	(g/t)	(g/t)	(million tons)	(%)	(g/t)	(g/t)			
Total metal	8.22	0.40	0.24	2.19	94.06	0.61	0.26	2.21	102.28	0.60	0.26	2.21	0.61	0.26	2.21	0.61	0.85	7.27

- Notes:
1. NPM mineral resources and ore reserves as at 31 December 2015 were calculated by the NPM technical team based on the experiences and knowledge in the operation of NPM, and had been confirmed by the qualified experts on the NPM mines.
 2. Mineral resources and reserves in the above table are 100% equity of the mineral resources and reserves of the NPM.

II. EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

(I) Exploration

During the year, the Company had exploration projects in Sandaozhuang Mine and NPM. Details of the works are as follows:

- (1) Production and exploration were carried out in Sandaozhuang Mine in 2015, details of which are as follows:
 1. Survey: Special geology survey (1:2000) actually completed 2.5091 km²; geological profile survey (1:1000) completed 22.76km; engineering point survey completed 29 points; 2. Planned mechanical core drilling of 10,063m was carried out and it actually completed 9,530.4m; 3. Mine analysis: general mine analysis was 4,574, in which 111 are object samples, 50 are combination samples, 10 are full analysis of mineral chemicals and 2 are general water samples (full analysis).
- (2) As an important drive for the developing strategies of the NPM, the Company highly values and actively promotes the exploration works. Planned exploration of 13,918 meters in 2015 with 14,619 meters actually completed. In particular, 1. reverse circulation (RC); planned to complete 4,300 meters and actually completed 3,895 meters; 2. diamond core drilling (DD): planned to complete 9,618 meters and actually completed 10,724 meters.

Exploration results: resources exploration and examination results we received indicated that many exploration areas are highly prospective areas; mining, exploration and examination results we received indicated that potential mining projects are more feasible.

(II) Development

1. Sandaozhuang Mine

During the year, the Company did not have any significant development in Sandaozhuang Mine.

2. Shangfanggou Mine

During the year, the Company did not have any significant development in Shangfanggou Mine.

3. Xinjiang Mine

During the year, the Company did not have any significant development in Xinjiang Mine.

4. NPM Copper and Gold Mine

The production expansion project in mining area E48 was completed and commenced production at the end of March 2015. The schedule for completion of the construction is in line with the expectation. The construction of E26 two-stage sublevel caving mining project has commenced in April 2015 and will be completed and put into production at the end of the third quarter of 2016. Estimated proven reserves, copper grade and gold grade of E26 two-stage sublevel caving mining project phase I are 2.9 million tons, 1.01% and 0.44g/t, respectively. The remaining reserves of phase II are 1.7 million tons with copper grade of 0.87% and gold grade of 0.35g/t. The development costs in 2015 amounted to US\$15,810,000.

(III) Mining

	2015
Sandaozhuang molybdenum mine Production volume of open-pit mining (<i>kilotons</i>)	18,186.90
NPM copper and gold mine Production volume of underground mining (<i>kilotons</i>)	6,002.30

- Remarks:*
- The mining production volume of molybdenum of Sandaozhuang Mine and the mining production volume of NPM copper and gold mine were calculated on basis of the statistics prepared by the Company and had been confirmed by our own experts.
 - During the year, no mining activities were conducted in Xinjiang Mine and Shangfanggou Mine.

III. EXPLORATION, DEVELOPMENT AND MINING EXPENSES OF THE COMPANY

For the year ended 31 December 2015, the summary of the expenditures of exploration, development and mining activities of the Company are as follows:

- Exploration expenses:
 - Exploration expenses of Sandaozhuang mine in 2015 amounted to RMB6.43 million, which are mainly used for mechanical core drilling, geological profile survey, geological logging and mine analysis;
 - NPM exploration expenses of copper and gold mine in 2015 amounted to US\$3.52 million, which was mainly used in the exploration of diamond core drilling, reverse circulation drill exploration and logging and examination works.
- Development expenses: the development expenses of NPM amounted to US\$15.81 million.
- Mining expenses: 1) The mining expenses of Sandaozhuang Mine amounted to RMB487.08 million; 2) the mining expenses of NPM copper and gold mine amounted to US\$23.95 million.

(Note: the above expenses exclude ore processing)

MATERIAL EVENTS

A. MATERIAL EVENTS

1. Adjustment to Provision for Production Maintenance Fee* and the Application Method of the Balance

The Company held the 26th extraordinary meeting of the third session of the board of directors of the Company by way of communication on 14 May 2015, during which the Resolution in Relation to the Adjustment to the Provision for Simple Reproduction Maintenance Fee* and the Application Method of the Balance (《關於調整維簡費計提及結餘使用方法的議案》) was considered and approved. Pursuant to the Notice on Ceasing to Regulate the Standard of the Provision for Simple Reproduction Maintenance Fee* of Metallurgical Mines (Cai Zi [2015] No. 8) (財資[2015] 8號《關於不再規定冶金礦山維持簡單再生產費用標準的通知》) issued by the Ministry of Finance, the Company decided to cease the provision for production maintenance fee* from the publication date of Cai Zi [2015] No. 8 document issued by the Ministry of Finance; the unused provision for simple reproduction maintenance fee* of RMB237,884,285.53 as at 31 March 2015 will still be used within the expenditure range of the original production maintenance fee* of the Company. After utilizing the balance of simple reproduction maintenance fee*, the relevant items are directly presented under cost according to the prevailing conditions. The change in the provision for simple reproduction maintenance fee* will not have an impact on the Company's 2015 first quarterly report and the previously disclosed reports, and shall not be subject to any retrospective adjustments; after the adjustment of the standard on the provision for simple reproduction maintenance fee*, the mining cost will decrease by RMB15 per ton, which is expected to lead to an increase in net profit of RMB204 million for the year of 2015 for the Company. For details, please refer to relevant announcements published by the Company on China Securities Journal, Shanghai Securities News, and websites of SSE (www.sse.com.cn), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinamoly.com).

2. Restructuring of Yongning Gold & Lead and transfer of 100% equity interest in Luomu Precious Metals

On 14 May 2015, the 26th extraordinary meeting of the third session of the Board considered and approved the Resolution in Relation to the Proposal of the Increase in the Registered Capital and Debt Restructuring of Luoyang Yongning Gold & Lead Refining Co., Ltd. (《關於同意洛陽永寧金鉛冶煉有限公司增加註冊資本及債務重組方案的議案》). Dinglong Mining subscribed by cash for the new registered capital of RMB122 million in Yongning Gold & Lead. Luomu Precious Metals, a wholly-owned subsidiary of the Company, waived the pre-emptive rights. Meanwhile, the Company carried out the debt restructuring with Yongning Gold & Lead in relation to the debt of RMB684 million owed to the Company. The equity interests in the company held by the Company through Luomu Precious Metals was diluted from 75% to 0.61%.

The Company held the 4th extraordinary meeting of the fourth session of the Board by way of circulation on 11 August 2015, during which the Resolution in Relation to the Approval of the Transfer of 100% Equity Interests in Luomu Group Precious Metals Co., Ltd. (《關於轉讓洛陽鉬業集團貴金屬有限公司100%股權的議案》) was considered and approved. On the same day, the Company and Dinglong Mining entered into the Equity Transfer Agreement of Luomu Group Precious Metals Co., Ltd. (《關於洛陽鉬業集團貴金屬有限公司之股權轉讓協議》) (hereinafter referred to as “**Transfer Agreement**”), pursuant to which the 100% equity interests of Luomu Precious Metals held by the Company were transferred to Dinglong Mining for the sum of RMB10,000 as negotiated and confirmed by both parties. Other than the 0.61% equity interests held by Luomu Precious Metals in Yongning Gold & Lead, Luomu Precious Metals did not own any other actual operation and material assets. After the aforesaid transfer of equity interests, the Company no longer had any shareholding relationship with Luomu Precious Metals and Yongning Gold & Lead. For details, please refer to relevant announcements published by the Company on China Securities Journal, Shanghai Securities News, and websites of SSE (www.sse.com.cn), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinamoly.com).

3. Completion of Conversion for A Share Convertible Corporate Bonds

As approved by the approval (Zheng Jian Xu Ke [2014] No. 1246) from China Securities Regulatory Commission (the “CSRC”), the Company publicly issued A share convertible corporate bonds of RMB4.9 billion on 2 December 2014. As agreed by the Self-regulation Decision [2014] No. 681 of the SSE, CMOC’s A shares convertible corporate bonds of RMB4.9 billion were listed on the SSE commencing from 16 December 2014. Such public issuance of A share convertible corporate bonds raised proceeds of RMB4.9 billion. After deducting the issuance fees of RMB56,452,000, the net proceeds raised were RMB4,843,547,956.20.

The closing prices of the shares of the Company for a consecutive 15 trading days from 2 June 2015 to 23 June 2015 were not lower than 130% of the prevailing conversion price (RMB8.78 per share). Pursuant to the provisions stipulated in the “Prospectus in relation to Public Issuance of A Shares Convertible Corporate Bonds”, the conditional redemption conditions of CMOC Convertible Bonds were first triggered. On 23 June 2015, the “Resolution in respect of the Early Redemption of CMOC Convertible Bonds” was considered and approved at the twenty-ninth extraordinary meeting of the third session of the board of directors of the Company. The Company decided to exercise its right of conditional redemption for the CMOC Convertible Bonds to redeem all outstanding CMOC Convertible Bonds which appear on the register of bonds as at the redemption record date, i.e. 9 July 2015.

After trading hours of SSE on 9 July 2015, the balance of all CMOC Convertible Bonds registered at the China Securities Depository and Clearing Corporation Limited Shanghai Branch was RMB45,558,000 (455,580 convertible bonds), representing 0.93% of the total issued convertible bonds of the Company, i.e. RMB4,900,000,000 (49,000,000 convertible bonds). The accumulated number of convertible bonds converted amounted to 552,895,708 shares in total, representing 10.89% of the total issued shares of 5,076,170,525 shares of the Company prior to the conversion of “CMOC Convertible Bonds”, which resulted in an increase in the total share capital to 5,629,066,233 shares. From 10 July 2015, trading of CMOC Convertible Bonds (113501) and the conversion of CMOC Convertible Shares (191501) was suspended. From 16 July 2015, CMOC Convertible Bonds (113501) and CMOC Convertible Shares (191501) of the Company were delisted from SSE. For details, please refer to relevant announcements published by the Company on China Securities Journal, Shanghai Securities News, and websites of SSE (www.sse.com.cn), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinamol.com).

4. Issue of Shares By Way of Capitalisation of Capital Reserve and Change in Board Lot Size

The first extraordinary general meeting for 2015 held on 30 October 2015 considered and approved to issue a total of 11,258,132,466 new shares, in the total amount of RMB2,251,626,493.2, by way of capitalisation of capital reserve of the Company on the basis of twenty (20) bonus shares for every ten (10) existing shares.

In order to comply with the requirements for the minimum value of each board lot of the H Shares upon completion of the Bonus Issue, the board lot size of the H Shares of the Company was changed from 1,000 H Shares to 3,000 H Shares with effect on 3 December 2015.

B. HONOURS

1. The Company was awarded the “1st Prize of Chinese Non-Ferrous Metal Industry Science and Technology for 2015”

The Company was awarded “1st Prize of Chinese Non-Ferrous Metal Industry Science and Technology for 2015” by the China Non-Ferrous Metals Industry Association.

2. The Company was honored as the “Socially-responsible and Philanthropic Enterprise for Poverty Alleviation”

In January 2016, the Company was honored as the “Socially-responsible and Philanthropic Enterprise for Poverty Alleviation in Luoyang” awarded by Luoyang Municipal People’s Government. Mr. Li Chaochun, the chairman of the Company, was honored as the “Socially-responsible and Philanthropic Entrepreneur for Poverty Alleviation in Luoyang”.

MATERIAL EVENTS

3. The NPM Copper and Gold Mine was given the “Australian Non-coal Mine (Hard Rock Mine) for the Year Award”

The Australian Non-coal Mine for the Year Award is the recognition of the exceptional performance of a copper and gold mine.

C. DOMESTIC INDUSTRY POLICIES

Domestic Industry Policies

Export Quota

On 24 December 2014, Ministry of Commerce of the PRC promulgated the list of state-owned enterprises involving tungsten, antimony and silver export, the list of exporters of rare earth, indium, molybdenum and tin and the first batch of export quotas for 2015, announcing that the export quotas of molybdenum and tungsten products were eliminated.

Export tariffs

On 14 April 2015, the Customs Tariff Commission of the State Council promulgated the notice in relation to on the adjustment to export tariffs of certain products. Under the notice, the export tariffs of molybdenum and tungsten products were eliminated.

Resource tax

On 30 April 2015, the Ministry of Finance and State Administration of Taxation promulgated the notice in relation to the innovation implementation of resources tax of rare earth, tungsten and molybdenum levied on the ad valorem basis, which shifted the basis for the calculation of the resource tax of molybdenum and tungsten from the quantity to ad valorem. In particular, the taxable products of molybdenum and tungsten included raw ore and concentrate processed using self-served raw ore. As for the raw ore is processed to concentrate for sale by taxpayers, the resource tax is calculated and paid in accordance with concentrate sales volume (added-value tax exclusive) and applicable tax rate. As for the raw ore processed and sold by taxpayers, the resource tax is calculated and paid in accordance with raw ore sales volume (added-value tax exclusive) converted into concentrate sales volume. The formula of tax payable is: tax payable = concentrate sales volume × applicable tax rate; where the applicable tax rate of tungsten resource is 6.5% and pursuant to the stipulations under the Notice in Relation to the Implementation of Reforms on the Calculation of Rare Earth, Tungsten and Molybdenum Resource Taxes Based on Price (Cai Shui [2015] No. 52), the tungsten associated with other metals recovered by the Company shall not be subject to tungsten resource tax. The applicable rate of the molybdenum resource tax is 11%.

Norms for Tungsten Industry

In order to further strengthen the management of the tungsten industry, restrain duplication and redundant construction, regulate the discipline of production and operation in the existing tungsten industry, improve the integrated utilization level of resources and the energy conservation and environmental protection level, promote the transformation and upgrade and the sustainable development of the tungsten industry, according to the relevant laws and regulations and industry policies in the PRC, the commerce department and MIIT formulated Norms for Tungsten Industry which was promulgated on 14 January 2016 and implemented on 1 February 2016. The Norms requires that: the construction scale of tungsten mine companies and open-pit mines shall not be less than 150,000 tons of ores per year, the construction scale of underground mines shall not be less than 60,000 tons of ores per year and the term of service shall be more than ten years. The production capacity of newly-established and renovated ammonium paratungstate projects shall reach 5,000 tons per year or above, and the production capacity for tungsten metal shall reach 6,000 tons per year or above. For the newly-established, renovated and existing smelting projects for solely waste tungsten catalysts, the treatment capacity of a single type of materials shall reach 5,000 tons per year or above; for projects for solely waste tungsten alloys, the treatment capacity of a single type of materials shall reach 500 tons per year or above; other smelting projects for secondary resources that contain, among others, tungsten, the treatment capacity of a single type of materials shall reach 1,500 tons per year or above.

In addition, Norms also stipulates the detailed requirements for comprehensive utilization of resources and energy consumption, environmental protection, regulatory management, production safety, product quality, production skills and equipment.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

The Company adopted revised Terms of Reference and Operation Rules of the Audit Committee on 28 August 2015 in compliance with and to address the new provisions in the Corporate Governance Code dealing with certain amendments to risk management and internal control systems and effective for the accounting period beginning on 1 January 2016.

In the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code throughout the period from 1 January 2015 to 31 December 2015, save as the deviation from the code provision E.1.2 of the Corporate Governance Code.

Pursuant to the code provision E.1.2, the chairman of the Board should invite the chairmen of its Board committees to attend the annual general meeting. In their absence, the chairman of the Board should invite another committee member (or failing this his duly appointed delegate), to attend. All members of the audit committee of the third session of the Board were unable to attend the annual general meeting of the Company held on 26 June 2015 due to other business arrangements. The attendance of the Chairmen of the remuneration committee, nomination committee, strategic committee of third session of the Board and third session of the supervisory committee and chief financial officer at such annual general meeting was sufficient for (i) answering the questions raised by the shareholders who attended the annual general meeting and (ii) effectively communicating with shareholders who attended the annual general meeting. The Company has optimized the planning and procedures of annual general meetings, give adequate time to all Directors to accommodate their work arrangement and provide all necessary support for their presence and participation in annual general meetings such that all Directors will be able to attend future annual general meetings of the Company.

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

THE BOARD

For the year ended 31 December 2015, the Board held 15 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 issuance of A Share Convertible Corporate Bonds by the Company and the conversion thereof into shares and processing the issue of shares by way of capitalisation of capital reserve.

RESPONSIBILITIES

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

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

The list of all Directors is set out under “Corporate Information” on page 63 and the independent non-executive Directors are expressly identified in all corporate communications pursuant to the Hong Kong Listing Rules.

As at the date of this report, the board of directors of the Company comprises the following Directors:

Executive Directors

Li Chaochun, Chairman

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

Non-Executive Directors

Ma Hui, Vice Chairman (appointed as non-executive Director of the Company on 26 June 2015 and as Vice Chairman of the Company on 27 June 2015.)

Yuan Honglin

Cheng Yunlei (appointed as non-executive Director of the Company on 26 June 2015)

Independent Non-Executive Directors

Bai Yanchun

Xu Shan

Cheng Gordon

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

For the year ended 31 December 2015, the Board, at all times, met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

Non-executive Directors (including independent non-executive Directors) bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation in Board meetings or meetings of Board committees, supervising management issues involving potential conflict of interests and serving on Board committees, all non-executive Directors (including independent non-executive Directors) make various contributions towards the direction of the Company.

CHAIRMAN AND GENERAL MANAGER

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

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

The General Manager, Mr. Li Faben, is responsible for running the Company’s business operations and implementing the Group’s strategic plans and business goals.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association (the "**Articles of Association**"), all Directors of the Company are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall submit himself/herself for election by shareholders at the first general meeting after appointment.

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

The nomination committee and the Board selected candidates of Directors with reference to major shareholders' recommendations and certain criteria and procedures. The relevant criteria mainly include the candidate's professional background, especially his or her experience in the industry where the Group establishes its presence, his or her financial and past track record with other similar companies and the recommendations from management and other knowledgeable individuals. The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The nomination committee of the Company is responsible for reviewing the Board composition, monitoring the appointment, nomination and succession plan of Directors and assessing the independence of independent non-executive Directors.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

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

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

The Company encourages all Directors to participate in continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains fully informed and relevant. For the year ended 31 December 2015, 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 directors of the Company, including updates of laws and regulations.

BOARD MEETINGS

Practices and Conduct of Board Meetings

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

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, notice is generally given pursuant to the Articles of Association and the respective Terms of Reference and Operation Rules of the committees.

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

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORDS

The attendance records of each Director at the meetings of the Board, remuneration committee, audit committee, nomination committee and the general meetings for the year ended 31 December 2015 are set out below:

Name of Directors	Number of Attendance in person/Number of Meetings						Extraordinary and Class General Meeting ⁽⁶⁾
	Board Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Nomination Committee Meeting	Strategic Committee Meeting	Annual General Meeting ⁽⁵⁾	
Mr. Li Chaochun	15/15	N/A	N/A	2/2	1/1	1/1	3/3
Mr. Li Faben	15/15	N/A	N/A	N/A	1/1	0/1	1/3
Mr. Wang Qinxi ⁽¹⁾	8/8	N/A	N/A	N/A	N/A	0/1	0/2
Ms. Gu Meifeng ⁽¹⁾	8/8	N/A	N/A	N/A	N/A	1/1	2/2
Mr. Wu Wenjun ⁽¹⁾	8/8	N/A	N/A	N/A	N/A	0/1	0/2
Mr. Zhang Yufeng ⁽¹⁾	8/8	N/A	3/3	N/A	N/A	0/1	0/2
Mr. Ma Hui ⁽²⁾	7/7	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Cheng Yunlei ⁽²⁾	7/7	N/A	N/A	N/A	N/A	N/A	0/1
Mr. Yuan Honglin ⁽³⁾	15/15	2/2	2/2	N/A	—	0/1	1/3
Mr. Bai Yanchun	15/15	2/2	N/A	2/2	1/1	1/1	2/3
Mr. Xu Shan	15/15	N/A	5/5	2/2	N/A	0/1	0/3
Mr. Cheng Gordon ⁽⁴⁾	15/15	1/1	5/5	2/2	N/A	0/1	0/3
Mr. Xu Xu ⁽¹⁾	8/8	1/1	N/A	1/1	1/1	1/1	2/2

Notes:

- (1) Resigned as Directors or respective offices held in the relevant Board Committees of the Company on 26 June 2015.
- (2) Appointed as the non-executive Director of the Company on 26 June 2015.
- (3) Mr. Yuan Honglin was appointed as the member of the audit committee and strategic committee of the fourth session of the Board on 27 June 2015.
- (4) Mr. Cheng Gordon was appointed as the member of the remuneration committee of the fourth session of the Board on 27 June 2015.
- (5) The annual general meeting was held on 26 June 2015.
- (6) For the year ended 31 December 2015, the Company convened a class meeting of A Shareholders and a class meeting of H Shareholders on 26 June 2015, and convened an extraordinary general meeting on 30 October 2015.

JOINT COMPANY SECRETARIES

For the year ended 31 December 2015, Mr. Zhang Xinhui, the Board secretary, acts jointly with Ms. Ho Siu Pik as joint company secretaries of the Company. Mr. Zhang Xinhui reported to the Company's Chairman, Mr. Li Chaochun. Ms. Ho of Tricor Services Limited is an external service provider. Her primary contact person in the Company was Mr. Zhang Xinhui (and now Mr. Li Chaochun).

The two joint company secretaries have confirmed that they have undertaken no less than 15 hours of relevant professional training during the year.

Mr. Zhang Xinhui has resigned as the Board secretary and joint company secretary with effect from 11 April 2016. Pursuant to the relevant requirements of the Rules Governing the Listing of Stocks on SSE and "Administrative Measures for the Secretary to the Board of Listed Companies of the Shanghai Stock Exchange", Mr. Li Chaochun, the Chairman of the Board, will serve as the Board secretary until the appointment of a successor. The Company will recruit the successor of the Board secretary as soon as practicable and further announcement(s) and update(s) regarding this matter will be made in due course (please refer to the relevant announcement of the Company dated 11 April 2016 for details).

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS MADE BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Hong Kong Listing Rules. Specific enquiry has been made on all Directors and they have confirmed that the required standards set out in the Model Code have been complied with throughout the year ended 31 December 2015. The Company has also formulated written guidelines equally stringent as the Model Code (the “**Employees Written Guidelines**”) for securities transactions by employees of the Company who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance against the Employees Written Guidelines by the employees has been noted by the Company after making reasonable enquiry.

DELEGATION BY THE BOARD

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

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

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

The Board has established a number of committees, including the remuneration committee, audit committee, nomination committee and strategic committee for overseeing particular aspects of the Company’s affairs. All Board committees of the Company were established with defined written terms of reference. Board committees are provided with sufficient resources to perform their duties. Upon reasonable requests, Board committees may seek independent professional advice in appropriate circumstances at the expense of the Company.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies regarding remuneration of Directors and senior management of the Group. Details of the remuneration of the Directors and senior management of the Company for the year ended 31 December 2015 are set out in note (X).1 to the consolidated financial statements.

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

Directors’ Remuneration

- The remuneration of both Mr. Li Chaochun and Mr. Li Faben (executive Directors) have been reduced from RMB400,000 per annum to RMB360,000 per annum commencing from 1 February 2016.

Supervisor’s Remuneration

- The remuneration of Ms. Wang Zhengyan (supervisor) has been increased from RMB300,000 per annum to RMB320,000 per annum commencing from 26 January 2016.

Positions Held with Other Members of the Group

- Since 22 May 2015, Mr. Li Faben has ceased to be a director of China Molybdenum (Hong Kong) Company Limited, a subsidiary of the Company.

Save as disclosed above, as at 31 December 2015, there was no other change to the Directors’ and supervisors’ information as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established a remuneration committee and set out its specific terms of reference. As at the date of this report, the remuneration committee comprises two independent non-executive Directors, namely Mr. Bai Yanchun and Mr. Cheng Gordon, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Bai Yanchun as the chairman. The majority of members of the remuneration committee are independent non-executive Directors.

The roles and functions of the remuneration committee are set out in its Terms of Reference and Operation Rules. Its primary functions include: to make recommendations to the Board on the remuneration policy and structure for all Directors and the senior management and to establish transparent procedures for developing such remuneration policy; to make recommendations to the Board on the remuneration packages of individual executive and non-executive Directors and the senior management; and to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

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

In order to motivate the senior management of the Company in a scientific 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 two meetings for the year ended 31 December 2015, and the matters considered therein included proposed to determine remuneration of the fourth session of the Board and the supervisory committee, proposed to determine remuneration of senior management as well as rewards of operation given to Directors and senior management. The attendance records are set out under "Directors' Attendance Records" on page 34.

AUDIT COMMITTEE

The Terms of Reference and Operation Rules of the audit committee are based primarily on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants.

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

The audit committee has reviewed the effectiveness of the external audit and of internal controls, evaluated risks, and provided comments and advice to the Board. As at the date of this report, the audit committee comprises two independent non-executive Directors of the Company, namely Mr. Xu Shan and Mr. Cheng Gordon, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Xu Shan as the chairman of the committee. The audit committee has reviewed with the management and external auditors, the audited consolidated results of the Group for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters.

The main duties of the audit committee are set out in its Terms of Reference and Operation Rules, including the following:

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors submitted to the Board;
- To be acquainted with the work performed by the external auditor, their fees and terms of engagement, in order to review the relationship between the Company and the external auditor, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors;
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures;

CORPORATE GOVERNANCE REPORT

- To review the drafts of annual report, including reports submitted by the general manager and the management;
- To supervise Directors to ensure that they perform annual review in respect of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, the training programmes of the staff and the budget;
- To review the audit activities with external auditors and internal auditors, the internal auditor shall specify the important issues and results which the committee shall know or pay attention to. To prepare such review, the internal auditor will provide internal audit reports or report summaries of the Group to members of the committee through the secretary of the committee when necessary. Report on the activities of the committee in each financial year will also be submitted to the Board;
- To communicate with executive Directors, other executives or employees, external auditors and internal auditors without any restrictions. External auditors and internal auditors are entitled to consult the committee without notifying the management. The committee is also entitled to consult the external auditors and internal auditors without notifying the management or to consult the management without notifying the external auditors and internal auditors;
- To review arrangements for employees to raise concerns about possible improprieties in financial reporting; and
- To perform corporate governance functions set out in the code provision D.3.1 of the Corporate Governance Code.

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

For the year ended 31 December 2015, the audit committee reviewed the annual results for the year ended 31 December 2014, the first quarter results for the three months ended 31 March 2015, the interim results for the six months ended 30 June 2015 and the third quarter results for the nine months ended 30 September 2015. The audit committee also considered the financial reporting and compliance procedures, the report from the management on the review and processes of Company's internal control and risk management systems and the re-appointment of the external auditors. In addition, the audit committee actively performed corporate governance functions, and reviewed the content under the code provision D.3.1 of the Corporate Governance Code.

The audit committee held five meetings for the year ended 31 December 2015 and the attendance records are set out under "Directors' Attendance Records" on page 34. For the year ended 31 December 2015, the audit committee also met the external auditors twice without the presence of the executive Directors.

NOMINATION COMMITTEE

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

The nomination committee held two meetings for the year ended 31 December 2015, considering and approving the resolutions in relation to, among other things, the nomination of the candidates for the Directors of the fourth session of the board of directors of the Company, the nomination of the candidates for the supervisors of the fourth session of the supervisory committee, the nomination of the general manager of the Company, the nomination of the senior management of the Company including deputy general manager and the nomination of the Board secretary to the fourth session of the Board and the joint company secretaries of the Company. The attendance records are set out under "Directors' Attendance Records" on page 34.

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

CORPORATE GOVERNANCE REPORT

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

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

For the year ended 31 December 2015, the nomination committee had evaluated and reviewed the effectiveness of the Board and no material matter was identified by the nomination committee during the period under review.

As at the date of this report, the nomination committee comprises the following four Directors: Mr. Bai Yanchun (independent non-executive Director), Mr. Li Chaochun (executive Director), Mr. Xu Shan (independent non-executive Director) and Mr. Cheng Gordon (independent non-executive Director), with Mr. Bai Yanchun as the chairman and Mr. Li Chaochun as vice chairman of the nomination committee.

STRATEGIC COMMITTEE

The strategic committee is responsible for formulating the overall development plans and investment decision-making procedures of the Group. As at the date of this report, the members of strategic committee comprise two executive Directors, namely Mr. Li Chaochun and Mr. Li Faben, and one independent non-executive Director, namely Mr. Bai Yanchun, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Li Chaochun as the chairman of the committee. For the year ended 31 December 2015, the strategic committee held one meeting. The attendance records are set out under "Directors' Attendance Records" on page 34.

CORPORATE GOVERNANCE FUNCTIONS

The audit committee (as delegated by the Board) is responsible for performing the functions of corporate governance.

As at the date of this report, the audit committee has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.

SUPERVISORY COMMITTEE

As at the date of this report, the supervisory committee of the Company comprises three members, namely Ms. Kou Youmin (chairperson), Mr. Zhang Zhenhao and Ms. Wang Zhengyan. The supervisory committee is responsible for exercising supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. For the year ended 31 December 2015, the supervisory committee held seven meetings to review the financial positions and the internal control of the Company and adhered to the principle of good faith and proactively carried out various work.

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

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2015.

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 Audit Report on page 65.

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 internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal control system established by the Group for the purposes of risk management and control, together with internal audit and findings in the operation and management, and with reference to audit findings by external auditors, can be used to comprehensively recognize, evaluate and supervise material risks that the Group faces, including operation and decision-making risk, financial management and control risk and the risks resulted from the changes of operating environment. The internal auditors and senior management shall evaluate operational controls and risk management on a regular basis and report to the audit committee on any findings concerning internal control and risk management. The audit committee supervised the implementation of various rectification measures, and the rectification work was in line with expectations after subsequent tracking and checking.

During the year ended 31 December 2015, the Board has conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board has not identified any major issues during their course of review.

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the remuneration paid to the auditors of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) are set out below:

Category of services	Fee paid/payable RMB'000
Annual audit service	2,300
Internal control audit	990

Note: To avoid ambiguity, the auditors' remuneration stated above represents the remuneration paid to Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) providing annual auditing service to the Company only. Fees paid to other accounting services firms by the Group are not included.

CORPORATE GOVERNANCE REPORT

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The notice of the forthcoming annual general meeting of the Company (“AGM”) will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Hong Kong Listing Rules and the Articles of Association.

During the year under review, the Company has amended its Articles of Association, including (among other things) amendments to the number and composition of the Board in compliance with the requirements under the Listing Rules of SSE and Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) promulgated by China Securities Regulatory Commission (“CSRC”); reflecting the change in the registered capital of the Company as a result of the conversion of the A Share Convertible Corporate Bonds; and the additional scope of current businesses and the actual situation of the Company. An up-to-date version of the Company’s Articles of Association is also available on the Company’s website and websites of the Stock Exchange and the SSE.

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

SHAREHOLDERS’ RIGHTS

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

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

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

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

SHAREHOLDERS' ENQUIRIES

Enquiries about Shareholdings

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

Dear Shareholders,

The Directors of the Company are pleased to present their 2015 annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2015.

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 offer of H shares and the H shares of the Company were successfully listed on the Stock Exchange.

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

PRINCIPAL ACTIVITIES

The Company which is in the non-ferrous metal mining industry primarily engages in the mining and processing, smelting, deep processing, trade and research etc. of molybdenum, tungsten, copper, gold and other precious and base metals in the PRC and Australia. It possesses a complete industry chain which integrates upstream and downstream processes. As one of the leading molybdenum producers in the world, the Company owns three world-class molybdenum mines. Meanwhile, it is also one of the largest tungsten concentrates producer in the PRC and the fourth largest copper producer in Australia. While solidifying and stabilizing the existing advantage in the industry, the Company is dedicated in investments of integrated high-quality resources projects on a global scale and the effective implementation of internationalization strategy of the Company amid the industrial downturn leveraging on its advanced management philosophy, team advantages, good credit and multi-channel financing platform. The Company possessed of a professional management team for international acquisition which allow the Company to have a better grasp of domestic and overseas industrial development trend. Based on the market movements and timely adjustments to the Company's development strategy, the Company constantly solidified its competitive advantage in order to develop the Company into an internationalized resources management group equipped with global vision and in-depth industrial consolidation capability.

(1) Domestic Business

The principal domestic businesses the Company is engaged in are: mining, smelting, deep processing, trade and scientific research of molybdenum and tungsten metals. The Company possesses a comprehensive industry chain that integrates the upstream and downstream supply chain of molybdenum mining, processing, roasting, molybdenum chemicals and molybdenum metal processing and its main products include ferro-molybdenum, tungsten concentrates and other molybdenum related products and their use is shown below:

Product	Principal Use
Molybdenum related products	Molybdenum is mainly used in the steel industry. Molybdenum can improve the strength of steel and also other properties such as elasticity limit, abrasion resistance and impact resistance, corrosion resistance, high-temperature resistance. Molybdenum alloy steel is used for manufacturing alloy components and parts of warships, tanks, guns and cannons, rockets and satellites; it is used for manufacturing corrosion-resistant parts of oil pipelines, aircrafts, locomotives and cars; and used for manufacturing transportation equipment, locomotives, industrial machinery and high-speed cutting tools. In addition, molybdenum metal products are widely used as heating materials and structural materials of high-temperature furnace, large electrodes of vacuum tubes, etc.; they are also used as lubricants, catalysts and pigments in the chemical industry; chemical products of molybdenum are also widely used as dyes, inks, lake pigments and anti-corrosion primer; and molybdenum compounds have a wide range of uses for agricultural fertilizers.
Tungsten related products	Tungsten is widely used in military engineering, aerospace, machinery processing, metallurgy, oil drilling, mining tools, telecommunications, construction and other aspects; downstream products of tungsten include tungsten steel, tungsten materials, tungsten chemicals and tungsten carbide. Tungsten steel is a kind of heat-resistant alloys, which have physical properties of high-temperature resistance, making it a basic industrial material; tungsten materials include tungsten wire, a key material in lighting, electronics and other industries; tungsten compounds are used for manufacturing dyes, pigments, inks, electroplating, catalysts and lubricants; and tungsten carbide is extremely hard and have excellent wear resistance, and are used for manufacturing cutting tools, knives, drilling tools and wear parts.

(2) Overseas Business

The Company's only overseas business is the NMP copper and gold mine in Australia, which is principally engaged in the mining and processing of copper metals. The principal product is copper concentrates and the byproduct is gold. The Company acquired 80% of the interests of the copper and gold mine held by Rio Tinto PLC at a consideration of US\$800 million in 2013. Since the acquisition, the operation has been stable and constantly improving. By 31 December 2015, the total assets amounted to RMB6,182,000,000 and a net profit attributable to the shareholders of the Company of RMB322,000,000 was recorded for the year 2015, accounting for 42.4% of the net profit attributable to the shareholders of the Company for the year.

BUSINESS MODEL

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

(1) Procurement Model

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

(2) Production Model

A large-scale, batch-based and continual production model that penetrates through the entire industry chain is adopted.

(3) Sales Model

The principal products include molybdenum concentrates, molybdenum oxide, ferro-molybdenum, tungsten concentrates and copper concentrates. In particular, the direct sales model of "manufacturer – consumer" has been mainly adopted in molybdenum concentrates, molybdenum oxide and tungsten concentrates; the direct sales model of "manufacturer – consumer" has been mainly adopted in ferro-molybdenum with the indirect sales model of "manufacturer – third party dealer – consumer" as the auxiliary. In the international market, the sales model of "manufacturer – middlemen – consumer" has been mainly adopted, with the "manufacturer– consumer" model as the auxiliary. , the product from NPM copper and gold mine is copper concentrates, and a direct sales model of "manufacturer – consumer" has been mainly adopted.

INDUSTRY OVERVIEW

(1) Molybdenum Industry

The Company is a top five molybdenum producer in the world. The supply in molybdenum industry, in which the Company operates, continued to increase with worsened overcapacity due to the continuous domestic and overseas economic downturn in 2015, the constant drop of oil price, the recession in manufacturing industry, the intensifying drop of domestic and overseas steel price, the significant decrease in the demand of steel with molybdenum content and commencement of production of domestic and overseas new molybdenum mines. Since the financial crisis in 2008, the molybdenum industry has entered a long adjustment period. The molybdenum industry experienced the down cycle during the adjustment period of 2015.

(2) Tungsten industry

As the Company is the largest scheelite resources integrated recycle enterprise in the PRC and the world, the Sandaozhuang Mine which is currently under mining is the largest uni-tungsten mine in the PRC. The tungsten industry, in which the Company operates, faces overcapacity with greater supply than demand and destocking due to the significant drop of oil price in 2015, the significant decrease in oil pipelines and oil drilling platforms or cease of construction resulting in a significant decrease in the demand of hard alloy with tungsten and special steel, as well as the accumulated inventory for the previous years, and although the grades of reserves of wolframite mines are gradually decreasing, the increase in production of scheelite mines does not result in a decrease in domestic production of tungsten. Under the pressure of the weak demand and difficulties in stock clearance, in 2015, the tungsten market remains a downturn and the price of raw tungsten fell to the level of ten years ago.

REPORT OF THE DIRECTORS

(3) Copper Industry

The NPM copper/gold mine operated by the Company is the fourth largest existing copper producer in Australia. Overcapacity of the global copper concentrate supply has taken place since 2013, and with the accelerated centralized release of new production capacity, the overcapacity of copper concentrate will be further intensified. As a result, it will be difficult to be optimistic about the prospects of the non-ferrous metal industry. It is expected that the prolonged downturn of the industry in the future will speed up the mergers and acquisitions among enterprises, and in both domestic and international markets, the competitive advantages of copper which are of low costs and with high quality including the NPM copper and gold mine currently operated by the Company will be further demonstrated.

BUSINESS REVIEW

The business review and prospects of the Group for the year ended 31 December 2015 are described on page 13 to page 15 of this annual report. Description of principal risks and uncertainties facing the Group can be found in different part of this annual report, including the description in various chapters of "Management's Discussion and Analysis" on page 20 and page 21. Analysis using financial key performance indicators is described in the chapter of "Management's Discussion and Analysis" on page 16 to page 20 of this annual report.

Regarding the environmental protection policy and performance of the Group, the Group adheres to the guidance of scientific outlook on development, strengthens the accountability of environmental protection target, traces and supervises the construction of "simultaneous design, simultaneous construction and simultaneous commencement of usage" in environmental protection engineering, develops inspection and control for construction, and achieves "not commencing operation if it does not meet the target after checking". Production and operation projects are comprehensively implemented with prevention and maintenance measures of energy saving, reduction of emission and pollution to ensure long-term and stable operation which is up to standard. The Group puts effort on enhancing clean production, optimizes construction of energy conservation and reduction of emission system, prudently improves pollution and emission reduction work, endeavors to enhance the Company's capability of environment management, and realized the sustainability of environmental protection. During 2015, there was no any environmental protection pollution incident and cases which were reported, criticized, supervised and investigated. The Company insists on the development principle of "ecology development, scientific usage and cyclic economy", actively adopts advanced technology, advanced arts and crafts, advanced equipment, and endeavors to improve efficient use of resources and the standard of recycling and reuse of emissions. In 2015, the Group completed the preparation of governance plan and equipment installation in No. 2 Ore Processing Branch, No. 1 Tungsten Business Branch and No. 2 Tungsten Business Branch and passed the checking and maintenance, strengthened daily management of radiation sources from branches and subsidiaries, completed the overall repair and operating maintenance of online monitoring system of radiation sources from branches and subsidiaries, completed an official response of the environmental valuation of low-grade scheelite concentrates integrated utilizing demonstration construction project, completed preparation and review of an emergency plan of No. 1 Ore Processing Branch, No. 2 Ore Processing Branch and No. 3 Ore Processing Branch, completed preparation and review of clean production review plans of No. 1 Ore Processing Branch, No. 2 Ore Processing Branch and No. 3 Ore Processing Branch, and completed authentication work of environmental management system. Our subsidiaries in Australian are in compliance with the health of International Standard ISO14001, safety and environmental protection system. During the operation of mining in every year, we plant a number of species of trees to create and revive biodiversified wild environment in surrounding area and obtain remarkable results.

In addition, compliance with relevant laws and regulations which have significant impacts on the Group has been disclosed in various part of this annual report (especially in the corporate governance report). Description of key relationships between employees of the Company, major customers and suppliers are set out on page 21 of "Management's Discussion and Analysis" and page 51 of this Directors' Report in the annual report.

CORE COMPETIVENESS

1. The Company possesses abundant reserves of quality resources. The Luanchuan Sandaozhuang molybdenum/tungsten mine (樂川三道莊鉬鎢礦) currently operated by the Company is a native molybdenum/tungsten mine large in scale, belonging to a part of Luanchuan molybdenum mining field (樂川鉬礦田), the largest native molybdenum mining field in the world, and the second largest scheelite bed in China. Luoyang Fuchuan (洛陽富川), a joint venture of the Company, is in close proximity to the Sandaozhuang molybdenum mine (三道莊鉬礦) and is another native molybdenum mine belonging to Luanchuan molybdenum mining field (樂川鉬礦田). In addition, a subsidiary of the Company possesses the exploration rights of the molybdenum mine located in East Gobi, Hami, Xinjiang, which is a quality molybdenum mine large in scale discovered in recent years.. The Company operates the Northparkes copper/gold mine in Australia ("NPM"), which the fourth largest operating copper/gold mine in Australia, possessing a better prospect of resources exploration.

REPORT OF THE DIRECTORS

- The Company's advanced technology of resources exploration increased the value of production which achieved strong competitiveness. With the Sandaozhuang mine's reserves of high-quality molybdenum ores, and the Company's modern and safe open-pit mining, the mining cost was relatively low. The Company has automated a variety of its mining and processing procedures for ores, elevating the efficiency thereof and in turn further lowering the mining cost. Meanwhile, the Company's mine processing construction adopted advanced technology and equipment, and implemented automated control over the entire procedures, resulting in lower cost of mine processing. In addition, the Company made use of by-products with value from recycling associated and beneficial resources, including scheelite, strengthening the profitability of Sandaozhuang mine. The implementation of the above measures created significant competitiveness of molybdenum/tungsten production for the Company. The NPM copper/gold mine operated by the Company in Australia adopted advanced mining technology of segmenting block caving, increasing the automation level of its downhole mining from 80% to 100% in 2015, indicating the first case in the mining industry that the cash cost of that copper/gold mine was far less than the averaged cost of international industry, and thus, the Company strengthened its international competitiveness.
- The Company possesses an integrated industry chain. The Company possesses world-class integrated exploration and processing construction, world-leading capacity of roasting and smelting, which guarantees the production and quality of the products including molybdenum concentrates, molybdenum oxides and ferromolybdenum for direct sales or as raw materials for downstream deep processing. The Company is the largest molybdenum manufacturer in China and holds world-leading position, possessing the largest production capacity of ferromolybdenum and molybdenum oxides in China. The Company's smelting capacity of ferromolybdenum is 25,000 tonnes/year, roasting capacity of molybdenum of 40,000 tonnes/year, ranking the first at production scale among its Chinese counterparts; the Company is one of the largest manufacturers of molybdenum concentrates in China. The Company currently set up three production lines for scheelite processing, with processing capacity of 30,000 tonnes/day (including Yulu Mining (豫鷲礦業) of 15,000 tonnes/day). Integrated production lines assisted the Company to rapidly change the production packages in accordance with the market and customer requirements, and to provide consistent quality and stable supply of molybdenum products to the customers. In addition, the Company work into joint venture with Molymet, the largest molybdenum processing enterprise in the world from Chile, together we set Luoyang High Tech (洛陽高科) as the sole development platform, focusing on deep-processed products of molybdenum and striving to become one of the top three manufacturers of molybdenum in the world.
- The Company processes competitive edge and prospect of leading technology of comprehensive utilization of resources, implements highly efficient resources recycling, as well as works into exploring and pursuing the ways of saving energy and reducing emission of greenhouse gases. The Company vigorously develops the exploration, processing and smelting capacities of molybdenum resources, while proactively pushes forward the comprehensive utilization of resources of its own polymetallic mines, steadily pushes forward the comprehensive recycling and utilization of polymetallic and ancillary resources. The comprehensive processing capacity of scheelite, by-products, raised from zero to 30,000 tonnes/day (including Yulu Mining (豫鷲礦業) of 15,000 tonnes/day). The work of comprehensive utilization of resources in 2015 was outstanding, which realized the industrialization of the comprehensive recycling of ancillary copper; the comprehensive recycling of ancillary rhenium completed the setting of industrialization and entered into the stage of production regulation; the comprehensive recycling of ancillary fluorite was currently undergoing laboratory testing; in terms of processing, with multiple significant technological reforms and modifications pushed forward by comprehensive technological cooperation, the Company implemented automated control over the entire procedures, worked into pushing forward cyclic economy, and cyclically utilized all water in processing. The Company was the first in the national molybdenum industry to recycle all the sulfur dioxide, generated from the process of roasting, into producing sulfuric acid. The Company worked with Central South University (中南大學), and collaboratively research and developed a technology of producing ammonium paratungstate from low-quality scheelite, significantly reducing the emission of wastewater and solving the difficult problem of "three wastes" in the smelting process of tungsten. In 2006, the Company was awarded the title of "Advanced Mining Enterprise Rationally Exploring and Utilizing the National Mining Resources" (全國礦產資源合理開發利用先進礦山企業) by the Ministry of Land and Resources (國土資源部). In September 2011, the Company was collectively assigned by the Ministry of Land and Resources (國土資源部) and the Ministry of Finance (財政部) as one of the demonstration sites of the first batch of mines comprehensively utilizing the mining resources. In 2015, NPM won, for the second successive year, the mine rescue competition held in Victoria, Australia, and was awarded "Non-coal mine of the year" (非煤礦山獎) in the prosperity award of mines in Australia in 2015.

REPORT OF THE DIRECTORS

5. The Company possess strong research and development capacity. The Company employs 1,033 technological research and development and quality control personnel, and established provincial technology centers, which was evaluated by China National Accreditation Service for Conformity Assessment (CNAS) (中國合格評定國家認可委員會) as nationally recognized laboratories. The Company owns post-doctoral scientific research stations, and its research and development environment holds a leading position among its counterparts in China. The Company successfully implemented industrialization of its various scientific research results, becoming the engine of industrial technology improvement. The Company established research institutes, further enhancing its research and development capacities. The Company was recognized as high-tech enterprise in 2012, and successfully passed the re-examination of high-tech enterprises. 11 patents of the Company were approved by China in 2015, six of which were invention patents, and “The Resources Recycling and Industrialization of Low-Quality Scheelite” (低品位白鎢資源回收技術及產業化) was awarded the First Award of China Non-Ferrous Metals Industry Technological Improvement (中國有色金屬工業科技進步一等獎). Three projects including “Integrated Industrial Indicators and Boundaries Improvement of Open-Pit Molybdenum/Tungsten Mining of Sandaozhuang” (三道莊露天礦開採鉬鎢工業指標一體化與境界優化) passed the result identification of the provincial department of science and technology. In November 2015, the Company was pleased to announce that the downhole mining of NPM achieved in 100% automation, which was the first case of complete automation in the mining industry.
6. The Company possesses experienced management team. The senior management team of the Company has considerable working experience in the industry, most of the team worked for the Company for many years, culminating a lot of experience in various fields including exploration, floating, roasting, smelting and downstream business. Meanwhile, the core management of the Company has managed H share and A share listed companies for many years and has culminated a lot of management experience of the operation of capital market, and possess relatively deep knowledge and understanding of the domestic and foreign development trends and, thus, is capable to timely adjust the Company’s development strategies in accordance with the market movement, taking the advanced advantage in the intensified-competitive market.
7. The Company’s asset and liability structure further improves, and its financing channels and methods further develops. Upon the completion of equity transfer of Yongning Gold and Lead (永寧金鉛), the Company further stripped off non-core asset, and improved the balance sheet. The Company’s issuance of RMB4.9 billion A share convertible corporate bonds were completed, representing a convertible rate of 99.07%, further consolidating its owned assets. The strip of non-core assets and the transfer of convertible bonds rationalized the Company’s asset and liability structure. Meanwhile, the corporate credit rating of the Company was raised from AA+ to AAA, which was beneficial to the expansion of financing channels, and the lowering of financing cost, and further improved the Company’s asset and liability structure, strengthened its resistance to risks, and effectively pushed forward the Company’s development strategies during the industry downturn.

DIVIDEND

The Company’s profits distribution is aimed at rewarding its investors with a reasonable investment return while taking into account the sustainable growth of the Company. The Company’s profits distribution policy shall remain consistent and stable.

1. Dividend policy

- (1) Forms of profits distribution: 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 other 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.
- (2) Specific conditions for distribution of cash dividends: In accordance with the laws, regulations and other regulatory requirements, 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.
- (3) If the Company distributes cash dividends, the proportion for cash dividends should also comply with the following requirements simultaneously:
 - ① 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 applicable laws, regulations and regulatory requirements;

REPORT OF THE DIRECTORS

- ② Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits; where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits; where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits.

The “substantial capital expenditure arrangement” mentioned above refers to matters that the total assets of transactions, including asset acquisitions and external investments, entered into by the Company within a year account for more than 30% (inclusive) or more of the latest audited total assets of the Company. The board of directors of the Company shall propose a specific cash dividend distribution plan 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.

- (4) Specific conditions for dividend distribution in the form of shares: where the Company records earnings with positive distributable profits for the year and the valuation on the shares of the Company is in a reasonable range, the Company may distribute dividend in the form of shares without prejudice to the scale of the share capital and the reasonable structure of shareholdings of the Company, while taking into consideration rewarding and sharing corporate value with investors.

2. Implementation of dividend policy in recent years:

Unit: Yuan Currency: RMB

Dividend distribution year	Dividend per 10 shares (RMB) (tax inclusive)	Increased amount per 10 shares (share)	The amount of cash dividend (tax inclusive)	Net profit attributable to shareholders of listed companies in consolidated statement during dividend year	Percentage of net profit attributable to shareholders of listed companies in consolidated statement (%)
2015	0.25	20	422,179,967.48	761,160,070.18	55.47
2014	1.8	0	1,013,231,921.94	1,824,255,286.97	55.54
2013	1.4	0	710,663,873.50	1,174,203,715.57	60.52

Note: Proposal of profit distribution of the Company for the 2015 interim period: based on the total number of shares of 5,629,066,233 shares as at 31 July 2015, issue of 20 shares for every 10 shares to shareholders by way of capitalisation of capital reserve.

3. Proposal of dividend distribution

The board of directors recommended to distribute a cash final dividend of RMB0.25 (tax inclusive) for the year ended 31 December 2015 for each 10 shares to all shareholders on the basis of a total number of shares of 16,887,198,699 shares as at 31 December 2015, totaling the distribution of cash dividend amounted to RMB422,179,967.48 (tax inclusive), accounting for 55.47% of the then year net profit attributable to the listing shareholders. The proposal has considered and approved by the fifth meeting of the fourth session of the board of directors of the Company, and subject to the approval of shareholders of the Company at the forthcoming AGM.

The Company will dispatch a circular containing, among other matters, further information relating to the proposed distribution of final dividend and the AGM to shareholders of the Company as soon as practicable.

REPORT OF THE DIRECTORS

TAX RELIEF FOR DIVIDEND (APPLICABLE TO H SHAREHOLDERS)

1. The Withholding and Payment of Enterprise Income Tax for Non-Resident Enterprise Shareholders

In accordance with the “Enterprise Income Tax Law of the People’s Republic of China” and the “Implementation Rules of Enterprise Income Tax Law of the People’s Republic of China” which became effective on 1 January 2008 and the Circular concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise Shareholders of Foreign H Shares (Guo Shui Han [2008] No. 897) which was issued on 6 November 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% when distributing dividend to non-resident enterprise shareholders as appearing on the H Shares register of members of the Company on the reference date. Therefore, any shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups will be treated as being held by non-resident enterprise shareholders and the dividends attributable to such shareholders should be paid after deducting the enterprise income tax. Non-resident enterprise shareholders may wish to apply for a tax refund for the difference (if any) in accordance with relevant tax requirements including tax agreements (arrangements).

2. Personal Income Tax Relief for Individual Shareholders

According to requirements under the Notice on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020), issued by Ministry of Finance and the SAT on 30 May 1994, dividends and bonuses for foreigners received from FIEs can be temporarily exempt from individual income tax in China. Furthermore, following consultations between the Company and the competent tax authority, it is confirmed that it is applicable to the Company for the relevant requirements under Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020), the Company will not be required to withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes dividend to individual shareholders whose names appear on the register of members of H shares of the Company.

3. The Withholding and Payment of Income Tax for Mainland individual investors investing in the H shares of the Company via the Shanghai-Hong Kong Stock Connect

In accordance with the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) issued on 17 November 2014:

- For mainland individual investors who invest in the H share of the Company via the Shanghai-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in the distribution of 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 of the Company via the Shanghai-Hong Kong Stock Connect, the Company will withhold individual income tax in the distribution of the dividend pursuant to the foregoing provisions; and
- For mainland corporate investors that invest in the H shares of the Company via the Shanghai-Hong Kong Stock Connect, the Company will not withhold the income tax in the distribution of the dividend and the mainland corporate investors shall file the tax returns on their own.

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

FINANCIAL INFORMATION SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company’s audited consolidated financial statements for the year ended 31 December 2015, is set out on page 204. This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of changes to the property, plant and equipment of the Company and the Group during the year are set out in note (XIV).9 and note (V).12 to the consolidated financial statements.

SHARE CAPITAL AND SHAREHOLDERS

1. Change of shares

The total shares of the Company increased by 11,811,028,174 shares in 2015, and the details are set as below:

The Twenty-Ninth Extraordinary Meeting of the Third Session of the board of directors of the Company, which was held on 23 June 2015, considered and approved the "Resolution in relation to the Early Redemption of CMOC Convertible Bonds". The Company decided to exercise its right of conditional redemption for the "CMOC Convertible Bonds", to redeem all outstanding "CMOC Convertible Bonds" which appeared on the register of bonds on 9 July 2015, as at the "redemption record date". After trading hours on 9 July 2015, the aggregate number of convertible bonds converted amounted to 552,895,708 shares, representing 10.89% of the total issued shares of 5,076,170,525 shares of the Company prior to the conversion of "CMOC Convertible Bonds", which resulted in an increase in the total share capital to 5,629,066,233 shares.

The 2015 First Extraordinary General Meeting which was held on 30 October 2015, considered and approved the proposals in respect of the issue of bonus shares by way of capitalisation of the capital reserve for the 2015 interim period of the Company. Based on the total share capital of the Company of 5,629,066,233 shares as of 31 July 2015, the Company proposed to capitalize the capital reserve on the basis of 20 shares for every 10 shares held to all shareholders, with the proposed increased share capital of 11,258,132,466 shares and the total share capital of the Company will be 16,887,198,699 shares upon completion.

For details of the issued 16,887,198,699 ordinary shares of the Company with a par value of RMB0.2 each on 31 December 2015, please refer to Note (V).34 of the financial statement.

2. Shareholding structure of substantial shareholders

As at 31 December 2015, the shareholders of the Company amounted to 335,326, of which holders of H shares amounted to 10,875, and holders of A shares amounted to 324,451. By approximate percentage of shareholding in the registered capital, the shareholdings of the Company's top ten shareholders are as follows:

Name of shareholders	Class of Share	Number of shares held (share)	Percentage of shareholding in the registered capital (%) (Note 1)
1 Luoyang Mining Group Co., Ltd ("LMG")	A share	5,329,780,425	31.56
2 Cathay Fortune Corporation ("CFC")	A share	5,030,220,000	29.79
3 HKSCC NOMINEES LIMITED (Note 2)	H Share	3,867,012,440	22.90
4 China Securities Finance Corporation Ltd.	A share	396,363,534	2.35
5 Central Huijing Asset Management Ltd.	A share	64,242,900	0.38
6 Shanghai Yueling Investment Management Co., Ltd.	A share	11,010,853	0.07
7 National Social Security Fund Package No. 412 (全國社保基金四一二組合)	A share	10,703,600	0.06
8 China Construction Bank Corporation – Guotai CNI Nonferrous Metal Index Classified Fund Aurities Co., Ltd. (中國建設銀行股份有限公司國泰國證 有色金屬行業指數分級證券投資基金)	A shares	10,636,431	0.06
9 China Construction Bank – SSE180 Index Securities Investment Fund(中國建設銀行股份有限公司 上證180交易型開放式指數證券投資基金)	A shares	7,357,800	0.04
10 Industrial and Commercial Bank of China Ltd. – Huatai Bairui SSE-SZSW 300 Tradeable Open-ended Index Securities Investment Fund (中國工商銀行股份有限公司 華泰柏瑞滬深300交易型開放式指數證券投資基金)	A shares	5,496,537	0.03

REPORT OF THE DIRECTORS

Notes:

1. Percentage calculation based on the Company's total share capital of 16,887,198,699 shares;
2. HKSCC NOMINEES LIMITED held 3,867,012,440 H shares in the Company as a nominee, representing 22.90% 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.

Save as disclosed above, for the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best knowledge of all Directors and supervisors, as at 31 December 2015, 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 SFO or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Capacity	Class of Share	Approximate percentage of shareholding in relevant class of shares
LMG	5,329,780,425	Beneficial owner	A share	41.14%
Luoyang Guohong Investment Group Co., Ltd.	5,329,780,425	Interest in controlled corporation	A share	41.14%
CFC	5,030,220,000	Beneficial owner	A share	38.83%
	303,000,000(L)	Interest in controlled corporation	H share	7.7%
Cathay Fortune Investment Limited ("Cathay Hong Kong") ⁽¹⁾	303,000,000(L)	Beneficial owner	H share	7.7%
Yu Yong ⁽²⁾	5,030,220,000	Interest in controlled corporation	A share	38.83%
	303,000,000(L)	Interest in controlled corporation	H share	7.7%

(L) – Long position

Notes:

- (1) Cathay Hong Kong is a wholly-owned subsidiary of CFC in Hong Kong.
- (2) Mr. Yu Yong holds 99% interest in CFC.

Save as disclosed above, as at 31 December 2015, the Directors were not aware of any other persons (other than a Director, chief executive or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

BORROWINGS

Details of the borrowings of the Company and the Group are set out in note (XIV).14, note (V).18 and note (V).30 to the consolidated financial statements.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2015.

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution as at 31 December 2015, calculated in accordance with PRC rules and regulation, was RMB2,357.9 million.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling RMB18.04 million (2014: RMB4.2 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the proportions of purchase and sales from the major suppliers and major customers of the Company to our total purchase and sales were as follows:

PURCHASES

The total purchases from our largest supplier was approximately 3.26% of our total purchase value.

The total purchases from our five largest suppliers was approximately 9.05% of our total purchase value.

SALES

The total sales to our largest customer was approximately 12.18% of our total sales value.

The total sales to our five largest customers was approximately 37.07% 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 shareholder who holds more than 5% of our shares, held any material interest or rights in our five largest customers and our five largest suppliers.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, supervisors and senior management of the Company during the year and as at the date of this annual report are:

Executive Directors

Mr. Li Chaochun	
Mr. Li Faben	
Mr. Wang Qinxu	(resigned on 26 June 2015)
Ms. Gu Meifeng	(resigned on 26 June 2015)
Mr. Wu Wenjun	(resigned on 26 June 2015)

REPORT OF THE DIRECTORS

Non-Executive Directors

Mr. Zhang Yufeng	(resigned on 26 June 2015)
Mr. Ma Hui	(elected at the annual general meeting on 26 June 2015 and appointed as the Vice Chairman on 27 June 2015)
Mr. Yuan Honglin	
Mr. Cheng Yunlei	(elected at the annual general meeting on 26 June 2015)

Independent Non-Executive Directors

Mr. Bai Yanchun	
Mr. Xu Shan	
Mr. Cheng Gordon	
Mr. Xu Xu	(ceased to perform his duties on 26 June 2015)

Supervisors

Mr. Yin Dongfang	(resigned on 26 June 2015)
Mr. Deng Jiaoyun	(resigned on 19 January 2015)
Ms. Kou Youmin	(elected at the annual general meeting on 26 June 2015)
Mr. Zhang Zhenhao	
Ms. Wang Zhengyan	(appointed as staff representative supervisor on 19 January 2015)

Senior Management

Mr. Wang Qinxì	(resigned on 26 January 2016)
Mr. Yang Jianbo	(resigned on 26 January 2016)
Mr. Wangbin	(resigned on 26 January 2016)
Ms. Gu Meifeng	
Mr. Jing Shigun	(appointed as deputy general manager on 26 January 2016)
Mr. Wang Yonghong	(appointed as deputy general manager on 26 January 2016)
Mr. Jiang Zhongqiang	
Mr. Zhang Xinhui	(resigned as Board secretary and joint company secretary on 11 April 2016)

Mr. Wang Qinxì, Ms. Gu Meifeng, Mr. Wu Wenjun, Mr. Zhang Yufeng and Mr. Xu Xu ceased to act as Directors due to expiration of the term of office of the third session of the Board with effect from 26 June 2015.

Mr. Deng Jiaoyun and Mr. Yin Dongfang have resigned as the staff representative supervisor and supervisor due to other work commitments (please refer to the announcements of the Company dated 19 January and 23 March 2015 for details).

Mr. Wang Qinxì, Mr. Yang Jianbo and Mr. Wangbin resigned as the deputy general manager due to work commitments (for details, please refer to the announcement dated 27 January 2016 of the Company).

Mr. Zhang Xinhui has tendered his resignation as Board secretary and joint company secretary due to personal reason (please refer to the announcement of the Company dated 11 April 2016 for details).

Pursuant to the Articles of Association, the term of office of all Directors and supervisors is three years and shall expire at the annual general meeting to be held in 2018 (the term of office of Ms. Wang Zhengyan, the staff representative supervisor, shall expire on 18 January 2018).

In addition, Shareholders agreed to elect Mr. Ma Hui and Mr. Cheng Yunlei as the non-executive Directors at the annual general meeting convened in 2015.

The Company convened the staff representatives' general meeting on 19 January 2015, at which Ms. Wang Zhengyan was elected as the staff representative supervisor of the Company. The fourth session of the supervisory committee of the Company was jointly formed by Ms. Wang Zhengyan together with two shareholder representative supervisors, namely Ms. Kou Youmin and Mr. Zhang Zhenhao, elected at the annual general meeting of the Company in 2015.

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

REPORT OF THE DIRECTORS

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 59 to 62 of the annual report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

The Directors' and supervisors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the board of directors of the Company with reference to Directors' and supervisors' duties, responsibilities and performance and the results of the Group. In compliance with the Corporate Governance Code, the Company has a remuneration committee to formulate remuneration policies. Details of the Directors' and supervisors' remuneration are disclosed in note (X).7 to the consolidated financial statements.

The remuneration of the senior management for the year ended 31 December 2015 fell within the following bands (Note 1):

Remuneration bands	Number of Individual(s) Year 2015
Below RMB1,100,000	6

Notes:

1. Including: Mr. Wang Qinxi (resigned as an executive director on 26 June 2015, but continued to serve as a senior management; resigned as a senior management in January 2016); Ms. Gu Meifeng (resigned as an executive director on 26 June 2015, but continued to serve as a senior management); Mr. Yang Jianbo (resigned as a senior management in January 2016); Mr. Wang Bin (resigned as a senior management in January 2016); Mr. Jiang Zhongqiang; and Mr. Zhang Xinhui (resigned as senior management on 11 April 2016).
2. Directors and supervisors of the Company, and Mr. Jing Shigun and Mr. Wang Yonghong (appointed as senior management in January 2016) were excluded and Ms. Ho Siu Pik, the joint company secretary, is an external service provider, as such, she is not part of the Company's senior management.

DIRECTORS' AND SUPERVISORS' MANAGEMENT CONTRACTS

Ms. Wang Zhengyan was appointed as the staff representative supervisor on 19 January 2015 and entered into a service contract with the Company for three years commencing from the date of appointment. Other Directors and supervisors of the Company have each entered into a service contract with our Company for a term of not more than three years until the annual general meeting of the Company to be held in 2018.

None of the Directors and supervisors has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

REPORT OF THE DIRECTORS

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 has purchased 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. The insurance covers management liabilities of the Directors, supervisors and senior management, the Company's securities claims and the Company's inappropriate employment practices claims. The amount of insurance coverage is US\$15,000,000 per annum; at the total costs of not more than US\$20,400 per annum; and with the term ending on 30 June 2016.

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

As at 31 December 2015, certain members of the management, Directors and supervisors of the Company have completed the first round of increase in shareholding and conducted the second round of increase in shareholding of A shares, the details of which are as follows:

Name	Number of A shares held prior to the first and second round of increase in shareholding (Share)	Total cumulative number of A shares acquired (Share)	Average purchase price (RMB/share)	Number of A shares held after the increase in shareholding (Share)	Cumulative amount of shares acquired (RMB0'000)	Total number of A shares after the issuance of shares by the Company by way of capitalisation of capital reserve at the end of the reporting period (Share)	Approximate percentage of shareholding in relevant class of shares
Li Chaochun	0	529,564	10.39	529,564	551.75	1,588,692	0.012%
Li Faben	0	354,800	10.41	354,800	371.82	1,064,400	0.008%
Yuan Honglin	0	350,200	10.41	350,200	367.13	1,050,600	0.008%
Zhang Zhenhao	0	354,500	10.39	354,500	370.97	1,063,500	0.008%
Wang Qinx ⁽¹⁾	0	184,300	10.31	184,300	188.79	552,900	0.004%
Gu Meifeng	0	177,200	10.36	177,200	188.64	531,600	0.004%
Yang Jianbo ⁽¹⁾	0	177,900	10.31	177,900	189.08	533,700	0.004%
Wang Bin ⁽¹⁾	0	176,700	10.36	176,700	188.34	530,100	0.004%
Jiang Zhongqiang	0	177,500	10.38	177,500	189.11	532,500	0.004%
Zhang Xinhui ⁽²⁾	0	176,100	10.40	176,100	187.68	528,300	0.004%
Total	0	2,658,764	10.37	2,658,764	2,793.31	7,976,292	0.0616%

Note (1): Resigned on 26 January 2016.

Note (2): Resigned as Board secretary and joint company secretary on 11 April 2016 (please refer to the relevant announcement of the Company dated 11 April 2016).

For details, please refer to the announcements of the Company published on the China Securities Journal, Shanghai Securities News and the website of the SSE (www.sse.com.cn), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinamoly.com) on 7 July and 8 July 2015.

Save as disclosed above, so far as was known to the Directors, as of 31 December 2015, none of the Directors, chief executives and supervisors and their respective associates had any interests or short positions in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which require the Company and the Stock Exchange to be notified pursuant to Part XV of the SFO or which, pursuant to section 352 of the SFO, require such interests or short positions to be entered into the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

For the year ended 31 December 2015, the related party transactions set out in notes (X) and (XIV).29 to the consolidated financial statements did not constitute connected transaction for the Company under Chapter 14A of the Hong Kong Listing Rules and the Group had not entered into any connected transactions which are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules with connected persons as defined in 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 us in our businesses and granted us certain options and right of first refusal pursuant to the non-compete agreements. Details of the non-compete agreements had been disclosed in the prospectus of the Company dated 13 April 2007, under the section headed "Relationship with Controlling Shareholders – Non-Compete Agreements". Each CFC and LMG had executed a Non-competition Undertaking Letter with the Company on 30 January 2011 and 18 May 2011 respectively, pursuant to which each of them had undertaken not to compete with the Company in the businesses it operated or businesses to be further expanded. Details of the Non-competition Undertaking letters had been disclosed in "Peer Competition and Connected Transactions (同業競爭與關聯交易)" set out in Section VII to the prospectus of A Shares dated 8 October 2012. CFC (together with its parties acting in concert, Cathay Hong Kong) and Luoyang Guohong Investment Group Co., Ltd. had executed the Acquisition Report of China Molybdenum Co., Ltd.* on 23 January 2014 and 29 November 2013 respectively, pursuant to which each of them undertook not to compete with the Company in the businesses we operated. Details of the Acquisition Reports were disclosed in the announcements, dated 23 January 2014 and 27 January 2014.

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, 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 36.86% of the Company's total issued share capital was held by the public for the year ended 31 December 2015. The Company has been maintaining the public float required by the Hong Kong Listing Rules.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2015 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership). The financial report for the year 2014 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 (Special General Partnership), as the auditors of the Company, with term of office until the conclusion of the next annual general meeting of the Company.

By order of the Board
Li Chaochun
Chairman

Luoyang City, Henan Province, the PRC
24 March 2016

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, being in compliance with the relevant laws and regulations of the PRC and the Hong Kong Special Administrative Region, and the relevant provisions of the Articles of Association, the supervisory committee of the Company performed supervision function legally and independently, carried out various work prudently and actively, facilitated standardized operation of the Company and protected the legal rights and interests of the Company, shareholders and staff. The supervisory committee conducted supervision and inspection over the Company's finance, implementation of resolutions passed at general meetings, the lawfulness and compliance of material decision-making procedures by the Board and the operational and management activities of the Company, and the performance of duties by the Board and the senior management, with a view to fostering sustainable and healthy development of the Company.

I. MEETINGS CONVENED DURING THE REPORTING PERIOD

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

II. MAJOR DUTIES OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the reporting period, the supervisory committee prudently reviewed the operational and development plans of the Company. The supervisory committee also raised reasonable recommendations and opinions to the Board. It also effectively supervised as to whether the major and specific decisions made by the management of the Company were in compliance with the laws and regulations of the State and the Articles of Association, and whether they were made to safeguard the benefits of the shareholders.

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

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

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

REPORT OF THE SUPERVISORY COMMITTEE

2. Inspection of lawfulness of the Company's operations

During the reporting period, the Company amended or formulated a series of systems of legal person governance including the Articles of Association, Terms of Reference and Operation Rules of the Audit Committee (《審計委員會職權範圍及工作細則》), Internal Control System Compilation (《內部控制制度彙編》) in accordance with the Company Law, the Securities Law, other laws and regulations and the relevant requirements of the regulatory authorities.

Pursuant to the relevant provisions of relevant laws and regulations of the State, Hong Kong Listing Rules and Articles of Association, the supervisory committee conducted inspection and supervision over the procedures for convening general meetings and Board meetings of the Company, items to be resolved, implementation of resolutions passed at general meetings by the Board, the conduct codes of senior management of the Company and internal control system of the Company. Upon inspection, the supervisory committee is of the view that the decision-making procedures on the general meetings and Board meetings of the Company are lawful, and the internal control system of the Company is well established. Each of the Directors is diligent and responsible. No violation of any laws, regulations, Hong Kong Listing Rules and Articles of Association has been found in the performance of duties of senior management, and they fairly completed the annual production and operation targets of the Company. No act which might jeopardize the benefits of the Company and the interests of the shareholders had been found.

3. 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 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 business. The utilization of fund is in the interests of the shareholders and fit in the principle of maximizing the Company's benefits. The financial position of the Company is solid with true financial data, and there is no false record, misrepresentations, or major omissions. There exists no guarantee in 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.

4. Inspection of the implementation of the information disclosure systems

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

5. Participation in trainings

In order to consistently increase professional knowledge and enhance the business level, to strictly comply with laws, regulations and the Articles of Association, to execute the supervisory function of the supervisory committee in a better way, Ms. Kou Youmin, Mr. Zhang Zhenhao and Ms. Wang Zhengyan of the supervisory committee participated the second session of the training courses in 2015 for the directors, supervisors and senior management of the listed companies in Henan organized by the Listed Companies Association of Henan.

REPORT OF THE SUPERVISORY COMMITTEE

III. BASIC EVALUATION OF THE PERFORMANCE OF THE BOARD AND SENIOR OPERATION IN THE REPORTING PERIOD

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 furthest.

In this year, the major business decisions making procedures of the Company were legitimate and effective. The Directors and senior management of the Company duly performed its duties seriously, proactively and normatively conducted its work in accordance with the national laws, regulations, the Articles of Association and resolutions of the general meeting and the Board. The supervisory committee had not found any acts in breach of laws and regulations and the Articles of Association or against the interests of the shareholders and the Company. The supervisory committee deeply appreciated that.

IV. WORKING PLAN

In 2016, the supervisory committee will continue to strictly comply with the laws and regulations of the State and such power and authority as granted by the Articles of Association and will firmly adhere to the strategies of the Company, focus on the Company's operating goals, take financial supervision as the core and diligently perform our responsibilities. Firstly, we shall organize and convene work meeting of the supervisory committee on a regular basis and conduct supervision and investigation over the Company's financial situation according to laws; we shall urge the Company to standardize its operation and enhance the level of corporate governance. Secondly, we shall continue to strengthen the supervision functions, sit in the Board meetings and shareholders' meetings according to laws, and timely grasp the lawfulness of the items under major decision making process and of the decision-making procedures of the Company, for better protection of the shareholders' rights and interests. Thirdly, we shall strengthen self-learning, enhance the level of business, and actively participate in the relevant training organized by the regulatory authorities and the Company. Meanwhile, we could enhance the level of professional knowledge and business standards through self-study and to better bring out the monitoring functions of the supervisory committee.

By order of the Supervisory Committee

Kou Youmin
Chairperson

Luoyang City, Henan Province, the PRC
24 March 2016

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Li Chaochun, aged 39, is an executive Director since January 2007 and chairman of the Board since January 2014. He is also the vice chairman of the nomination committee of the Company since 17 August 2012 and the chairman of our strategic committee since 14 January 2014. Mr. Li graduated from Shanghai Jiaotong University with a bachelor's degree in law in July 1999. From July 1999 to December 1999, he was a staff accountant of the tax division of Arthur Andersen (Shanghai) Business Consulting Co., Ltd.. He was with Arthur Andersen Hua Qiang CPA from January 2000 to March 2002, where his last position was a senior consultant of the tax division. From April 2002 to February 2003, he was a deputy manager of planning and strategy implementation of the general representative office of The Hong Kong and Shanghai Banking Corporation Limited. From July 2003 to January 2007, Mr. Li was an executive director of the investment department of Cathay Fortune Corporation, one of the founders of the Company. Mr. Li has been a director of China Molybdenum (Hong Kong) Company Limited, Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd., CMOC Mining Pty Limited, CMOC Limited, CMOC Mining Services Pty Limited, Schmocker (Shanghai) International Trading Co., Ltd. and CMOC Mining USA Ltd. since 16 August 2007, 27 May 2010, 25 July 2013, 27 August 2013, 9 September 2013, 20 April 2014, and 29 May 2014, respectively. From January 2007 to 14 January 2014, Mr. Li was the vice chairman of the Board.

Mr. Li Faben, aged 52, professor-level senior engineer, has been the executive Director of the Company since August 2006. He is also the general manager and a member of the strategic committee of the Company since October 2012. Mr. Li graduated from the Central South Mining & Metallurgical College (subsequently renamed as the Central South University of Technology, now known as the Central South University) with a bachelor's degree in engineering in 1983 (major in mining engineering) and the Xi'an University of Architecture and Technology with a master's degree in engineering in 2004 (specialized in mining engineering); and obtained a doctor's degree in management science and engineering in January 2014. From August 1988 to January 1999, Mr. Li held various positions at Luoyang Luanchuan Molybdenum Company, in which he served as the deputy head and head of the technical division, quarry supervisor, head of the open-pit mining construction department and deputy manager of Luoyang Luanchuan Molybdenum Company. Mr. Li served as deputy general manager of Luoyang Luanchuan Molybdenum Group Co., Ltd. between January 1999 and November 2002. From November 2002 to August 2006, Mr. Li was the deputy general manager and vice chairman of Luoyang Luanchuan Molybdenum Group Co., Ltd. as well as a director of Luoyang Mining Group Co., Ltd. from July 2006 to November 2009. Mr. Li was the standing deputy general manager of the Company from August 2006 to October 2012. Mr. Li was a director of China Molybdenum (Hong Kong) Company Limited from 16 August 2007 to May 2015.

Non-Executive Directors

Mr. Ma Hui, aged 44, is a senior accountant, certified accountant and certified asset valuer. Mr. Ma has been our non-executive Director since 26 June 2015 and vice chairman of the Board since 27 June 2015. Mr. Ma graduated from Central Institute of Finance and Economics and obtained a Bachelor's degree in economics in 1994. From September 1994 to March 2008, he worked in Luoyang Zhong Hua Certified Public Accountants Company Limited (洛陽中華會計師事務所有限責任公司) (formerly known as Luoyang Certified Public Accounting Firm (洛陽會計師事務所)) engaging in work such as audit, evaluation and financial consultancy, and had served as the department manager of evaluation department, a director and an assistant to the president. He served as the chief financial officer of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) since April 2008; and the deputy general manager of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) and the chief financial officer of Luoyang Mining Group Co., Ltd. since July 2013. He currently serves as the director of Luoyang Mining Co., Ltd., the director of Henan Guoxin Investment Guarantee Co., Ltd. (河南國鑫投資擔保有限公司), the director of Luoyang Hongke Innovation Venture Capital Co., Ltd. (洛陽宏科創新創業投資有限公司) and the supervisor of Luoyang Petrochemical Products Management Co., Ltd. (洛陽中石化油品經營有限責任公司).

Mr. Yuan Honglin, aged 48, has been our non-executive Director since November 2013. He is also a member of audit committee, remuneration committee and strategic committee of the Company. He has over 20 years of experience in the banking industry. Mr. Yuan graduated from Nanjing University in July 1990 with a bachelor's degree in economics. In July 2004, Mr. Yuan obtained a MBA degree from Shanghai Jiaotong University. From August 1990 to May 2000, Mr. Yuan worked at Bank of China Limited, Nantong Branch where he held various positions including vice president of the Rudong sub-branch and manager of the credit management department of Nantong Branch. Between June 2000 and August 2007, Mr. Yuan worked at China Merchants Bank Limited, Shanghai Branch where he held various positions including president of Jiang Wan sub-branch and general manager of corporate banking department. From September 2007 to September 2012, Mr. Yuan worked at Ping An Bank Co., Ltd. where he held various positions including assistant to the president of the Shanghai Branch, vice president (responsible for the overall business operations) of the Shanghai Branch and general manager of the corporate banking department responsible for the northern region of China. From October 2012 to the present, Mr. Yuan has been the deputy general manager of Cathay Fortune Capital Limited, a wholly-owned subsidiary of Cathay Fortune Corporation, a controlling shareholder of the Company.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cheng Yunlei, aged 33, is an accountant and certified accountant. Mr. Cheng has been our non-executive Director since 26 June 2015. Mr. Cheng graduated from Henan University of Science and Technology and obtained a Bachelor's degree in management in 2006. From July 2006 to October 2007, he worked in the No. 2 Audit Department of Luoyang Zhong Hua Certified Public Accountants Company Limited engaging in audit and financial consultancy work. He has served as the chief accountant and the person in charge of the finance and audit department of Luoyang Mining Group Co., Ltd. since November 2007. He served as the person in charge of the finance department of Luoyang Non-ferrous Mining Group Co., Ltd. (洛陽有色礦業集團有限公司) from September 2011 to June 2014, during which, he concurrently served as a supervisor of Luoyang Non-ferrous Mining Group Co., Ltd., Luoyang Jinqiao Mining Co., Ltd. (洛陽錦橋礦業有限公司) and Luoning Jinlong Mining Co., Ltd. (洛寧金龍礦業有限公司). Since January 2015, Mr. Cheng has served as the general manager of the planning and finance department of Luoyang Guohong Investment Group Co., Ltd. and the general manager of finance department of Luoyang Mining Group Co., Ltd.. He currently serves as the director of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) and Luoyang Huaze Microcredit Co., Ltd. (洛陽華澤小額貸款有限公司), and the supervisor of Henan Guoxin Investment Guarantee Co., Ltd. (河南國鑫投資擔保有限公司) and Luoyang Yumengtong Industrial Co., Ltd. (洛陽豫孟通實業有限公司).

Independent Non-Executive Directors

Mr. Bai Yanchun, aged 49, has been an independent non-executive Director of the Company, chairman of both the nomination committee and remuneration committee and a member of the strategic committee since August 2012. He is currently a member of All China Lawyers Association holding a practising solicitor certificate in the PRC. Mr. Bai graduated from China University of Political Science and Law with a bachelor's degree of laws in 1988. He studied the postgraduate courses at the Center for Chinese and American Studies of Johns Hopkins University in the United States in 1992 and obtained a master's degree from the School of Law of Stanford University in the United States in 2003. From 1988 to 1992, he worked at the China Council for the Promotion of International Trade. In 1993, he participated in the founding of King & Wood Mallesons and has been engaging in professional legal services such as securities, mergers and acquisitions. Mr. Bai currently serves as an arbitrator of China International Economic and Trade Arbitration Commission. Mr. Bai was appointed as a member of the ninth session of Issuance Examination Committee of China Securities Regulatory Commission in 2008. Mr. Bai currently engages in legal services for Commerce & Finance Law Offices in Beijing.

Mr. Cheng Gordon, aged 40, has been an independent non-executive Director since August 2012. He is also a member of the audit committee, nomination committee and remuneration committee of the Company. Mr. Cheng graduated from the University of Sydney (Australia) with bachelor degree in commerce (1996) and bachelor degree in law (1998). He is the Founder and Partner of GD China Clean Energy Capital Partners. He also serves as the senior advisor of Deutsche Bank Global Climate Change Advisors and United Nations Industrial Development Organization (UNIDO) in China. From 2010 to 2011, Mr. Cheng had been the China Chief Representative of LaSalle Fund. Prior to 2010, he served as the Chief Financial Officer and Chief Investment Officer of Sunshine 100 Real Estate Development Group ("Sunshine 100"). Before joining Sunshine 100, he served as the Executive Vice President of Vimicro International Corporation ("Vimicro"), which was successfully listed on NASDAQ in the United States in 2005 under his leadership. Before joining Vimicro, he has worked at the investment banking department of internally renowned J.P. Morgan and Credit Suisse. Mr. Cheng has extensive experience in financing, investing as well as merger and acquisitions, both globally and in China.

Mr. Xu Shan, aged 47, has been an independent non-executive Director of the Company since August 2012. He is also the chairman of our audit committee and a member of the nomination committee. He is a PRC certified public accountant and a PRC registered tax agent. Mr. Xu graduated from the Department of Computing and Systematic Science of Xiamen University in 1991 and obtained a doctor's degree in management (accounting) from Xiamen University in 2001. At present, he concurrently acts as the chairman of Xiamen Tianjian Consulting Firm* (廈門天健諮詢公司) and an independent director of Sunshine Insurance Group Corporation Limited* (陽光保險集團股份有限公司), Beijing Kalends Science & Technology Company Limited* (北京昆侖萬維科技股份有限公司) and Xin Hee Co., Ltd. (欣賀股份有限公司), a part-time professor of the MPAcc Program of Xiamen University and a consultant of the Private Banking Center of Xiamen Branch of China Construction Bank. Mr. Xu served as the manager of Xiamen Nongxin Accounting Firm* (廈門農信會計師事務所) from June 1994 to August 1996, the manager of the Accounting Firm of Xiamen University* (廈門大學會計師事務所) from September 1996 to December 1998 as well as a director and partner of Tianjian Zhengxin Accounting Firm* (天健正信會計師事務所) from December 1998 to December 2011. He concurrently served as a special member of the ninth session of Issuance Examination Committee of China Securities Regulatory Commission from 2007 to 2008.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Ms. Kou Youmin, aged 50, a senior accountant. Ms. Kou has been the chairperson of our supervisory committee since 27 June 2015. Ms. Kou graduated from Henan Institute of Finance and Economics majoring in accounting in 1999. She served as a technician at Luoyang Liming Plastic Plant (洛陽黎明塑料總廠) from August 1986 to January 1988; an accountant of Luoyang Changfeng Construction Material Store (洛陽長豐建材商店) from January 1988 to October 1992; an accountant of Luoyang Bearings Group Plastic Packing Manufacturing Plant (洛陽軸承集團塑料包裝製品廠) from October 1992 to September 1997; and the head of financial department of Luoyang Bearings Group Railway Bearings Co., Ltd. (洛陽軸承集團鐵路軸承有限公司) from September 1997 to March 2009. Ms. Kou has served as the head of financial department and the chief financial officer of Luoyang State-owned Assets Operation Company Limited and concurrently served as a supervisor of Luoyang Glory Property Co., Ltd. (洛陽國瑞置業有限公司) since March 2009. She also served as an executive supervisor of Luoyang Guochen Commerce and Trade Co., Ltd. (洛陽國辰商貿有限公司) since September 2012; a director of Luoyang Coal Power Group Company Limited (洛陽煤電集團有限公司) since August 2013; an executive supervisor of Luoyang Guorun Enterprise Services Co., Ltd. (洛陽市國潤企業服務有限公司) since March 2014; and an assistant to general manager and the general manager of supervisory and audit department of Luoyang Guohong Investment Group Co., Ltd. since January 2015. She currently serves as a supervisor Luoyang Mining Group Co., Ltd (洛陽礦業集團有限公司) and the director of Henan Guoxin Investment Guarantee Co., Ltd. and Luoyang Huaze Microcredit Co., Ltd. (洛陽華澤小額貸款有限公司).

Mr. Zhang Zhenhao, aged 42, has been a supervisor of the Company since August 2009. Mr. Zhang concurrently acts as a director of Cathay Fortune Corporation, a director of Cathay Fortune Investment Limited (鴻商投資有限公司), a director of Cathay Fortune International Company Limited (鴻商產業國際有限公司), a director of Cathay Fortune Singapore Pte. Ltd. (鴻商產業新加坡(私人)有限公司), a director of Shanghai CFC Puyuan Investment Management Co., Ltd (上海鴻商普源投資管理有限公司), a director of Shanghai CFC Datong Industrial Co., Ltd. (上海鴻商大通實業有限公司), a director of Shanghai Shanglue Trading Co., Ltd (上海商略貿易有限公司), a director of Beijing Huiqiao Investment Co., Ltd (北京匯橋投資有限公司) and a supervisor of Cathay Fortune Capital Equity Investment Co., Ltd.* (鴻商資本股權投資有限公司). Mr. Zhang graduated from Tianjin Polytechnic University with a bachelor's degree in textile engineering. Mr. Zhang also obtained a master degree in finance from the Graduate School of The Chinese Academy of Social Sciences and the CFA qualification from the CFA Institute. From 1993 to 1999, Mr. Zhang held positions at Tianjin Yarn-dyed Company (天津色織公司), Tianjin Weaving Materials Exchange, Hainan Zhongshang Futures Exchange* (海南中商期貨交易所). From May 1999 to December 2001, Mr. Zhang was employed by Zhongfu Securities Dealer Co. Ltd. as member of the preparatory division, general manager of the business management department and Supervisor of the company. From January 2002 to May 2007, Mr. Zhang was employed by Zhongfu Securities Co. Ltd. as member of the preparatory division, general manager of the sales department of Haikou Securities, executive Director of the sales management department, secretary to the board of directors of the company and general manager of the chief executive office and the human resources department. Since June 2007, Mr. Zhang has been the general manager of the finance department of Cathay Fortune Corporation.

Ms. Wang Zhengyan, aged 44, has been a supervisor of the Company since 19 January 2015. Ms. Wang graduated from the Department of Finance of Henan Agricultural University, the People's Republic of China. From 1990 to January 2008, she worked at China Luoyang Float Glass Group Co., Ltd.'s property management department, planning and development department and international engineering company. She joined the Company in January 2008, served as the deputy manager of China Molybdenum Metallic Material Company Ltd. from 2009 to 2011, and served as the deputy manager of Xinjiang Luomu Mining Co., Ltd. from 2011 to January 2013. Since January 2013, she served as the section chief of investment engineering section of the Company. From January 2015 to January 2016, she served as the chairperson of the Company's labour union.

COMPANY SECRETARY

Ms. Ho Siu Pik, aged 52, is the company secretary of the Company for the purpose of Rule 8.17 of the Hong Kong Listing Rules. Ms. Ho is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Ho has over 20 years of experience in the company secretarial area. She is currently the joint company secretary of China Greenland Rundong Auto Group Limited, and the company secretary of Sun Art Retail Group Limited, Yashili International Holdings Ltd, Goodbaby International Holdings Limited, Natural Beauty Bio-Technology Limited and Broad Greenstate International Company Limited, all companies are listed on the Hong Kong Stock Exchange.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management comprises our executive Directors and the following persons:

Ms. Gu Meifeng, aged 51, has been the chief financial officer of the Company since August 2006. Ms. Gu graduated from Henan University in 1995 and obtained a master's degree in accounting from The Chinese University of Hong Kong in December 2009. From 1986 to 1994, Ms. Gu worked on cost accounting with China YTO Group Corporation Equipment Repairment & Manufacturing Plant. From 1994 to June 2006, Ms. Gu was a deputy general manager of Luoyang Zhonghua Certified Public Accountants Co., Ltd. Between 2000 and 2006, Ms. Gu served as an independent supervisor of Luoyang Glass Company Limited, a company listed on both the Shanghai Stock Exchange (stock code: 600876) and the Hong Kong Stock Exchange (stock code: 01108). Ms. Gu was our executive Director from June 2013 to June 2015. In addition, Ms. Gu has been serving as a director of Xinjiang Luomu Mining Co., Ltd since July 2011 and as a supervisor of Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. since May 2010. Ms. Gu is a certified public accountant, registered asset appraiser and senior accountant.

Mr. Jiang Zhongqiang, aged 49, has been our deputy general manager since January 2014. Mr. Jiang graduated from Harbin University of Science and Technology (哈爾濱科學技術大學) in July 1989 with a bachelor's degree in engineering. Mr. Jiang previously served as the supervisor of the Shanghai office of the sales department of Beijing State-owned Factory No. 798 (北京國營第798廠); the business manager of Beijing Murata Electronics Co., Ltd. (北京村田電子有限公司); the deputy director of sales and deputy director of production at Beijing Leader & Harvest Electric Technologies Co., Ltd. (北京利德華福電子技術有限公司). Mr. Jiang joined the Company in December 2012 and assumed the positions of assistant general manager, manager of sales and head of marketing administration department.

Mr. Jing Shigun, aged 49, is a senior engineer at professor level and has been the deputy general manager of the Company since 26 January 2016. Mr. Jing graduated from NorthWest Institute of Light Industry (西北輕工業學院) in July 1989 with a bachelor's degree in engineering, and specialized in Electric Technology. Mr. Jing received his doctor's degree in Management Science and Engineering from Xi'an University of Architecture and Technology in 2012. Mr. Jing has over 20 years of experience in the mining industry. During the period from July 1989 to 2013, he successively served as a technician of Lengshui ore processing of LLMC, deputy manager and manager of Mine Company of CMOC (洛陽鉬業礦山公司). During the period from 2014 to July 2015, he studied and work in the Northparkes copper and gold mines in Australia. Upon his return, he served as the chairman and general manager of Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd. (樂川縣三強鉬鎢有限公司).

Mr. Wang Yonghong, aged 48, is a senior engineer and has been the deputy general manager of the Company since 26 January 2016. Mr. Wang graduated from Xi'an Metallurgy and Architecture College (西安冶金建築學院) in July 1989 with a bachelor's degree, and specialized in mining engineering. Mr. Wang has over 20 years of experience in the mining industry and had successively served as a technician and head of No. 2 Ore Processing Company of LLMC (洛陽樂川鉬業公司選礦二公司), chairman and general manager of Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. (樂川縣大東坡鎢鉬礦業有限公司) and manager of No. 2 Ore Processing Company of CMOC (洛陽鉬業選礦二公司).

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Li Chaochun (*Chairman*)
Li Faben

Non-Executive Directors

Ma Hui (*Vice Chairman (elected on 26 June 2015)*)
Yuan Honglin
Cheng Yunlei (*elected on 26 June 2015*)

Independent Non-Executive Directors

Bai Yanchun
Cheng Gordon
Xu Shan

Supervisors

Kou Youmin (*Chairman of the supervisory committee, elected on 26 June 2015*)
Zhang Zhenhao
Wang Zhengyan (*appointed as the staff representative supervisor on 19 January 2015*)

BOARD COMMITTEES

Remuneration Committee

Bai Yanchun (*Chairman*)
Cheng Gordon
Yuan Honglin

Audit Committee

Xu Shan (*Chairman*)
Cheng Gordon
Yuan Honglin

Strategic Committee

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

Nomination Committee

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

BOARD SECRETARY

Zhang Xinhui⁽¹⁾
Li Chaochun⁽¹⁾

REGISTERED OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL REPRESENTATIVE

Li Chaochun

AUTHORIZED REPRESENTATIVES

Li Chaochun
Ho Siu Pik

Note (1): Mr. Zhang Xinhui has resigned as the Board secretary and joint company secretary with effect from 11 April 2016. Mr. Li Chaochun, the Chairman of the Board, will serve as the Board secretary until the appointment of the new Board secretary (please refer to the relevant announcement of the Company dated 11 April 2016 for details).

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Zhang Xinhui (*resigned on 11 April 2016*)
Ho Siu Pik (*FCS, FCIS*)

ENQUIRY DEPARTMENT OF THE COMPANY

Office of the board of directors

INFORMATION ENQUIRY TELEPHONE NO. OF THE COMPANY

(+86) 379 6865 8017

SHANGHAI A SHARE REGISTRAR

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

HONG KONG H SHARE REGISTRAR

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

PLACES OF LISTING

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

NAME OF THE STOCK

China Molybdenum Co., Ltd. (CMOC)

STOCK CODE

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

PRINCIPAL BANKERS

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

AUDITOR

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

LEGAL ADVISORS

As to Hong Kong law:

YTL & CO.
Units F&G, 12/F, Golden Sun Centre
59-67 Bonham Strand West
Hong Kong

As to PRC law:

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

WEBSITE

www.chinamoly.com

AUDIT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

De Shi Bao (Shen) Zi (16) No. P0928

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

We have audited the accompanying financial statements of China Molybdenum Co., Ltd. (hereinafter referred to as "China Molybdenum"), including company's and consolidated balance sheets as at 31 December 2015, the company's and consolidated income statements, the company's and consolidated statements of changes in shareholders' equity and company's and consolidated cash flows statements for the year then ended, and notes to the financial statements.

I. RESPONSIBILITIES OF THE MANAGEMENT ON FINANCIAL STATEMENTS

Preparation and fair presentation of these financial statements are the responsibilities of China Molybdenum's management. This responsibility includes: (1) prepare financial statements in accordance with of Accounting Standards for Business Enterprises, to achieve fair presentation of the financial statements; (2) design, implement and maintain internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or errors.

II. RESPONSIBILITIES OF THE CERTIFIED PUBLIC ACCOUNTANT

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

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

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

III. AUDIT OPINIONS

In our opinion, the financial statements of China Molybdenum present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2015, and the company's and consolidated results of operations and cash flows for the year ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China
24 March 2016

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2015

Unit: RMB

Item	Notes	Year-end balance	Opening balance
Current assets:			
Bank and cash balances	(V) 1	10,414,479,302.30	9,325,581,044.71
Financial assets measured at the fair value through profits and losses	(V) 2	4,838,045.50	–
Note receivables	(V) 3	602,079,822.07	1,158,139,987.39
Accounts receivables	(V) 4	744,253,181.48	851,358,849.42
Prepayments	(V) 5	227,105,140.15	272,450,320.91
Interests receivable		86,297,819.57	55,295,452.15
Dividends receivable	(V) 6	–	61,226,476.23
Other receivables	(V) 7	120,062,905.23	48,949,578.33
Inventories	(V) 8	592,503,598.48	432,754,646.84
Other current assets	(V) 9	2,940,139,813.99	2,559,100,452.85
Total current assets		15,731,759,628.77	14,764,856,808.83
Non-current assets:			
Available-for-sale financial assets	(V) 10	2,373,165,292.11	4,928.00
Long-term equity investment	(V) 11	1,260,507,394.45	1,484,565,921.78
Fixed assets	(V) 12	4,495,248,544.61	4,983,502,274.40
Construction in progress	(V) 13	478,679,498.42	372,524,643.53
Inventories	(V) 8	275,057,127.19	307,737,812.71
Intangible assets	(V) 14	3,836,026,995.53	3,915,838,078.45
Long-term deferred expenses	(V) 15	124,474,656.00	115,221,782.30
Deferred tax assets	(V) 16	412,936,675.15	307,825,177.99
Other non-current assets	(V) 17	1,892,672,672.91	1,802,798,943.92
Total non-current assets		15,148,768,856.37	13,290,019,563.08
Total assets		30,880,528,485.14	28,054,876,371.91
Current liabilities:			
Short-term borrowings	(V) 18	2,906,199,075.88	305,950,000.00
Financial liabilities measured at the fair value through profits and losses	(V) 19	1,505,910,504.53	998,690,650.00
Notes payable	(V) 20	782,730,000.00	156,900,000.00
Accounts payable	(V) 21	237,376,385.26	192,793,812.46
Receipts in advance	(V) 22	37,781,869.32	76,780,913.29
Employee benefits payable	(V) 23	113,520,910.57	137,777,636.28
Tax payable	(V) 24	(123,612,410.35)	207,789,199.47
Interest payable	(V) 25	53,942,855.95	47,062,873.80
Dividends payable	(V) 26	27,885,796.67	27,885,796.67
Other payable	(V) 27	208,404,265.84	253,313,764.07
Non-current liabilities due within one year	(V) 28	2,494,899,714.54	578,277,474.64
Other current liabilities	(V) 29	523,896,357.63	16,651,701.67
Total current liabilities		8,768,935,325.84	2,999,873,822.35

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2015

Unit: RMB

Item	Notes	Year-end balance	Opening balance
Non-current liabilities:			
Long-term loan	(V) 30	1,941,586,400.00	4,160,920,000.00
Bonds payable	(V) 31	2,000,000,000.00	5,438,722,886.26
Provision	(V) 32	290,908,169.51	280,949,808.78
Other non-current liabilities	(V) 33	62,407,518.53	29,876,208.25
Total non-current liabilities		4,294,902,088.04	9,910,468,903.29
Total liabilities		13,063,837,413.88	12,910,342,725.64
Shareholders' equity:			
Share capital	(V) 34	3,377,439,739.80	1,015,234,105.00
Capital reserve	(V) 35	10,720,306,602.38	9,529,866,110.21
Other comprehensive income	(V) 36	(632,492,717.76)	(208,549,984.41)
Special reserve	(V) 37	115,200,675.56	271,924,909.24
Surplus reserves	(V) 38	786,050,081.94	704,898,171.11
Retained profit	(V) 39	2,986,976,808.88	3,320,200,571.47
Total shareholders' equity attributable to the parent company		17,353,481,190.80	14,633,573,882.62
Minority interests		463,209,880.46	510,959,763.65
Total shareholders' equity		17,816,691,071.26	15,144,533,646.27
Total liabilities and shareholders' equity		30,880,528,485.14	28,054,876,371.91

The notes are an integral part of these financial statements.

The financial statement is signed by the following person-in-charge:

Legal representative:

Person in charge of accounting work:

Person in charge of
the accounting department:

BALANCE SHEET OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	Notes	Year-end balance	Opening balance
Current assets:			
Bank and cash balances:	(XIV) 1	9,085,473,539.48	8,766,902,280.21
Financial assets measured at the fair value through profits and losses		4,838,045.50	–
Note receivables	(XIV) 2	422,159,476.44	950,664,698.73
Accounts receivables	(XIV) 3	696,964,006.43	233,071,005.64
Prepayments	(XIV) 4	35,303,919.61	36,974,216.30
Interest receivable		120,396,496.24	55,295,452.05
Dividends receivable		44,006,084.08	105,232,560.31
Other receivables	(XIV) 5	2,998,451,298.55	1,454,722,161.09
Inventories	(XIV) 6	252,447,758.24	112,884,022.50
Other current assets		2,836,496,887.78	2,553,775,793.88
Total current assets		16,496,537,512.35	14,269,522,190.71
Non-current assets:			
Available-for-sale financial assets	(XIV) 7	200,004,928.00	4,928.00
Long-term equity investment	(XIV) 8	4,569,894,237.61	4,408,443,173.36
Fixed assets	(XIV) 9	1,422,952,643.52	1,546,205,153.86
Construction in process		86,435,550.73	77,474,534.99
Intangible assets	(XIV) 10	478,941,390.39	523,558,406.20
Long-term deferred expenses		116,160,854.90	112,202,119.15
Deferred tax assets	(XIV) 11	432,924.10	117,806,711.58
Other non-current assets	(XIV) 13	1,808,343,604.41	1,717,165,520.29
Total non-current assets		8,683,166,133.66	8,502,860,547.43
Total assets		25,179,703,646.01	22,772,382,738.14
Current liabilities:			
Short-term borrowings	(XIV) 14	2,549,051,075.88	305,950,000.00
Financial liabilities measured at the fair value through profits and losses	(XIV) 15	1,505,910,504.53	998,690,650.00
Accounts payable		106,388,314.07	102,002,561.58
Receipt in advance		786,134.09	1,646,515.85
Employee benefits payable		50,525,328.01	70,706,194.54
Tax payable	(XIV) 16	(68,281,438.92)	25,431,076.58
Interest payable		51,310,846.32	54,764,485.86
Other payable		996,389,979.57	1,456,184,591.15
Non-current liabilities due within one year		4,302,381.78	11,947,932.96
Other current liabilities	(XIV) 17	560,387,774.40	76,799,059.54
Total current liabilities		5,756,770,899.73	3,104,123,068.06

BALANCE SHEET OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	Notes	Year-end balance	Opening balance
Bonds payable	(V) 31	2,000,000,000.00	5,438,722,886.26
Provisions	(XIV) 18	47,570,371.67	47,570,371.67
Other non-current liabilities		18,744,753.50	19,210,865.20
Total non-current liabilities		2,066,315,125.17	5,505,504,123.13
Total liabilities		7,823,086,024.90	8,609,627,191.19
Share capital	(V) 33	3,377,439,739.80	1,015,234,105.00
Capital reserve	(V) 35	10,720,306,602.38	9,529,866,110.21
Special reserve		114,853,670.04	271,924,909.24
Surplus reserves	(V) 38	786,050,081.94	704,898,171.11
Retained profit		2,357,967,526.95	2,640,832,251.39
Total shareholders' equity		17,356,617,621.11	14,162,755,546.95
Total liabilities and owners' equities (shareholders' equity)		25,179,703,646.01	22,772,382,738.14

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	Notes	Balance of current year	Balance of last year
I. Total operating income	(V) 40	4,196,839,621.19	6,662,382,123.45
Including: Operating income		4,196,839,621.19	6,662,382,123.45
Less: Operating costs	(V) 40	2,622,448,241.43	3,871,429,795.40
Business tax and surcharges	(V) 41	242,473,353.45	349,981,670.62
Selling expenses	(V) 42	84,672,795.26	99,817,516.25
Administration expenses	(V) 43	357,173,860.29	448,352,128.52
Financial cost	(V) 44	46,182,116.53	181,697,640.05
Impairment loss of assets	(V) 45	230,442,603.42	105,559,909.17
Plus: Gains (losses) from changes in fair value (loss is filled in column with "-")	(V) 46	(2,773,209.03)	888,370.00
Investment income (loss is filled in column with "-") Including: Investment income for associates and joint ventures	(V) 47	116,593,344.54 (9,858,527.33)	531,758,189.98 86,466,625.43
II. Operating profit (loss is filled in column with "-")		727,266,786.32	2,138,190,023.42
Add: Non-operating income	(V) 48	50,152,647.68	66,656,292.09
Including: Gains on disposal of non-current assets		4,079,367.52	21,670,101.53
Less: Non-operating expenses	(V) 49	94,601,056.79	56,786,238.27
Including: Losses on disposal of non-current assets		42,120,590.15	51,055,392.73
III. Total profit (the total loss is filled in column with "-")		682,818,377.21	2,148,060,077.24
Less: Income tax expenses	(V) 50	(20,289,977.76)	347,858,293.20
IV. Net profit (the total loss is filled in column with "-")		703,108,354.97	1,800,201,784.04
Net profit attributable to the owners of the parent company		761,160,070.18	1,824,255,286.97
Profit or loss attributable to minority interests		(58,051,715.21)	(24,053,502.93)
V. Other comprehensive net income after tax	(V) 36	(423,942,733.35)	(157,520,863.72)
Other comprehensive income (net of tax) attributable to the owner of the parent company		(423,942,733.35)	(157,520,863.72)
(I) Other comprehensive income will not be reclassified into the profit and loss		-	-
(II) Other comprehensive income will be reclassified into the of profit and loss		(423,942,733.35)	(157,520,863.72)
1. Exchange difference arising on translation of financial statement denominated in foreign currencies		(154,955,081.45)	(157,520,863.72)
2. Gains or losses from changes in fair value of available for sale financial assets		(268,987,651.90)	-
Other comprehensive income (net of tax) attributable to minority interests		-	-
VI. Total comprehensive income		279,165,621.62	1,642,680,920.32
Attributable to:			
Owners of the parent company		337,217,336.83	1,666,734,423.25
Minority interests		(58,051,715.21)	(24,053,502.93)
VII. Earnings Per Share (EPS):	(V) 51		
(I) Basic earnings per share		0.05	0.12
(II) Diluted earnings per share		0.05	0.12

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	Notes	Balance of current year	Balance of last year
I. Operating income	(XIV) 19	2,178,175,259.95	2,923,597,695.01
Less: Operating costs	(XIV) 19	1,075,829,270.43	1,281,222,720.63
Business tax and surcharges	(XIV) 20	192,882,467.96	266,740,976.43
Selling expenses		1,291,198.41	905,147.17
Administration expenses	(XIV) 21	217,396,770.25	291,112,806.31
Financial cost	(XIV) 22	(111,397,407.83)	58,921,863.45
Impairment loss of assets	(XIV) 23	94,349,188.49	686,314,253.13
Add: Gains (losses) from changes in fair value (loss is filled in column with "-")		(2,773,209.03)	(2,362,130.00)
Investment income (loss is filled in column with "-")	(XIV) 24	240,091,884.11	734,608,221.82
Including: Investment income for associates and joint ventures		10,251,064.25	96,270,415.49
II. Operating profit (loss is filled in column with "-")		945,142,447.32	1,070,626,019.71
Add: Non-operating income	(XIV) 25	49,488,267.67	63,009,416.34
Less: Non-operating expenses	(XIV) 26	52,367,230.09	4,170,838.84
Including: Losses on disposal of non-current assets		3,244,790.17	-
III. Total profit (the total loss is filled in column with "-")		942,263,484.90	1,129,464,597.21
Less: Income tax expenses	(XIV) 27	130,744,376.57	171,227,499.29
IV. Net profit (the total loss is filled in column with "-")		811,519,108.33	958,237,097.92
V. Other comprehensive income		-	-
VI. Total comprehensive income		811,519,108.33	958,237,097.92

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	Note V	Balance of current year	Balance of last year
I. Cash flow from operating activities:			
Cash received for selling goods and for rendering of services		4,627,214,360.67	7,859,617,868.81
Other cash receipts related to operating activities	52(1)	488,703,678.64	119,587,736.21
Sub-total of cash inflow of operating activities		5,115,918,039.31	7,979,205,605.02
Cash payments for goods purchased and services received		1,887,827,372.50	2,372,217,158.40
Cash payments to and on behalf of employees		639,924,248.75	691,883,777.41
Payments of various types of taxes		909,091,638.20	1,092,799,630.87
Other cash paid relating to operating activities	52(2)	320,302,856.46	187,257,901.17
Sub-total of cash outflows of operating activities		3,757,146,115.91	4,344,158,467.85
Net cash flow of the operating activities		1,358,771,923.40	3,635,047,137.17
II. Cash flows from investing activities:			
Cash receipts from disposal or withdrawal of investments	52(3)	12,223,309,959.59	4,668,357,974.57
Cash receipts from investment income		250,866,836.77	292,301,129.18
Net cash receipts from disposals of fixed assets, intangible assets, and other long-term assets		12,518,392.27	73,233,797.38
Cash receipts from acquisitions or disposals of subsidiaries and other business units	52(4)	4,282.41	814,373,425.01
Other cash receipts relating to investing activities	52(5)	163,708,746.00	34,200,000.00
Sub-total of cash inflows of investing activities		12,650,408,217.04	5,882,466,326.14
Cash payments for acquisitions or disposals of subsidiaries and other business units	52(6)	86,272.98	–
Cash payments to acquire or construct of fixed assets, intangible assets and other long-term assets		592,982,562.47	601,565,585.43
Cash payments for investments	52(7)	12,122,847,408.83	9,229,000,000.00
Other cash payments relating to investing activities	52(8)	100,000,000.00	131,158,843.62
Sub-total of cash outflows of investing activities		12,815,916,244.28	9,961,724,429.05
Net cash flow of investing activities		(165,508,027.24)	(4,079,258,102.91)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	Note V	Balance of current year	Balance of last year
III. Cash flows from financing activities:			
Cash receipts from borrowings		7,289,549,745.87	5,326,397,956.20
Other cash receipts relating to financing activities	52(9)	1,482,568,890.00	992,093,300.00
Sub-total of cash inflows of financing activities		8,772,118,635.87	6,318,491,256.20
Cash payments of borrowings		4,285,424,431.32	628,820,161.77
Cash payments for distribution of dividends or profits and payment of interest expenses		1,333,347,656.71	974,258,892.86
Other cash payments relating to financing activities	52(10)	1,079,148,360.53	426,161,875.11
Sub-total of cash outflow of financing activities		6,697,920,448.56	2,029,240,929.74
Net cash flow of financing activities		2,074,198,187.31	4,289,250,326.46
IV. Effect of exchange rate changes on cash and cash equivalents		89,119,174.12	(24,041,546.34)
V. Net increase in cash and cash equivalents		3,356,581,257.59	3,820,997,814.38
Add: Opening balance of cash and cash equivalents	53(2)	5,625,581,044.71	1,804,583,230.33
VI. Closing balance of cash and cash equivalents	53(2)	8,982,162,302.30	5,625,581,044.71

CASH FLOW STATEMENT OF PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	Balance of current year	Balance of last year
I. Cash flow from operating activities:		
Cash received for selling goods and for rendering of services	2,765,807,281.90	3,848,454,435.24
Other cash receipts related to operating activities	481,050,146.34	96,838,911.11
Sub-total of cash inflow of operating activities	3,246,857,428.24	3,945,293,346.35
Cash payments for goods purchased and services received	1,160,655,834.79	748,338,392.94
Cash payments to and on behalf of employees	359,623,422.62	344,246,622.66
Payments of various types of taxes	544,047,079.62	909,975,839.20
Other cash paid relating to operating activities	207,906,934.19	170,805,205.00
Sub-total of cash outflows of operating activities	2,272,233,271.22	2,173,366,059.80
Net cash flow of the operating activities	974,624,157.02	1,771,927,286.55
II. Cash flows from investing activities:		
Cash receipts from acquisitions or disposals of subsidiaries and other business units	10,000.00	917,002,400.00
Cash receipts from disposal or withdrawal of investments	12,045,289,353.09	4,668,357,974.57
Cash receipts from investment income	354,689,864.45	573,330,624.43
Net cash receipts from disposals of fixed assets, intangible assets, and other long-term assets	3,076,075.49	85,247,596.95
Other cash receipts relating to investing activities	9,503,736,156.31	6,368,670,615.08
Sub-total of cash inflows of investing activities	21,906,801,449.34	12,612,609,211.03
Cash payments to acquire or construct of fixed assets, intangible assets and other long-term assets	134,234,498.13	100,557,886.04
Cash payments to acquire investments	10,065,399,000.00	9,233,600,000.00
Other cash payments relating to investing activities	11,003,649,659.85	6,388,570,640.53
Sub-total of cash outflows of investing activities	21,203,283,157.98	15,722,728,526.57
Net cash flow of investing activities	703,518,291.36	(3,110,119,315.54)

CASH FLOW STATEMENT OF PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	Balance of current year	Balance of last year
III. Cash flows from financing activities:		
Cash receipts from borrowings	4,770,643,245.87	5,301,573,934.48
Other cash receipts relating to financing activities	4,748,780,856.65	2,893,939,412.23
Sub-total of cash inflows of financing activities	9,519,424,102.52	8,195,513,346.71
Cash payments of borrowings	2,166,731,926.04	281,328,213.33
Cash payments for distribution of dividends or profits and payment of interest expense	1,226,522,270.78	848,463,119.18
Other cash payments relating to financing activities	4,761,029,165.40	1,904,348,637.85
Sub-total of cash outflow of financing activities	8,154,283,362.22	3,034,139,970.36
Net cash flow of financing activities	1,365,140,740.30	5,161,373,376.35
IV. Effect of exchange rate changes on cash and cash equivalents	52,971,070.59	-
V. Net increase in cash and cash equivalents	3,096,254,259.27	3,823,181,347.36
Add: Opening balance of cash and cash equivalents	5,066,902,280.21	1,243,720,932.85
VI. Closing balance of cash and cash equivalents	8,163,156,539.48	5,066,902,280.21

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	For the current year							
	Attributable to owners of the parent company							Total owners' equity
	Share capital (note)	Capital reserve (note)	Other comprehensive income	Special reserve	Surplus reserves	Retained profit	Minority Interests	
I. Balance at the beginning of 2015	1,015,234,105.00	9,529,866,110.21	(208,549,984.41)	271,924,909.24	704,898,171.11	3,320,200,571.47	510,959,763.65	15,144,533,646.27
II. Increase and decrease amount of current year	-	-	-	-	-	-	-	-
(i) Total comprehensive income	-	-	(423,942,733.35)	-	-	761,160,070.18	(58,051,715.21)	279,165,621.62
(ii) Capital invested and decreased by shareholders	-	-	-	-	-	-	-	-
1. Capital invested by shareholders	110,579,141.60	4,868,955,973.66	-	-	-	-	-	4,979,535,115.26
2. Decrease in disposal of subsidiaries	-	-	-	-	-	-	9,968,434.56	9,968,434.56
3. Others	-	(1,426,888,988.29)	-	-	-	-	-	(1,426,888,988.29)
(iii) Profit distribution	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	81,151,910.83	(81,151,910.83)	-	-
2. Distributions to shareholders	-	-	-	-	-	(1,013,231,921.94)	-	(1,013,231,921.94)
(iv) Transfers within the owners' equity	-	-	-	-	-	-	-	-
1. Transferred from capital surplus	2,251,626,493.20	(2,251,626,493.20)	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-
1. Provision in current year	-	-	-	178,470,962.58	-	-	912,452.97	179,383,415.55
2. Amount utilised in the period	-	-	-	(335,195,196.26)	-	-	(579,055.51)	(335,774,251.77)
III. Balance at the end of 2015	3,377,439,739.80	10,720,306,602.38	(632,492,717.76)	115,200,675.56	786,050,081.94	2,986,976,808.88	463,209,880.46	17,816,691,071.26
	For the last year							
	Attributable to owners of the parent company							
Items	Share Capital (note)	Capital reserve (note)	Other comprehensive income	Special reserve	Surplus reserves	Retained profit	Minority Interests	Total owners' equity
I. Balance at the beginning of 2014	1,015,234,105.00	8,102,977,121.92	(51,029,120.69)	199,586,093.33	704,898,171.11	2,206,609,158.00	714,376,778.08	12,892,652,306.75
II. Increase and decrease amount of current year	-	-	-	-	-	-	-	-
(i) Total comprehensive income	-	-	(157,520,863.72)	-	-	1,824,255,286.97	(24,053,502.93)	1,642,680,920.32
(ii) Capital invested and decreased by shareholders	-	-	-	-	-	-	-	-
1. Capital invested by shareholders	-	-	-	-	-	-	-	-
2. Decrease in disposal of subsidiaries	-	-	-	(706,244.20)	-	-	(179,615,762.64)	(180,322,006.84)
3. Others (note)	-	1,426,888,988.29	-	-	-	-	-	1,426,888,988.29
(iii) Distribution of profit	-	-	-	-	-	-	-	-
1. Transfer of surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	(710,663,873.50)	-	(710,663,873.50)
(iv) Special reserves	-	-	-	-	-	-	-	-
1. Provision in current year	-	-	-	374,270,881.64	-	-	2,791,786.73	377,062,668.37
2. Amount utilized in current year	-	-	-	(301,225,821.53)	-	-	(2,539,535.59)	(303,765,357.12)
III. Balance at the end of 2014	1,015,234,105.00	9,529,866,110.21	(208,549,984.41)	271,924,909.24	704,898,171.11	3,320,200,571.47	510,959,763.65	15,144,533,646.27

Note: Please refer to Note (V), 31 and 35.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2015

RMB Yuan

Items	For the current year					
	Share capital	Capital reserve	Special reserve	Surplus reserves	Retained profit	Total owners' equity
I. Balance at the beginning of 2015	1,015,234,105.00	9,529,866,110.21	271,924,909.24	704,898,171.11	2,640,832,251.39	14,162,755,546.95
II. Increase and decrease amount of current year	-	-	-	-	-	-
(I) Total comprehensive income	-	-	-	-	811,519,108.33	811,519,108.33
(II) Capital invested and decreased by shareholders	-	-	-	-	-	-
1. Capital invested by shareholders	110,579,141.60	4,868,955,973.66	-	-	-	4,979,535,115.26
2. Others	-	(1,426,888,988.29)	-	-	-	(1,426,888,988.29)
(III) Distribution of profit	-	-	-	-	-	-
1. Transfer of surplus reserve	-	-	-	81,151,910.83	(81,151,910.83)	-
2. Distributions to shareholders	-	-	-	-	(1,013,231,921.94)	(1,013,231,921.94)
(IV) Transfers within the owners' equity	-	-	-	-	-	-
1. Transferred from capital surplus	2,251,626,493.20	(2,251,626,493.20)	-	-	-	-
(V) Special reserves	-	-	-	-	-	-
1. Provision in current year	-	-	173,188,508.62	-	-	173,188,508.62
2. Amount utilized in current year	-	-	(330,259,747.82)	-	-	(330,259,747.82)
III. Balance at end of 2015	3,377,439,739.80	10,720,306,602.38	114,853,670.04	786,050,081.94	2,357,967,526.95	17,356,617,621.11
	For the last year					
Items	Capital stock	Capital reserve	Special reserve	Surplus reserves	Undistributed profit	Total owners' equity
I. Balance at the beginning of 2014	1,015,234,105.00	8,102,977,121.92	199,381,120.18	704,898,171.11	2,393,259,026.97	12,415,749,545.18
II. Increase and decrease amount of current year	-	-	-	-	-	-
(I) Total comprehensive income	-	-	-	-	958,237,097.92	958,237,097.92
(II) Capital invested and decreased by shareholders	-	-	-	-	-	-
1. Capital invested by shareholders	-	-	-	-	-	-
2. Others	-	1,426,888,988.29	-	-	-	1,426,888,988.29
(III) Distribution of profit	-	-	-	-	-	-
1. Transfer of surplus reserve	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	(710,663,873.50)	(710,663,873.50)
(IV) Special reserves	-	-	-	-	-	-
1. Provision in current year	-	-	365,350,091.54	-	-	365,350,091.54
2. Amount utilized in current year	-	-	(292,806,302.48)	-	-	(292,806,302.48)
III. Balance at end of 2014	1,015,234,105.00	9,529,866,110.21	271,924,909.24	704,898,171.11	2,640,832,251.39	14,162,755,546.95

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(I) BASIC INFORMATION ABOUT THE COMPANY

China Molybdenum Co., Ltd. (the “Company”) was incorporated in the PRC on 25 August 2006 as a joint-stock limited company in preparation for the listing of the Companies on the Hong Kong Stock Exchange by Luoyang Mining Group Co., Ltd. (“LMG”) and Cathay Fortune Corporation (“CFC”).

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

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

On 16 July 2012, according to Commission License [2012] No. 942 “The initial public offering (IPO) on the approval of Luoyang Molybdenum Co., Ltd.” issued by China Securities Regulatory Commission (the “CSRC”) the Company was approved to issue up to 542 million RMB ordinary shares (A share). Up to 26 September 2012, the Company had issued 200,000,000 shares of RMB ordinary shares (A share) with a nominal value of RMB0.20 per share. Those shares are listed on the Shanghai Stock Exchange from 9 October 2012. The Company’s share capital totalled 5,076.17 million shares after the issuance of A shares.

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

As the triggering conditions for the redemption option, On 23 June the board of directors adopted the resolution that the company exercises the redemption option after 9 July 2015 closing. As of 9 July 2015 closing, convertible bonds with nominal amount of RMB4,854,442,000 have been converted to equity, representing 99.07% of total convertible bond issued by the Company. After the conversion is completed, total equity of the company is increased to 5,629.07 million shares. Details are set out in Note (V) 31.

On 28 August 2015, the second session of the fourth board meeting decided to transfer capital reserve into ordinary shares, 20 shares for every existing 10 shares to all shareholders. The transfer was completed on 12 November 2015. After the transfer was completed, the total equity of the company was increased to 16,887,198,699 shares. Details are set out in Note (V) 34.

The Company together with its subsidiaries (collectively as “the Group”) is principally engaged in molybdenum mining, floating, smelting and refining to produce molybdenum and other related products, including molybdenum oxide, ferromolybdenum, molybdenum concentrate, tungsten concentrate, mining and exploring to produce copper, gold and silver and sulfuric acid.

The registered office and principal place of business is North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, PRC.

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group adopted the Accounting Standards for Business Enterprises (including new and revised accounting standards issued in 2014) and related regulations issued by the Ministry of Finance. In addition, the financial statement also disclose relevant financial information in accordance with the Information Disclosure and Preparation Rules of Entities with Public Offering Securities No. 15-General Provisions of Financial Report (2014 revision). In addition, the financial statement also includes the related disclosure requirement in accordance with the Company Ordinance of Hong Kong, and Listing Rules of the Stock Exchange of Hong Kong.

Going Concern

The Group evaluate the going concern ability for next 12 months after 31 December 2015, no significant findings and circumstances of major doubt to continue as a going concern entity. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Declaration following ASBE (Accounting Standards for Business Enterprises)

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of 31 December 2015, and the Company's and consolidated results of operations and cash flows for the year then end.

2. Accounting period

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

3. Operating cycle

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

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries choose the currency of the main economic environment where the operating business is located as its functional currency. The Group adopts RMB to prepare the financial statements.

5. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments 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 assets impairment are made in accordance with the relevant regulations.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or 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 or 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 measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorised into Level 1, 2 or 3 based on the 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 unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

6. Accounting treatment of business combination under or not under the common control

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

6.1 *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.

6.2 *Business combinations not involving enterprises under common control*

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 recognised in profit or loss when they are incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Preparation of consolidated financial statement

7.1 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, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

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

The effects of all intra-group transactions are eliminated on consolidation.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

7. Preparation of consolidated financial statement (Continued)

7.1 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 recognises any differences between such fair value and carrying amounts in profit or loss for the period. Where equity interests in an acquiree held before the acquisition date involve changes in other comprehensive income or changes in other owners’ equity under equity method, they are transferred to income for the period that the acquisition date belongs to.

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

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

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

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

The Group adopts the equity method to account the investment in joint ventures. Please specifically refer to Note (III) “15.3.2. Long-term equity investment accounted for using the equity method”.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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

9. Standards for determining cash and cash equivalent

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

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

10.1 *Transactions denominated in foreign currencies*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

10.2 Translation of financial statements denominated in foreign currencies

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

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

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

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

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

11. Financial Instrument

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

11.1 Determination of fair value

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instrument *(Continued)*

11.2 *Effective interest method*

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

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

11.3 *Classification, recognition and measurement of financial assets*

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

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

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

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

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) it is a qualifying hybrid instrument containing embedded derivatives.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

11. Financial Instrument (Continued)

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

11.3.2 Held-to-maturity investments

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

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

11.3.3 Loans and receivables

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

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

11.3.4 Available-for-sale financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instrument *(Continued)*

11.4 Impairment of financial assets

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

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

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the equity instrument issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; In the balance sheet date, the fair value of an equity instrument is less than the initial investment cost of more than 50% (including 50%), or less than the initial investment cost for more than 12 months (including 12 months);
- (9) Other objective evidence indicating there is an impairment of a financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

11. Financial Instrument (Continued)

11.4 Impairment of financial assets (Continued)

- Impairment of financial assets measured at amortised cost

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

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

- Impairment of available-for-sale financial assets

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

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

- Impairment of financial assets measured at cost

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

11. Financial Instrument (Continued)

11.5 Transfer and derecognition of financial assets

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

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

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

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

11.6 Classification, recognition and measurement of financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

11. Financial Instrument (Continued)

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

11.6.1 Financial liabilities at FVTPL

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

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

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) it is a qualifying hybrid instrument containing embedded derivatives.

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

11.6.2 Other financial liabilities

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

11.6.3 Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instrument *(Continued)*

11.7 *Derecognition of Financial Liabilities*

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

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

11.8 *Derivatives and embedded derivatives*

Derivative financial instruments include commodity futures contracts (standard lead, gold and silver futures contracts of Shanghai Futures Exchange) and commodity forward contracts.

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss.

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

11.8.1 *Convertible bond*

Convertible bonds issued by the company including financial liabilities component and convertible option component will be classified separately upon initial recognition. Among which, the conversion option that will be settled by the exchanges of a fixed amount of cash or other financial assets for the fixed number of due company's own equity instrument is an equity instrument.

At the date of issue, the fair value of liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. The balances between the proceeds of convertible bond and that after deducting the fair value of liability component will be recognized as the fair value of the option rights for conversion of bonds to equity instrument held by bondholders, which is recorded as capital reserve (other capital reserve – equity conversion right).

When subsequent measurement, liability component of the convertible bond shall be measured based on an amortized cost by using effective interest method; the value of conversion option remains as equity instrument. No profit or loss arise from the convertible bond upon the expiry or conversion.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

11. Financial Instrument (Continued)

11.9 Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities are offset with the net amounts presented on the balance sheet. Otherwise, financial assets and financial liabilities are separately presented on the balance sheet without offsetting.

11.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold or cancelled by the Group are treated as changes in equity. Changes in the fair value of equity instruments are not recognised. Transaction costs related to equity transactions are deducted from equity.

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

12. The Receivables

12.1 Recognition Standards and Provision Policies for Bad Debt Provision of Accounts Receivables of Individually Significant Amount

The criterion of individually significant amount

The Group treats the receivables over RMB500 million as the individually significant receivable.

Policies for bad debt provision of accounts receivables of individually significant amount

Perform impairment test on the receivables with individually significant amount separately, and include the financial assets not impaired individually in the combination of the financial assets with similar credit risk characteristics. The financial assets individually impaired shall not be included in financial assets portfolio with similar risk characteristics for any impairment test.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

12. The Receivables (Continued)

12.2 Recognition Standards and Provision Policies for Bad debt Reserve of Receivables of individually insignificant but significant risk based on credit risk characteristic combination

Basis for determining credit risk characteristic combination	The company shall divide the financial assets into groups in accordance with the similarity and correlation of credit risks for receivables whose individual amount is not significant and the amount is significant but not individually impaired. These credit risks generally reflect the debtor's ability to repay all payables according to contract term on such asset and they are related with the measurement of future cash flow of the inspected asset.
Policies determined by credit risk characteristic combination	When impairment test is conducted based on portfolio method, the bad debt provision will be determined based on receivable portfolio structure and similar credit risk characteristics and according to historical loss experience, current economic conditions and loss evaluation existing in estimated receivable portfolio bad debt provision based on aging analysis detailed in Table 12.3 as follows.

12.3 Provision Policies of bad debt in accordance with aging of accounts below:

Aging	Provision ratios of receivables (%)	Provision ratios used for other receivables (%)
Within two years	–	–
Over 2 years	100%	100%

13. Inventory

13.1 Classification of Inventories

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

13.2 Valuation Methods of the Inventory delivered

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

13. Inventory (Continued)

13.3 The Basis of the Net Realizable Value of the Inventories

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

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

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

13.4 The Inventory System for Inventory

The inventory system is a perpetual inventory system.

13.5 Amortization Method of Low-value Consumables and Packaging Materials

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

14. Assets classified as held for sale

A component or non-current assets (excluding deferred tax assets) of the Group are classified as held for sale when all the following conditions are satisfied: the component or non-current assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such component or assets; a resolution has been made regarding the disposal of the component or non-current assets; an irrevocable transfer agreement has been entered into with the transferee; the transfer is to be completed within one year. Non-current assets classified as held for sale are not accounted for using the equity method, nor recognise any depreciation or amortization; they are measured at the lower of the carrying amount and fair value less costs to sell.

15. Long-term equity investment

15.1 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 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

15. Long-term equity investment *(Continued)*

15.2 *Determination of investment cost*

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

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

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

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

15.3 *Subsequent measurement and recognition of profit or loss*

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

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

15. Long-term equity investment (Continued)

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

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

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

15. Long-term equity investment (Continued)

15.4 Disposal of long-term equity investments

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

16. Fixed Assets

16.1 The conditions of recognition

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

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

16.2 Depreciation Method

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

Category	Depreciation method	Period of depreciation (years)	Residual Value Rate (%)	Yearly depreciation (%)
Land, building	Straight-line method	8–45	0–5	2.1–11.9
Mining engineering (China)	Units of production method	Expected mine useful life	0	5–7.69
Mining engineering (Australia)	Units of production method	Expected mine useful life	0	Mining quantity
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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Fixed Assets *(Continued)*

16.3 Others

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

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

17. Construction in progress

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

18. Borrowing costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

19. Intangible Assets

19.1 Intangible Assets

Intangible assets include land use rights and mining rights etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method or the units of production method. An intangible asset with an indefinite useful life is not amortised.

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

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

19.2 Research and development expenditure for Internal Study

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

20. Impairment of Long-term Assets

The Group reviews the Long-term equity investments, fixed assets, construction in progress, intangible assets with finite useful life at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

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

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

21. Long-term Deferred Expenses

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

22. Employee Benefits

22.1 Accounting treatment of short-term remuneration

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

22. Employee Benefits *(Continued)*

22.2 *Accounting treatment of post-retirement benefits*

All the post-retirement benefits are defined contribution plans.

The contribution payable to the defined contribution plan is recognised as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group.

22.3 *Accounting treatment of termination benefits*

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

23. Provision

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

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

24. Revenue

24.1 *Revenue from sale of goods*

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

24.2 *Revenue from rendering of services*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

25. Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. According to the grant object regulated in government documents, the government grant divides into government grant related to assets and income.

A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

25.1 Criterion and accounting treatment of government grant related to assets

The government grants of the Group mainly include returns of land-transferring fees, etc.. Due to direct relationship with investment and construction of fixed assets, such government grants are defined as the government grants related to assets. A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

25.2 Criterion and accounting treatment of government grant related to income

The government grants of the Group mainly include grant for demonstration of mineral resources saving and comprehensive utilization, etc.. Due to direct relationship with the research and development expenditure, such government grants are defined as the government grants related to income. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

26. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

26.1 Current income taxes

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

26.2 Deferred tax assets and deferred tax liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

26.2 *Deferred tax assets and deferred tax liabilities (Continued)*

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

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

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

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

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

26.3 *Offsetting of income taxes*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

27. Leasing

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

27.1 Accounting treatment of operating leases

27.1.1 The Group as lessee under operating leases

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

27.1.2 The Group as lessor under operating leases

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

28. Other Significant Accounting Policies and Accounting Estimations

28.1 Maintenance costs of simple reproduction

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

28. Other Significant Accounting Policies and Accounting Estimations

(Continued)

28.2 Safety Production Expenses

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

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

- (I) Provided 3% if the operating revenue does not exceed RMB10 million;
- (II) Provided 1.5% if the operating revenue is RMB10 million to RMB0.1 billion;
- (III) Provided 0.5% if the operating revenue is RMB0.1 billion to RMB1 billion;
- (IV) Provided 0.2% if the operating revenue is RMB1 billion to RMB5 billion;
- (V) Provided 0.1% if the operating revenue is RMB5 billion to RMB10 billion;
- (VI) Provided 0.05% if the operating revenue exceeds RMB10 billion.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

28.3 Discontinued operations

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

- The component represents either a separate major line of business or a geographical area of operations.
- The component is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.
- The component is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

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

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

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

Key assumptions and uncertainties in accounting estimates

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

Estimate of mineral reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

The useful life of fixed assets

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

Non-current assets impairment other than financial assets

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

Impairment of mining rights

When conducting the impairment test on group-owned mining rights of Australia Northparkes based copper and Xinjiang Hami City East Gobi based molybdenum, the management uses the long-term forecasted price of copper, molybdenum estimated by renowned research institutes as the estimation of future sales price, and adopts mining plan and future capital expenditure as latest estimation assumptions. The discount rate used takes into account present risk-free interest rate, average rate of return, firm specific risk and etc. The estimation of recoverable amount largely depends on the estimation of future price of aforementioned commodities, mining plans, plan of future capital expenditure and discount rate. The estimation of future price of aforementioned commodities does not, however, reflect the real sales price, mining plan and plan of future capital expenditure and discounting rate. Until December 31, 2015, the management of the group held that no impairment is needed on mining rights for this fiscal year. If the aforementioned forecast changes in next fiscal year, the recoverable amount of mining rights will fluctuate and could be lower than the book value of aforementioned asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

Provision for decline in value of inventories

As described in Note (III). 13, inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

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

Impairment of accounts receivable

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

Provision for closure, restoration, rehabilitation and environmental costs

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

Deferred tax assets

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

30. Changes in significant accounting policies and accounting estimates

No changes in significant accounting policies and accounting estimates this year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(IV) TAXATION

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
VAT	The Company is an ordinary Value-Added Tax payer. Value-added Tax ("VAT") on sales is paid after deducting input VAT on purchases.	Output VAT on sales is calculated at 17% on revenue according to the relevant requirement of tax laws. Gold related products are exempt from VAT.
Business tax	Taxable revenue	5%
City maintenance and construction tax	Actual turnover tax	For city urban area tax rate is 7%; For county town, tax rate is 5%; For other, tax rate is 1%.
Price adjustment fund	Actual turnover tax	1% (note 1)
Resource tax	Raw ore production or sales volume of concentrate (raw ore converted into concentrate)	RMB12/ton or 6.5%, 11% collection on ad valorem basis (note 2)
Mineral resources compensation fee	Mineral sales revenue at current period	2% (note 1)
Income tax	The income tax provision is calculated based on the accounting results for the year as adjusted in accordance with the relevant tax laws.	Note 3
Educational surtax and surcharge	Actual turnover tax	3%
Regional educational surtax and surcharge	Actual turnover tax	2%
Tariff	Export sales of the molybdenum iron, molybdenum oxide and rolling molybdenum plate, etc. during the current period.	Molybdenum-iron 20%; molybdenum oxide, ammonium molybdate, molybdate, molybdenum powder and unwrought molybdenum 5%–15%; Molybdenum ores and concentrates Molybdenum waste and scrap 15% (note 4).
Australia goods and services tax ("GST")	Charge on selling price of most goods, services and other items sold or consumed in Australia. Companies can generally claim a credit for any GST included in the price they pay for things for their business. When companies export their goods, they do not need to charge GST, but they can claim back their GST paid.	Calculated at 10% on sales price of goods and services
Australia mining royalty	Royalties on minerals are either charged on a quantum or ad valorem basis. Quantum Royalty: Quantum royalties are levied on a production basis (i.e. a flat rate royalty is charge per unit of mineral recovered). Ad Valorem Royalty: Ad valorem royalties are levied at 4% of the total value of minerals recovered, or the ex-mine value.	4% ex-mine value

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(IV) TAXATION (Continued)

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

Note 1: Pursuant to the Notice on Matters Related to Disposal of Fund Concerning Charges for Rare Earth, Tungsten and Molybdenum (Cai Shui [2015] No. 53) issued by the Ministry of Finance and State Administration of Taxation, the rate of mineral resources compensation fees in respect to rare earth, tungsten and molybdenum shall be decreased to zero on and after 1 May 2015 on a national basis and collection of price regulation fund in respect to rare earth, tungsten and molybdenum shall be ceased.

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

Note 3: Applicable tax rate:

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

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

CMOC Mining Pty Limited and CMOC Mining Services Pty. Limited was incorporated in Australia in 2013, thus was subject to Income Tax levied at a rate of 30% in 2014.

Note 4: Pursuant to the Notice of the Customs Tariff Commission of the State Council on the Adjustment to Tariff of certain Products issued by the Customs Tariff Commission of the State Council (Shui Wei Hui [2015] No. 3), tariff of molybdenum products is removed on and after 1 May 2015.

2. Tax incentive and approval

Pursuant to the "Notification about the comprehensive utilization of resources Corporate Income Tax Discount Directory (2008 version)" (No. 117 [2008] of the State Administration of Taxation) jointly issued by Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, powdered tungsten (scheelite concentrates) the product of company is produced by using industrial wastes and are thus able to enjoy a favorable tax policy of a reduction of 10% on total taxable income.

Pursuant to the "Circular of the National Development and Reform Commission, the Ministry of Finance and the State Administration of Taxation concerning Printing and Distributing the Administrative Measures for the Determination of Resources Comprehensive Utilization Encouraged by the State (Fa Gai Huan Zi [2006] No. 1864). On 1 July 2009, the Company was awarded a certificate by Henan Development and Reform Committee for producing powdered tungsten (scheelite concentrates), an act that was recognized as utilizing industrial waste. The certificate was valid from 1 July 2009 to 30 June 2013. On 26 June 2013, in accordance with the Notice from Henan Development and Reform Committee in relation to the issuance of List of Enterprises in Henan Province Engaging in Comprehensive Utilization of Resources in 2013 (First Batch), List of Enterprises Producing New Types of Wall Materials in 2013 (First Batch) and List of Enterprises Entitled to the Re-issuance of Certificates Due to Name Change (Yu Fa Gai Huan Ji [2013] No. 862) issued by Henan Development and Reform Committee, the certificate for recognizing the foregoing industrial product of the Company as a way of comprehensive utilization of resources which was supported by the National government was renewed. The renewed certificate is valid from 1 July 2013 to 30 June 2015.

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

Pursuant to the "Notice of Recognition of the 2014 First Batch of New and High Technology Enterprises in Henan Provinces" (Yuke [2015] No. 19) dated 25 February 2015, jointly issued by the Science and Technology Department of Henan Province, Finance Department of Henan Province, State Tax Bureau of Henan Province and Provincial Tax Bureau of Henan Province, the Company has passed the re-examination for new and high technology enterprises, the certificate number is GF201441000001. According to the provisions of Article 28 "Enterprise Income Tax Law of the People's Republic of China", the applicable income tax rates of the Company during 1 January 2014 to 31 December 2016 are 15%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Bank and cash balance

Unit: RMB

Item	Closing Amount			Opening Amount		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash:			274,735.66			427,474.82
RMB	-	-	237,196.00	-	-	409,464.71
AU dollars	5,448.98	4.74	25,851.18	3,587.67	5.02	18,010.11
US dollars	1,800.00	6.49	11,688.48	-	-	-
Bank deposits:			8,981,887,566.64			774,353,569.89
RMB	-	-	6,941,254,051.11	-	-	296,057,190.66
USD	283,780,851.23	6.49	1,845,484,378.16	71,625,675.90	6.12	438,278,043.00
HKD	5,360,914.42	0.84	4,493,884.78	2,883,568.71	0.79	2,274,761.00
AUD	10,974,201.66	4.74	52,064,072.66	7,520,436.34	5.02	37,743,575.23
CAD	29,411,505.97	4.71	138,578,771.02	-	-	-
EUR	1,759.58	7.09	12,408.91	-	-	-
Other bank and cash balance:			1,432,317,000.00			8,550,800,000.00
RMB	-	-	1,432,317,000.00	-	-	8,550,800,000.00
Total			10,414,479,302.30			9,325,581,044.71

At the end of the year, the Group's other cash and cash equivalents include structured deposits of RMB390,000,000.00 (opening balance for the year: RMB8,550,800,000.00), the restricted deposits for bank acceptance bills of RMB510,342,000.00 (opening balance for the year: nil) and loan deposits of RMB531,975,000.00 (opening balance for the year: nil). The above structured deposits cannot be withdrawn in advance during the deposit period.

At the end of the year, the Group had deposits equivalent to RMB128,022,352.10 (opening balance for the year: RMB6,202,667.46) placed in bank account opened in Hong Kong, deposits equivalent to RMB336,697,485.28 (opening balance for the year: nil) placed in bank account opened in Macao, deposits equivalent to RMB111,574,948.79 (opening balance for the year: nil) placed in bank account opened in Singapore and deposits equivalent to RMB202,604,264.12 (opening balance for the year: RMB465,151,496.70) placed in bank account opened in Australia.

2. Financial assets at fair value through profit or loss

Unit: RMB

Item	Closing Fair Value	Opening Fair Value
Forward exchange contract (note)	4,838,045.50	-
Total	4,838,045.50	-

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

3. Notes receivable

(1) *Categories of notes receivable*

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	492,861,742.27	1,158,139,987.39
Commercial acceptances	109,218,079.80	–
Total	602,079,822.07	1,158,139,987.39

(2) *No notes receivable pledged by the Company at the end of period.*

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

Unit: RMB

Category	Derecognition amount at year end	Amount not yet derecognised at year end
Bank acceptance	1,839,494,731.47	–
Total	1,839,494,731.47	–

Note: Since major risks including the interest rate risks related to such bank acceptance as well as the remuneration have been substantially transferred to the bank or another party, the Group ceased to recognize discounted or endorsed bank acceptances. At the end of 2015, the group has no commercial acceptances discounted at year end which have not yet expired on the balance sheet date.

(4) *As at the beginning and the end of the period, none of the Group's notes was transferred to accounts receivable due to the drawers' failure in performing the agreements.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

4. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening Balance			
	Carrying balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debts are provided for individually	693,278,126.99	88.71	18,704,815.89	2.70	833,070,811.37	94.88	4,229,626.57	0.51
Accounts receivables for which bad debt are provided based on credit risk characteristics portfolio	88,213,873.03	11.29	18,534,002.65	21.01	44,979,808.67	5.12	22,462,144.05	49.94
Total	781,492,000.02	100.00	37,238,818.54	4.77	878,050,620.04	100.00	26,691,770.62	3.04

Explanations of categories of accounts receivable:

The Group recognises accounts receivable of over RMB5 million as accounts receivable that are individually significant.

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

Aging analysis of accounts receivables is as follows:

Unit: RMB

Aging	Opening balance				Closing balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	719,724,217.15	92.09	-	719,724,217.15	817,539,018.89	93.11	-	817,539,018.89
1 to 2 years	5,824,148.46	0.75	-	5,824,148.46	5,535,767.33	0.63	-	5,535,767.33
2 to 3 years	5,076,920.60	0.65	180,978.60	4,895,942.00	35,844,426.72	4.08	7,560,363.52	28,284,063.20
Above 3 years	50,866,713.81	6.51	37,057,839.94	13,808,873.87	19,131,407.10	2.18	19,131,407.10	-
Total	781,492,000.02	100.00	37,238,818.54	744,253,181.48	878,050,620.04	100.00	26,691,770.62	851,358,849.42

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

4. Accounts receivable (Continued)

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

Accounts receivable that are individually significant and for which bad debts are provided for individually at the end of the year:

Unit: RMB

Accounts receivable (by company)	Accounts receivable	Closing balance		Reason for proportion
		Bad debt Reserve	Proportion (%)	
Company A	8,459,253.13	4,229,626.57	50.00	Bad debt risk
Company E	28,950,378.63	14,475,189.32	50.00	Bad debt risk
Total	37,409,631.76	18,704,815.89		

Accounts receivable for bad debt provision of portfolios using aging analysis:

Unit: RMB

Aging	Accounts receivable	Closing balance	
		Bad debt Reserve	Proportion (%)
Within 2 years	69,679,870.38	–	–
Over 2 years	18,534,002.65	18,534,002.65	100.00
Total	88,213,873.03	18,534,002.65	21.01

- (2) Bad debt reserve for the current period amounts to RMB14,656,167.92; and the collected or reversed bad debt reserve totals RMB4,109,120.00.
- (3) There are no accounts receivable that are actually written off during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

4. Accounts receivable (Continued)

(4) Top five accounts receivable balances based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total account receivable (%)	Closing balance of bad debt Reserve
Company B	Third Party	148,865,407.00	19.05	–
Company C	Third Party	135,032,801.77	17.28	–
Company D	Third Party	86,015,775.88	11.01	–
Company E	Third Party	28,950,378.63	3.70	14,475,189.32
Company F	Third Party	24,938,454.41	3.19	–
Total		423,802,817.69	54.23	14,475,189.32

(5) Accounts receivable not involved in derecognition of the Group during the reporting period.

5. Prepayments

(1) Aging analysis of prepayments is as follows

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	224,257,788.38	98.75	238,445,011.85	87.52
1 to 2 years	405,793.08	0.18	33,539,926.51	12.31
2 to 3 years	2,355,249.09	1.04	213,512.95	0.08
Above 3 years	86,309.60	0.03	251,869.60	0.09
Total	227,105,140.15	100.00	272,450,320.91	100.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

5. Prepayments (Continued)

(2) Top five of prepayments balances based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the Total prepayments (%)
Company C	Third Party	166,473,535.12	73.30
Company G	Third Party	30,000,000.00	13.21
Company H	Third Party	13,118,335.07	5.78
Company I	Third Party	1,695,956.00	0.75
Company J	Third Party	1,415,488.93	0.62
Total		212,703,315.12	93.66

(3) For payments prepaid by the Group to related parties please refer to Note (X).6.

6. Dividends receivable

(1) Dividends receivable

Unit: RMB

Investee entity	Closing balance	Opening balance
KUNYU (Note)	–	61,226,476.23
Total	–	61,226,476.23

Note: The Group disposed the 70% of equity of Luoyang Kunyu Mining Co., Ltd. ("Kunyu") in 2014. In this year, the group reached on the debt restructuring agreement with KUNYU, Waived the dividend receivable of KUNYU totally RMB28,516,476.23 (details refer to Note (V), 49), and received the remaining amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

7. Other receivables

(1) Other receivables disclosed by categories

Unit: RMB

Category	Closing balance				Opening Balance			
	Carrying balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivables that are individual significant and for which bad debts are provided for individually	93,135,521.60	69.24	-	-	40,807,859.68	50.93	8,691,324.58	21.30
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	41,380,239.62	30.76	14,452,855.99	34.93	39,321,981.29	49.07	22,488,938.06	57.19
Total	134,515,761.22	100.00	14,452,855.99	10.74	80,129,840.97	100.00	31,180,262.64	38.91

Explanations of categories of other receivables:

The other receivable that exceeds RMB5,000,000 is recognised as an individually significant receivable by the Group.

Other receivable for bad debt provision of portfolios using aging analysis:

Unit: RMB

Aging	Other receivables	Closing balance Bad debt reserve	Proportion (%)
Within 2 years	26,927,383.63	-	-
More than 2 years	14,452,855.99	14,452,855.99	100.00
Total	41,380,239.62	14,452,855.99	34.93

(2) Bad debt reserve for the current period amounts to RMB192,548.19 and the collected or reversed bad debt provision amount to RMB4,147,737.71; Due to the disposal of subsidiaries in the Group, the amount reduced by RMB12,772,217.13.

(3) There are no other receivables of the Group that are actually written off during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

7. Other receivables (Continued)

(4) Other receivables presented by nature

Unit: RMB

Nature of other receivables	Closing carrying amount	Opening carrying amount
Refund of land-transferring fee receivable	8,000,000.00	8,250,000.00
Deposit	8,500,000.00	5,000,000.00
Receivables from reduce of registered capital (note)	45,000,000.00	–
Others	73,015,761.22	66,879,840.97
Total	134,515,761.22	80,129,840.97

Note: In this year, the joint venture of the Group LUOYANG HIGH-TECH MOLYBDENUM & TUNGSTEN MATERIAL CO., LTD (“High-Tech”) reduced its registered capital. In the year end, the remaining RMB45,000,000.00 has not been received by the Group. Details refer to Note (V) 11.

(5) Top five other receivables balances based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Aging	Proportion of the amount to the total other receivables (%)	Closing balance of bad debt provision
High-Tech	Related Party	45,000,000.00	Within two years	33.45	–
Yong Ning	Third Party	24,960,311.07	Within two years	18.56	–
Individual K (Note)	Third Party	10,175,210.53	More than two years	7.56	–
Company L	Third Party	8,000,000.00	More than two years	5.95	–
Company M	Third Party	5,000,000.00	Within two years	3.72	–
Total		93,135,521.60		69.24	–

Note: Such amount is the debt of original shareholders of Huqi.

(6) There are no other receivables concerning government grants in current period during the reporting time.

(7) Details of other receivables due from related parties refer to Note (X).6.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

8. Inventories

(1) Categories of inventories

Unit: RMB

	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories	Book value (Note 1)	Book balance	Provision for decline in value of inventories	Book value
Current:						
Raw materials	185,310,385.88	-	185,310,385.88	244,046,926.65	5,535,803.20	238,511,123.45
Work-in-progress	91,358,181.15	-	91,358,181.15	92,568,583.75	14,410,961.35	78,157,622.40
Finished goods	322,851,589.28	7,016,557.83	315,835,031.45	117,064,658.57	978,757.58	116,085,900.99
Subtotal	599,520,156.31	7,016,557.83	592,503,598.48	453,680,168.97	20,925,522.13	432,754,646.84
Non-current:						
Raw materials (Note 2)	292,206,309.72	17,149,182.53	275,057,127.19	307,737,812.71	-	307,737,812.71
Total	891,726,466.03	24,165,740.36	867,560,725.67	761,417,981.68	20,925,522.13	740,492,459.55

Note 1: The decrease of RMB10,996,888.63 in inventories resulted from the disposal of subsidiaries.

Note 2: The sulphide ore exploited and reserved under Australian Northparkes copper and gold business. According to the estimation of the management, it is expected that these ore material reserves will not be sold before the end of the mining period of E48 mine shaft, which is 2024, and therefore are presented as non-current assets. In this year, according to the net realizable value is less than the cost, total RMB17,149,182.53 inventory provision are made by the Group's management.

(2) Provision for decline in value of inventories

Unit: RMB

Categories of inventories	Opening book balance	Increase in the current year	Decreasing in the current year Reversal	Write-off	Closing Book balance
Raw materials	5,535,803.20	-	-	5,535,803.20	-
Work-in-progress	14,410,961.35	-	-	14,410,961.35	-
Finished goods	978,757.58	47,716,655.84	2,909,835.92	38,769,019.67	7,016,557.83
Subtotal	20,925,522.13	47,716,655.84	2,909,835.92	58,715,784.22	7,016,557.83
Non-current:					
Raw materials (Note 2)	-	17,149,182.53	-	-	17,149,182.53
Total	20,925,522.13	64,865,838.37	2,909,835.92	58,715,784.22	24,165,740.36

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Wealth management products of banks (Note 1)	312,160,000.00	2,337,292,164.39
Other wealth management entrusted by non-banking financial institutions (Note 2)	2,491,052,876.71	200,000,000.00
Loan receivable from third party (Note 3)	100,000,000.00	–
Others	36,926,937.28	21,808,288.46
Total	2,940,139,813.99	2,559,100,452.85

Note 1: The Group purchase the bank-initiated structured financial plan within 1 year. The management is of the view that the fair value of those banks wealth investment products and its risk of the Group are not significant compared with its carrying amount.

Note 2: Wealth management plans entrusted by non-banking financial institutions purchased by the Group with terms within one year. The management of the Company considers that the difference between the fair value of the Company's interests in and risk exposures to these bank wealth management products as compared to their book value is not significant.

Note 3: Pledge loans receivable from a third party. The loan period is one year and agreed interest rate determined with reference to the loan interest rate of the same period specified by PBOC, with pledge of equity interest of a non-listed entity held by the third party.

10. Available-for-sale financial assets

(1) Details of available-for-sale financial assets are as follows

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Closing fair value	Book value	Book balance	Closing fair value	Book value
Available-for-sale equity	2,373,165,292.11	–	2,373,165,292.11	4,928.00	–	4,928.00
Measured as a fair value	1,222,119,073.11	–	1,222,119,073.11	–	–	–
Measured as a cost	1,151,046,219.00	–	1,151,046,219.00	4,928.00	–	4,928.00
Total	2,373,165,292.11	–	2,373,165,292.11	4,928.00	–	4,928.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

(2) Available-for-sale financial assets measured as a fair value

Unit: RMB

Available-for-sale Financial Assets	Target Asset Management Plans (Note 1)	Equity of Listed Companies (Note 2)	Total
Cost of equity instruments	1,285,733,432.38	205,373,292.63	1,491,106,725.01
Fair value	999,832,540.67	222,286,532.44	1,222,119,073.11
Changes of fair value included in other comprehensive income	(285,900,891.71)	16,913,239.81	(268,987,651.90)
Amount of provision for impairment	-	-	-

Note 1: A designated asset management plan established by a Hong Kong assets management company invested by the Group in May 2015, with a term of two years. At the end of the period, such assets management plan is measured based on fair value.

Note 2: Equity interest of a company listed and traded in overseas Stock Exchange held by the Group; management of the Company plans to hold the investment for long term purpose. The Group does not control, hold under common control or have significant on relevant investees.

(3) Available-for-sale financial assets measured as a cost

Unit: RMB

Unit Under Investment	Book balance			Provision for impairment			At the end of the current period	Proportion of shareholding in the investee	Cash dividends of the period
	At the beginning of the current period	Increase in the current period	Decrease in the current period	At the end of the current period	At the beginning of the current period	Increase in the current period			
Non-listed entity A (Note 1)	-	400,000,000.00	-	400,000,000.00	-	-	-	5.30%	-
Non-listed entity B (Note 1)	-	100,000,000.00	-	100,000,000.00	-	-	-	2.38%	-
Equity investment of partnership entity C (Note 2)	-	50,000,000.00	-	50,000,000.00	-	-	-	12.20%	-
Equity investment of partnership entity D (Note 2)	-	240,000,000.00	-	240,000,000.00	-	-	-	11.27%	-
Interests of equity investment funds (Note 3)	-	334,902,555.00	-	334,902,555.00	-	-	-	Not Applicable	-
Equity investment of partnership entity E (Note 2)	-	26,138,736.00	-	26,138,736.00	-	-	-	25.39%	-
Others	4,928.00	-	-	4,928.00	-	-	-	-	-
Total	4,928.00	1,151,041,291.00	-	1,151,046,219.00	-	-	-	-	-

Note 1: Equity of non-listed companies invested by the Group within the period; the Group does not control, hold under common control or have significant influence on relevant investees. In the year end, for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, thus they are measured at cost.

Note 2: Equity of Limited partnership companies invested by the Group within the period, according to the agreements, the group participate the business as a limited partner. The Group does not control, hold under common control or have significant influence on relevant investees. In the year end, for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, thus they are measured at cost.

Note 3: Interests of equity investment funds invested by the Group within the period; the Group does not control, hold under common control or have significant influence on relevant investees. In the year end, for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, thus they are measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

11. Long-term equity investments

Unit: RMB

Unit under investment	Note	Opening balance	Additional investment	Decreased investment	Investment Income determined under Equity method	Changes increase/(decrease)			Declared cash dividends Profits	Provision for impairment losses	Others	Closing balance (Note 5, 6)	Closing balance of provision for impairment
						Adjustment To other comprehensive income	Other Changes in equities						
I. Joint ventures													
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-Tech")	Note 1	211,765,323.35	-	(95,000,000.00)	(14,878,498.40)	-	-	-	-	-	-	101,886,824.95	-
Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu")	Note 2	1,167,450,246.10	-	-	(85,739,535.54)	-	-	-	-	-	-	1,081,710,710.56	-
Subtotal		1,379,215,569.45	-	(95,000,000.00)	(100,618,033.94)	-	-	-	-	-	-	1,183,597,535.51	-
II. Associates													
Luoyang Yulu Mining Co., Ltd. ("Yulu Mining")	Note 3	105,350,352.33	-	-	90,759,506.61	-	-	(119,200,000.00)	-	-	-	76,909,858.94	-
Caly Nanomoly Development, Inc. ("Nanomoly Development")	Note 4	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal		105,350,352.33	-	-	90,759,506.61	-	-	(119,200,000.00)	-	-	-	76,909,858.94	-
Total		1,484,565,921.78	-	(95,000,000.00)	(9,858,527.33)	-	-	(119,200,000.00)	-	-	-	1,260,507,394.45	-

Note 1: On 10 September 2015, the shareholders' meeting of High-Tech considered and approved resolution in relation to reduce in the resisted capital from RMB530,000,000.00 to RMB270,000,000.00. Among the reduced capital, total RMB70,000,000.00 are used to cover the deficit, the remaining RMB190,000,000.00 are repaid to the shareholders. After completion of reduce capital, the proportion of shares owned by the Group remain unchanged 50%.

Note 2: Huan Yu, a joint venture of the Group, holds 90% of stake in Luoyang Fuchuan Mining Co., Ltd. ("Fuchuan"). Meanwhile, the Group holds indirectly by its subsidiary, Fu Kai, 10% of stake in Fuchuan. Therefore, the Group holds directly and indirectly by Huanyu 55% of stake in Fuchuan in total.

The mining rights of Shangfanggou Mine is legally owned by Fuchuan, but there were disputes in its mining. During the 2012, the production and operation of those disputing parties were all suspended. According to the notification issued by Luoyang Municipal People's Government in March 2013, Fuchuan and the disputing party reached an intent of acquisition and the disputing party agreed to leave the Shangfanggou Mine. Fuchuan was undergoing preparation for resumption of the production as of the date of this report.

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

Note 3: According to the result of Yulu Mining's 2007 annual general meeting, both investors would share the net profit at the ratio of 1:1 since year 2008. Therefore, the Group holds 40% equity interest in Yulu Mining but recognizes investment income of 50% out of its net profit.

Note 4: The Group holds 40% of Nanomoly Development's equity and accounts investment therein based on equity method. In accordance with Articles of Association of Nanomoly Development, the Group do not assume any additional liabilities for additional loss. Up the end of the current period, the Group has decreased its investment in Nanomoly Development to zero.

Note 5: There is no significant limits exist regarding cash realization and investment income repatriation from these associates.

Note 6: The entities invested by the Group are all non-listed entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

12. Fixed assets

(1) Fixed assets

Unit: RMB

Item	Buildings and mining structures	Machinery equipment	Electronic equipment, fixture and furniture	Transportation device	Total
I. Total original carrying amount:					
1. Opening balance	5,401,404,535.63	2,222,668,534.53	175,345,947.56	158,819,446.86	7,958,238,464.58
2. Increase of amount in the current year	296,891,946.30	126,552,197.18	6,608,510.99	3,891,144.17	433,943,798.64
(1) Purchase	19,400,847.54	19,825,347.78	6,608,510.99	3,891,144.17	49,725,850.48
(2) Transferred from Construction in progress	277,491,098.76	106,726,849.40	–	–	384,217,948.16
3. Decrease of amount in the current year	258,811,303.66	190,164,275.36	2,838,693.30	7,774,371.85	459,588,644.17
(1) Disposal or scrap	14,747,542.89	99,696,102.10	73,530.30	2,657,324.21	117,174,499.50
(2) Decrease for sale of subsidiary	244,063,760.77	90,468,173.26	2,765,163.00	5,117,047.64	342,414,144.67
4. Foreign currency exchange differences	(246,236,718.34)	(95,439,378.26)	–	–	(341,676,096.60)
5. Closing balance	5,193,248,459.93	2,063,617,078.09	179,115,765.25	154,936,219.18	7,590,917,522.45
II. Accumulated depreciation					
1. Opening balance	1,727,051,151.41	971,776,887.74	115,542,582.54	131,875,234.23	2,946,245,855.92
2. Increase of amount in the current year	324,506,177.20	215,704,746.07	12,990,581.86	5,227,791.08	558,429,296.21
(1) Provision	324,506,177.20	215,704,746.07	12,990,581.86	5,227,791.08	558,429,296.21
(2) Transferred from Construction in progress	–	–	–	–	–
3. Decrease of amount in the current year	54,003,315.32	89,378,776.78	2,096,988.27	4,853,643.45	150,332,723.82
(1) Disposal or scrap	1,464,767.18	52,495,161.74	38,902.79	1,618,777.83	55,617,609.54
(2) Decrease for sale of subsidiary	52,538,548.14	36,883,615.04	2,058,085.48	3,234,865.62	94,715,114.28
4. Foreign currency exchange differences	(188,159,967.54)	(73,479,737.23)	–	–	(261,639,704.77)
5. Closing balance	1,809,394,045.75	1,024,623,119.80	126,436,176.13	132,249,381.86	3,092,702,723.54
III. Provision for impairment					
1. Opening balance	9,087,783.62	19,402,550.64	–	–	28,490,334.26
2. Increase of amount in the current year	–	–	–	–	–
(1) Provision	–	–	–	–	–
(2) Transferred from Construction in progress	–	–	–	–	–
3. Decrease of amount in the current year	9,087,783.62	16,436,296.34	–	–	25,524,079.96
(1) Disposal or scrap	–	6,509,127.31	–	–	6,509,127.31
(2) Decrease for disposal of subsidiary	9,087,783.62	9,927,169.03	–	–	19,014,952.65
4. Foreign currency exchange differences	–	–	–	–	–
5. Closing balance	–	2,966,254.30	–	–	2,966,254.30
IV. Carrying amount					
1. Closing carrying amount	3,383,854,414.18	1,036,027,703.99	52,679,589.12	22,686,837.32	4,495,248,544.61
2. Opening carrying amount	3,665,265,600.60	1,231,489,096.15	59,803,365.02	26,944,212.63	4,983,502,274.40

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

12. Fixed assets (Continued)

(2) The temporary idle fixed assets

Unit: RMB

Item	The original carrying amount	Accumulated depreciation	Provision for impairment	Net Book Value
Closing balance:				
Machinery equipment	7,992,371.41	4,696,231.60	2,966,254.30	329,885.51

At the end of the current period, idle fixed assets of the Group mainly include fixed assets of the chemistry subsidiary ("Chemistry"). Considering that part of the assets amount meet the needs of future production, the management made provision for impairment of the related assets on the basis of the lower between the carrying amount and the recoverable amount.

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

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

(5) Details of the fixed assets without certificate of titles

Unit: RMB

Item	Carrying amount	The reason of not completing the certificate of title
1# hostel	2,213,828.64	To be completed and settled
5# hostel	2,327,086.29	To be completed and settled
Xiazhigou 4# staff hostel	2,331,841.47	To be completed and settled
Total	6,872,756.40	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

13. Construction in progress

(1) *Situation of construction in progress:*

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Provision for impairment	Net carrying amount	Carrying balance	Provision for impairment	Net carrying amount
Tailings dam project of No. 3 Ore Processing Plant	533,510.25	-	533,510.25	3,465,185.23	-	3,465,185.23
Tailings dam project of No. 2 Ore Processing Plant	46,870,271.07	-	46,870,271.07	50,399,293.50	-	50,399,293.50
Molybdenum project in East Gobi, Hami, Xinjiang	72,633,881.30	-	72,633,881.30	72,633,881.30	-	72,633,881.30
Demonstration of comprehensive utilization of low-grade scheelite	80,007,363.95	-	80,007,363.95	25,812,697.73	-	25,812,697.73
Properties and renovation project in Hainan	103,973,561.26	-	103,973,561.26	-	-	-
Tailings dam project of Liu Shui Gou replacing construction	14,758,111.54	-	14,758,111.54	1,817,348.95	-	1,817,348.95
Northparkes E48 mine redevelopment project	3,206,662.06	-	3,206,662.06	2,761,231.72	-	2,761,231.72
Northparkes E48 mine northern extension project	2,098,483.10	-	2,098,483.10	151,559,873.86	-	151,559,873.86
Australian Tailing Dam Storage Project	23,940,931.95	-	23,940,931.95	-	-	-
Others	130,656,721.94	-	130,656,721.94	64,075,131.24	-	64,075,131.24
Total	478,679,498.42	-	478,679,498.42	372,524,643.53	-	372,524,643.53

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

13. Construction in progress (Continued)

(2) Changes in significant construction in progress:

Unit: RMB

Name of project	Budget amount	Opening amount	Increase in the current year	Transfer to fixed assets	Other decreases	Foreign currency exchange differences	Closing amount	Amount injected as a proportion of budget amount (%)	Amount of accumulated capitalized interest	Including: Amount of interest capitalization for the year	Capital resources
Tailings dam project of No. 3 Ore Processing Plant	50,000,000.00	3,465,185.23	3,246,633.02	-	6,178,308.00	-	533,510.25	75	-	-	Funds in hand
Tailings dam project of No. 2 Ore Processing Plant	343,886,000.00	50,399,293.50	15,454,418.94	18,983,441.37	-	-	46,870,271.07	30	-	-	Funds in hand
Molybdenum project in East Gobi, Hami, Xinjiang	2,849,000,000.00	72,633,881.30	-	-	-	-	72,633,881.30	3	-	-	Funds in hand
Demonstration of comprehensive utilization of low-grade scheelite	200,000,000.00	25,812,697.73	54,194,666.22	-	-	-	80,007,363.95	27	-	-	Funds in hand
Properties and renovation project in Hainan	106,000,000.00	-	103,973,561.26	-	-	-	103,973,561.26	98	-	-	Funds in hand
Tailings dam project of Liu Shui Gou replacing construction	130,000,000.00	1,817,348.95	12,940,762.59	-	-	-	14,758,111.54	10	-	-	Funds in hand
Northparkes E48 mine redevelopment project	139,182,362.86	2,761,231.72	-	-	-	445,430.34	3,206,662.06	2	-	-	Funds in hand
Northparkes E48 mine northern extension project	197,315,061.47	151,559,873.86	17,242,337.01	174,989,952.80	-	8,286,225.03	2,098,483.10	91	-	-	Funds in hand
Australian Tailing Dam Storage Project	133,653,872.64	-	96,132,919.71	80,273,690.06	-	8,081,702.30	23,940,931.95	74	-	-	Funds in hand
Others	Not Applicable	64,075,131.24	169,756,005.42	109,970,863.93	4,188,494.69	10,984,943.90	130,656,721.94	-	-	-	Funds in hand
Total	4,149,037,296.97	372,524,643.53	472,941,304.17	384,217,948.16	10,366,802.69	27,798,301.57	478,679,498.42	-	-	-	

No impairment losses have been provided for construction in progress as at 31 December 2015 as there is no any indication that construction in progress maybe impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

14. Intangible assets

Details of intangible assets

Unit: RMB

Item	Land use rights	Mining rights	Others	Total
I. Total original carrying amount:				
1. Opening balance	468,849,129.43	3,883,321,976.72	23,641,618.71	4,375,812,724.86
2. Increase of amount for the current year	10,956,704.10	–	427,350.45	11,384,054.55
(1) Purchase	10,956,704.10	–	427,350.45	11,384,054.55
3. Decrease of amount for the current year	36,204,628.00	–	34,675.00	36,239,303.00
(1) Disposal or scrap	–	–	–	–
(2) Decrease for sale of subsidiary	36,204,628.00	–	34,675.00	36,239,303.00
4. Foreign currency exchange differences	–	145,321,817.15	–	145,321,817.15
5. Closing balance	443,601,205.53	4,028,643,793.87	24,034,294.16	4,496,279,293.56
II. Accumulated depreciation				
1. Opening balance	70,773,099.95	384,538,363.18	4,663,183.28	459,974,646.41
2. Increase of amount for the current year	9,893,323.98	172,772,110.61	3,854,530.17	186,519,964.76
(1) Provision	9,893,323.98	172,772,110.61	3,854,530.17	186,519,964.76
3. Decrease of amount for the current year	4,202,190.86	–	34,675.00	4,236,865.86
(1) Disposal or scrap	–	–	–	–
(2) Decrease for sale of subsidiary	4,202,190.86	–	34,675.00	4,236,865.86
4. Foreign currency exchange differences	–	17,994,552.72	–	17,994,552.72
5. Closing balance	76,464,233.07	575,305,026.51	8,483,038.45	660,252,298.03
III. Provision for impairment				
1. Opening balance	–	–	–	–
2. Increase of amount for the current year	–	–	–	–
(1) Provision	–	–	–	–
3. Decrease of amount for the current year	–	–	–	–
(1) Disposal or scrap	–	–	–	–
(2) Decrease for disposal of subsidiary	–	–	–	–
4. Foreign currency exchange differences	–	–	–	–
5. Closing balance	–	–	–	–
IV. Carrying amount				
1. Closing carrying amount	367,136,972.46	3,453,338,767.36	15,551,255.71	3,836,026,995.53
2. Opening carrying amount	398,076,029.48	3,498,783,613.54	18,978,435.43	3,915,838,078.45

At the end of the year, there is no land use rights is used as collateral.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

15. Long-term deferred expenses

Unit: RMB

Item	Opening balance	Addition for the current year	Amortization amount for the current year	Transfer-out for the disposal of subsidiary	Closing balance
Relocation compensation (Note 1)	69,036,554.88	–	6,368,145.54	–	62,668,409.34
Geological Museum project (Note 2)	28,800,000.00	–	600,000.00	–	28,800,000.00
Others	17,385,227.42	20,607,091.90	4,197,159.91	188,912.75	33,606,246.66
Total	115,221,782.30	20,607,091.90	11,165,305.45	188,912.75	124,474,656.00

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

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

16. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	61,135,623.96	12,660,986.25	45,866,271.06	8,920,561.90
Deductible losses (Note)	603,165,021.27	142,791,952.96	417,726,219.30	104,431,554.83
Unrealized gross profit	167,220,286.93	41,805,071.73	117,017,624.28	29,254,406.06
Deferred income of government grant	60,950,075.29	12,932,805.29	31,158,798.16	4,673,819.72
Gains and losses from changes in fair value	9,370,559.03	1,405,583.85	2,362,130.00	354,319.50
Accrued expenses	888,207,736.73	242,595,519.32	672,088,799.27	176,936,609.20
Losses on disposal of fixed assets without filling	23,403,398.76	3,510,509.81	23,403,398.76	3,510,509.82
Total	1,813,452,701.97	457,702,429.21	1,309,623,240.83	328,081,781.03

Note: The actual amount of deductible losses that the Group may eventually be deducted from the income tax in 2015 should be subject to due recognition of the local taxation authority

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

(2) *Deferred tax liabilities that are not offset.*

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Accrued interest income	298,438,360.40	44,765,754.06	135,044,020.29	20,256,603.04
Total	298,438,360.40	44,765,754.06	135,044,020.29	20,256,603.04

(3) *Deferred tax assets or liabilities to be listed at the net amount after offset*

Unit: RMB

Item	Closing set-off amount of deferred tax assets and deferred tax liabilities	Closing balance of deferred tax assets and liabilities after offset	Opening balance of deferred tax assets and liabilities after offset	Opening balance of deferred tax assets and liabilities after offset
Deferred tax assets	44,765,754.06	412,936,675.15	20,256,603.04	307,825,177.99
Deferred tax liabilities	44,765,754.06	–	20,256,603.04	–

During the changes of deferred tax assets in this year, there was an increase of RMB10,494,472.46 due to foreign currency exchange.

(4) *Details of unrecognized deferred tax assets*

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	27,177,547.99	655,595,262.34
Deductible temporary difference	963,013.08	5,809,920.40
Subtotal	28,140,561.07	661,405,182.74

Note: No deferred tax assets have been recognized in relation to such deductible temporary difference and tax losses due to uncertainty of the subjective tax profits of the relevant group entities will be available in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

Unit: RMB

Year	Closing balance	Opening balance
2015	–	526,051.23
2016	–	21,398,604.86
2017	4,245,802.40	92,785,422.31
2018	4,981,346.82	215,603,473.47
2019	7,193,683.64	325,281,710.47
2020	10,756,715.13	–
Subtotal	27,177,547.99	655,595,262.34

17. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepayments for land funds (Note 1)	8,659,900.00	8,659,900.00
Deposits over one year (Note 2)	1,282,384,582.09	1,717,165,520.29
Prepayment for water fees (Note 3)	63,000,000.00	63,000,000.00
Structured deposit over one year (Note 4)	300,000,000.00	–
Banks' wealth investment product over one year (Note 5)	200,000,000.00	–
Prepaid farmland occupation tax (Note 6)	25,959,022.32	–
Others	12,669,168.50	13,973,523.63
Total	1,892,672,672.91	1,802,798,943.92

Note 1: The Company's prepayments for land compensation fee and land grant fee, and the group will continue to deal with the procedures for the land grant after the subsidiaries resume production.

Note 2: This amount included principal of RMB1,097,962,500.00 (the end of last year: RMB1,629,937,500.00) and the interest of RMB184,422,082.09 (the end of last year: RMB87,228,020.29), among which, the principal of RMB797,962,500.00 of 5-year time deposit was pledged to USD179,500,000.00 (equivalent to RMB1,165,601,200.00) of long-term borrowings of CMOCC Mining Pty Limited and the principal of RMB300,000,000.00 was the Company's general deposit account.

Note 3: Prepayment for water fees by the subsidiary Xinjiang Luomu.

Note 4: The structural deposit of the Company deposited within the current period with a term of 3 years, within which relevant deposit shall not be withdrawn in advance.

Note 5: The Group purchased the banking financial institution-initiated structured financial plan over one year. The management is of the view that the fair value of those banks wealth investment product and its risk of the Group are not significant compared with its carrying amount.

Note 6: Prepayments for farmland occupation tax on future usage of tailings dam in its mining area.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

18. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Credit loan	2,906,199,075.88	305,950,000.00
Total	2,906,199,075.88	305,950,000.00

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

19. Financial liabilities at fair value through profits and losses

Unit: RMB

Item	Closing fair value	Opening fair value
1. Derivative financial liabilities not designated as hedge instruments	108,578,304.53	44,751,300.00
– Forward Foreign Exchange Contracts (Note 1)	24,143,104.53	–
– Forward Commodity Contracts (Note 2)	84,435,200.00	44,751,300.00
2. Gold lease liabilities measured at fair value (Note 2)	1,397,332,200.00	953,939,350.00
Total	1,505,910,504.53	998,690,650.00

Note1: Changes in the fair value of the Forward Foreign Exchange Contracts that are not designated as hedging instrument are recognised in profit or loss immediately.

Note2: The Group entered into a gold commodity lease agreement with the bank for financing purpose. According to agreement, the Group leased gold from the bank, which was permitted to be sold to third parties during the lease period, and the Group was obliged to return gold with same quality and weight to the bank when the lease expired. The obligation to return the gold is recognised as financial liability. The Group manage its risk exposure to gold return obligation arising from fluctuation of gold market price, by using gold forward contract that are not designated as hedging instrument, and changes in the fair value of the gold forward contract are recognised in profit or loss immediately.

20. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	782,730,000.00	156,900,000.00
Total	782,730,000.00	156,900,000.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

21. Accounts payable

(1) *Accounts payable*

Unit: RMB

Item	Closing balance	Opening balance
Payables for purchase of goods	237,376,385.26	192,793,812.46
Total	237,376,385.26	192,793,812.46

(2) *Aging analysis on accounts payable is set out as follows:*

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	221,239,361.12	179,843,245.66
1 to 2 years	10,842,533.11	5,722,872.75
Over 2 years	5,294,491.03	7,227,694.05
Total	237,376,385.26	192,793,812.46

22. Receipts in advance

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

Unit: RMB

Item	Closing balance	Opening balance
Sales of goods	37,781,869.32	76,780,913.29
Total	37,781,869.32	76,780,913.29

(2) *There is no material receipts in advance of the Group aging more than one year.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

23. Employee benefits payable

(1) Details of employee benefits payable are as follows

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Foreign currency exchange differences	Closing balance
1. Short-term compensation	108,433,933.77	554,409,764.13	578,839,674.50	469,315.58	84,473,338.98
2. Retirement benefits-defined contribution plans	226,811.69	71,465,462.52	71,646,270.66	-	46,003.55
3. Others (Note)	29,116,890.82	2,726,569.79	4,569,657.48	1,727,764.91	29,001,568.04
Total	137,777,636.28	628,601,796.44	655,055,602.64	2,197,080.49	113,520,910.57

Note: It represents the relevant liabilities provided for annual leave and long service leave provided by Australian Northparkes copper and gold business of the Group to its employees that are expected to be paid within 12 months.

The decrease for the current period consists of a decrease of RMB1,401,740.86 on the disposal of a subsidiary.

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

Unit: RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Foreign currency exchange differences	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	96,498,925.90	464,355,250.71	488,182,850.13	469,315.58	73,140,642.06
II. Staff welfare	302,310.85	32,813,470.78	32,782,839.78	-	332,941.85
III. Social security contributions	254,500.09	21,567,641.50	21,752,202.92	-	69,938.67
Among which: Medical insurance	136,841.32	15,431,150.43	15,527,479.99	-	40,511.76
Maternity insurance	17,213.39	1,763,782.43	1,779,211.37	-	1,784.45
Work injury insurance	100,445.38	4,372,708.64	4,445,511.56	-	27,642.46
IV. Housing funds	140,024.84	27,525,017.10	27,661,977.61	-	3,064.33
V. Termination benefits	-	-	-	-	-
VI. Labour union and staff education fund	11,238,172.09	8,148,384.04	8,459,804.06	-	10,926,752.07
Total	108,433,933.77	554,409,764.13	578,839,674.50	469,315.58	84,473,338.98

None of the employee compensation payables or non-cash benefits is overdue in nature and is expected to be paid out in 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

23. Employee benefits payable (Continued)

(3) Retirement benefits – defined contribution plans

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
1. Basis pension insurance	204,562.58	66,891,139.61	67,060,012.09	35,690.10
2. Unemployment insurance	22,249.11	4,574,322.91	4,586,258.57	10,313.45
Total	226,811.69	71,465,462.52	71,646,270.66	46,003.55

According to the regulations of the insurance plan set up by the government institutions or its assigned financial institutions, the Group provide the pension insurance, unemployment insurance for the staff of the Group, respectively, according to the employee basic wage or a certain proportion of local minimum wage, the Group monthly pay expenses to the plan. Apart from the above monthly pay cost, the Group no longer bear the further payment obligation. Corresponding expenses are recorded into the profits and losses of the current or the cost of the related assets.

In this year, the Group should pay RMB66,891,139.61 and RMB4,574,322.91 (2014: RMB71,183,760.76 and RMB5,800,710.50) for endowment insurance, and unemployment insurance plan. As at 31 December 2015, the Group has RMB35,690.10 and RMB10,313.45 (31 December 2014: RMB204,562.58 and RMB22,249.11) to be the expense payable for the endowment insurance and unemployment insurance plan during the period of this report. Concerned expenses payable have been paid out after the reporting period.

24. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Corporate income tax	(64,388,351.43)	214,751,769.31
Urban maintenance and construction tax	1,082,392.82	1,175,353.78
Value added tax	(79,806,455.82)	(50,360,485.50)
Resource tax	10,878,529.51	18,490,856.01
Mineral resources compensation fee	–	14,337,412.80
Price adjustment fund	169,725.08	531,791.11
Education surtax	1,276,847.89	1,393,034.84
Others	7,174,901.60	7,469,467.12
Total	(123,612,410.35)	207,789,199.47

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

25. Interests Payable

Unit: RMB

Item	Closing balance	Opening balance
Interests on medium-term notes with periodic payments of interest and return of principal at maturity (Note)	40,873,424.67	41,144,109.59
Interests on bank borrowings	13,069,431.28	3,905,065.58
Interests payable for convertible corporate bonds	–	2,013,698.63
Total	53,942,855.95	47,062,873.80

Note: Details refer to Note (V).31.

26. Dividends payable

Unit: RMB

Name of entity	Closing balance	Opening balance
Luanchuan Taifeng Industry and Trading Co., Ltd. (Note)	6,623,109.24	6,623,109.24
Luanchuan Hongji Mining Co., Ltd. (Note)	15,943,017.89	15,943,017.89
Luanchuan Chengzhi Mining Co., Ltd. (Note)	5,319,669.54	5,319,669.54
Total	27,885,796.67	27,885,796.67

Note: Minority shareholders of subsidiaries of the Group.

27. Other payables

(1) Other payables shall be listed based on nature

Unit: RMB

Item	Closing balance	Opening balance
Project and equipment	91,788,820.12	118,028,375.16
Others	116,615,445.72	135,285,388.91
Total	208,404,265.84	253,313,764.07

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

27. Other payables (Continued)

(2) Other significant payables aging more than one year

Unit: RMB

Item	Closing balance	Reason for amount outstanding or deferred forward
Provisionally estimated project funds for 30,000 tons of opencast working	6,731,965.77	The project has not been completed
Individual K	10,175,210.53	Unsettled Payables
Land compensatory funds	18,768,171.17	Land compensation is carried out gradually
Total	35,675,347.47	

(3) Details of other payables due from related parties refer to Note (X).6.

28. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Payables for exploration right in Hami, Xinjiang (Note 1)	22,924,085.68	45,848,085.68
Deferred income released within one year (Note (V).33)	4,451,018.58	12,314,388.96
Long-term borrowings due within one year (Note (V).30)	2,467,524,610.28	520,115,000.00
Total	2,494,899,714.54	578,277,474.64

Note 1: Pursuant to the Transfer Agreement, Xinjiang Luomu, a non-wholly owned subsidiary of the Company agreed to acquire, the Exploration Assets of molybdenum general prospecting and exploration in East Gobi, Hami, Xinjiang (License number: T65120080602009571) from Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource, the consideration is RMB1.036 billion, of which RMB0.39 billion was set off against the considerations as the additional capital contributions from the minority shareholder. By 31 December 2015, Xinjiang Luomu had paid the first instalment of RMB0.623 billion. The remaining balance are expected to be paid off within one year.

29. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Accrued expenses	23,896,357.63	16,651,701.67
Payables for short-term financing bonds	500,000,000.00	–
Total	523,896,357.63	16,651,701.67

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

29. Other current liabilities (Continued)

Increase or decrease of short bonds payable

Unit: RMB

Name	Par value	Issue date	Maturity	Issue amount	Opening balance	Issued In this Period	Accrued interest for the year	Interests paid during the year	Closing interest payable	Amortization of Premium and Discount	Payment in this Period	Opening balance
First tranche of short-term financing bonds (Note)	500,000,000.00	23 October 2015	1 years	500,000,000.00	-	500,000,000.00	3,308,219.18	-	3,308,219.18	-	-	500,000,000.00

Note: As at 23 October 2015, the company issued the 2015 first tranche of short-term financing bonds with a total of a nominal value amount of RMB500 million with a coupon rate of 3.45%.

30. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	3,113,637,810.28	3,215,534,500.00
Unsecured and non-guaranteed loans	1,295,473,200.00	1,465,500,500.00
Less: long-term borrowings due within one year (Note (V).29)	2,467,524,610.28	520,115,000.00
Total	1,941,586,400.00	4,160,920,000.00

(2) Analysis of long-term borrowings due over one year

Unit: RMB

Expiration date	Closing balance	Opening balance
1 to 2 years	311,692,800.00	2,331,339,000.00
2 to 5 years	1,629,893,600.00	1,829,581,000.00
Total	1,941,586,400.00	4,160,920,000.00
Among which: the borrowings required to repay at any time due to breach the contract	-	-

As at 31 December 2015, the annual interest rates of the above borrowings ranged from 1.57% to 3.06% (31 December 2014: 2.45% to 2.70%).

As at 31 December 2015, there is no long-term borrowing resulting from an extension of repayment date of an overdue borrowing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

31. Bonds payable

(1) Bonds payable

Item	Closing balance	Opening balance
Medium-term note	2,000,000,000.00	2,000,000,000.00
Convertible corporate bonds	-	3,438,722,886.26
Total	2,000,000,000.00	5,438,722,886.26

(2) Changes in bonds payable

Unit: RMB

Name	Par value	Issue date	Maturity	Issue amount	Opening balance	Issued amount for the year	Interest Based on par Value	Interests paid during the year	Closing interest payable	Amortization of Premium and Discount	Exercise of Convertibility for the Period	Payment In the period	Closing balance
12 CMOE MTN1 (Note)	2,000,000,000.00	2 August 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	98,529,315.08	98,800,000.00	40,873,424.67	-	-	-	2,000,000,000.00
Convertible bonds	4,900,000,000.00	2 December 2014	6 years	4,900,000,000.00	3,438,722,886.26	-	12,149,315.07	-	-	147,132,622.64	3,552,646,126.97	33,209,381.93	-
Total	6,900,000,000.00			6,900,000,000.00	5,438,722,886.26	-	110,678,630.15	98,800,000.00	40,873,424.67	147,132,622.64	3,552,646,126.97	33,209,381.93	2,000,000,000.00

Note: On 2 August 2012, the Company issued medium-term notes with a par value and in a principal amount of RMB2 billion (security short name: 12 CMOE MTN1) and the relevant bonds is permitted to trade and circulate on the national inter-bank bond market. The proceeds from the issuance of the medium-term financing notes were used for replenishing the Company and its subsidiaries' working capital and repayment of bank borrowings. The annual interest rate of the medium-term notes is a fixed rate of 4.94% with a term of 5 years. The interest is paid once each year. Please refer to Note (V), 26 for Interests payable.

(3) Issue, conversion term and time and other descriptions of convertible bonds

On 2 December 2014, approved by China Securities Regulatory Commission, the Company issued convertible bonds with principle amount of RMB4.9 billion and the net amount of raised funds after the deduction of issuance expenses was RMB4,843,547,956.20.

Name	Issuance date	Issuance price	Coupon rate	Value date	Due date	Circulation date	Issue amount
CMOE Convertible bond	2 December 2014	RMB100	Increasing interest rates	2 December 2014	1 December 2020	16 December 2014	RMB4.9 billion

The term of the convertible bonds was 6 years and coupon rate from the first to sixth year is 0.50%, 0.70%, 0.90%, 1.20%, 1.80% and 2.40% respectively. Interest shall be paid annually. The commencement date and deadline of transferring shares were from the first trading day after six months from the issue of convertible bonds to the due date of convertible bonds.

The initial conversion price of convertible bonds was RMB8.78/share and the conversion price of convertible bonds would be adjusted accordingly when bonus issue, issuing additional new shares, transferring shares and dividends happened.

Within 5 trading days after expiration of issued convertible bond, the company would redeem convertible liabilities of all unconverted bonds from bondholders at the price of 108% par value of the issued convertible bond (including annual interest rate of the last period).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

31. Bonds payable (Continued)

(3) Issue, conversion term and time and other descriptions of convertible bonds (Continued)

If the closing price of the Company's stocks had not been above 85% of conversion price for at least 15 business days in the 30 business days during the duration of the currently issued convertible bonds, the board of directors had the right to proposed a revised plan for a down-side conversion price and submitted it to related stockholders meeting for vote.

If the closing price of the Company's stocks had not been below 130% (including 130%) of down-side conversion price for at least 15 business days in the 30 business days during the duration of the currently issued convertible bonds, the Company had the right to redeem them based on 103% of par value of bonds (including the interest in current interest accrual year). The redemption could be carried out after the redemption conditions were met at the first time and if it was not conducted at the first time, the redemption right could not be exercise in this interest accrual year.

If the company's closing price had been below 70% of conversion price for 30 business days since the third interest accrual year, the holders of convertible bond had the right to sell their part or all convertible bonds to the Company based on the 103% of par value (including the current interest). The holders of convertible bond could sell in any interest accrual years after the selling conditions were met. But, if the sale was not conducted at the first time, the sale right could not be exercise this interest accrual year.

If the use of raised funds was greatly different from the commitment by the Company in prospectus during the duration of the currently issued convertible bonds, which is considered the change in the use of raised funds according to relevant provisions of China Securities Regulatory Commission or deemed change in use of the raised funds by China Securities Regulatory Commission, the holders had the right to sell their part or all convertible bonds to the Company based on the 103% of par value (including the current interest).

On 2 June 2015, the convertible bonds become convertible into ordinary shares of the Company. On 23 June 2015, because the closing price of the Company's share at least 15 days in any consecutive 30 trading days is no less than 130% (including 130%) of the current conversion price, the Company exercised the early redemption option and called the redemption at 103% (including the interest rate of the current interest accrual year) of the par value on 9 July 2015.

As of the redemption date of convertible bonds on 9 July 2015, the convertible corporate bonds with a total nominal value of RMB4,854,442,000 had been converted into 552,895,708 shares of the company, accounting for 99.07% of the total issued convertible corporate bonds. The outstanding convertible corporate bonds with nominal value of approximately RMB45,558,000 which accounted for 0.93% of the total amount of the convertible corporate bonds issued by the Company were redeemed at a price equal to 103% of the nominal value of the convertible bonds on the same day.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

31. Bonds payable (Continued)

(3) Issue, conversion term and time and other descriptions of convertible bonds (Continued)

The liabilities of the above issued convertible bonds (including embedded derivatives) and equity component are divided as follows:

	Liabilities	Equity	Total
Balance on 1 January 2015	3,438,722,886.26	1,426,888,988.29	4,865,611,874.55
Amortization interest adjustment	147,132,622.64	–	147,132,622.64
Conversion due to the exercise of convertibility	(3,552,646,126.97)	(1,426,888,988.29)	(4,979,535,115.26)
Conversion due to exercise the early redemption option	(33,209,381.93)	–	(33,209,381.93)
Balance on 31 December 2015	–	–	–

After conversion into ordinary shares of the Company, the shares of the company increase to RMB110,579,141.60. The amortized balance of the liabilities of RMB3,552,646,126.97 and the carrying amount of the conversion option in equity of RMB1,426,888,988.29, deducting the increased share capital have been transferred to the capital premium. Details refer to Note (V). 34 and 35.

32. Provision

Unit: RMB

Item	Closing balance	Opening balance
Land restoration and rehabilitation fee (Note 1)	47,570,371.66	47,570,371.67
Close down and restoration costs (Note 2)	243,337,797.85	233,379,437.11
Total	290,908,169.51	280,949,808.78

Note 1: Pursuant to the requirements of "Notice of Matters related to Revision on Fee Standards for Restoration and Rehabilitation Fees" (Yufagai shoufei [2006] No. 1263), jointly issued by the Henan Development and Reform Commission and the Finance Department of Henan Province, the Company is obliged to discharge rehabilitation obligations in respect of the land occupied or damaged by mining and residual discharging, and the Company estimates for the restoration and rehabilitation fee according to relevant requirements.

Note 2: According to local regulations, the Group's subsidiaries, Australian Northparkes copper and gold business is required to perform obligations of closing the mine and restoring the land. Such obligations are determined according to the present value of the estimated costs for discharging restoration and rehabilitation obligations at the end of its useful life. As of 30 June 2015, the estimated exploited but uncovered area is 1,337.08 hectares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

33. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deferred income of land grant fee refund (Note 1)	16,130,339.30	21,799,321.10
Deferred income of research and development expenses subsidy (Note 2)	3,000,000.00	3,080,525.90
Deferred income of demonstration base project subsidy (Note 2)	41,819,735.99	11,562,347.16
Deferred income of CCTV installation for heavy metal projects	243,599.20	247,728.00
Long Service Leave (Note 3)	5,664,862.62	5,500,675.05
Total	66,858,537.11	42,190,597.21
Including: Deferred income carried down within 1 year (Note (V). 28)	4,451,018.58	12,314,388.96
Total of non-current liabilities	62,407,518.53	29,876,208.25

Note 1: Refers to the land grant fee refund received by the Group, which is included under deferred income and amortised on straight line basis in equal amounts over the term of the land use rights.

Note 2: Refers to the "Special Fund for Provincial Important Technologies", "Special Fund for the Conservation and Comprehensive utilization of mineral resources" and "The Central Mineral Resources Comprehensive Utilization Demonstrative Base Subsidy", intended to be applied on the key technology for processing and deep-processing and refining of molybdenum and tungsten, which is included under deferred income and will be recognized as current non-operating income as the relevant technology research fee incurred.

Note 3: It represents the relevant liabilities provided for annual leave and long service leave provided by Australian Northparkes copper and gold business of the Group to its employees. The part estimated to be paid within 12 months is in the calculation of the Employee benefits payable. (details refer to note (V). 23).

Involving government grants items:

Unit: RMB

Liabilities Item	Opening carrying amount	Increased grants in current year	Amount in current year non-operating income	Reversal upon disposal of subsidiaries in current year (Note)	Closing carrying amount	Related to assets/Income
Subsidy of the return of Nannihu land premium	16,515,925.10	-	385,585.80	-	16,130,339.30	Related to assets
Special funds of 3,000 tons/day of molybdenum tailings utilisation	3,000,000.00	-	-	-	3,000,000.00	Related to assets
Special funds for the conservation and comprehensive utilisation of mineral resources	11,562,347.16	36,504,850.06	44,150,401.24	-	3,916,795.98	Related to profit
The Central mineral resources comprehensive utilisation demonstration base subsidy	80,525.90	-	80,525.90	-	-	Related to profit
Subsidy of the return of the Dongling land premium	5,283,396.00	-	118,728.00	5,164,668.00	-	Related to assets
Subsidy of Heavy metal treatment Project	247,728.00	-	4,128.80	-	243,599.20	Related to assets
Subsidy of deferred revenue on utilization of low-grade scheelite	-	37,917,532.47	14,592.46	-	37,902,940.01	Related to assets
Others	-	378,508.20	378,508.20	-	-	Related to profit
Total	36,689,922.16	74,800,890.73	45,132,470.40	5,164,668.00	61,193,674.49	

Note: For the government grants to be received by the Company, it will be divided according to the government documents which have explicitly stipulated that government grants classified into asses-related and income-related. For those not explicitly stipulated by the government documents, the Company will divide according to whether it can form assets or not.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

34. Share capital

The par value of the Company's share is RMB0.2 per share, the structures and types of share are shown as follow:

Unit: shares

	Opening balance	Convertible bonds converted into ordinary shares (note 2)	Changes for the year			Subtotal	Closing balance
			Bonus issue	Capitalisation of surplus reserve (note 1)	Others (note 3)		
2015:							
I. Restricted tradable shares							
1. Shareholding of state-own legal-person	1,796,593,475.00	-	-	-	(1,796,593,475.00)	(1,796,593,475.00)	-
2. Other domestic-owned shares	-	-	-	-	-	-	-
Total amount of restricted shares	1,796,593,475.00	-	-	-	(1,796,593,475.00)	(1,796,593,475.00)	-
II. Unrestricted shares							
1. Ordinary shares denominated in RMB	1,968,421,050.00	552,895,708.00	-	8,635,820,466.00	1,796,593,475.00	10,985,309,649.00	12,953,730,699.00
2. Foreign capital stocks listed abroad	1,311,156,000.00	-	-	2,622,312,000.00	-	2,622,312,000.00	3,933,468,000.00
Total amount of unrestricted shares	3,279,577,050.00	552,895,708.00	-	11,258,132,466.00	1,796,593,475.00	13,607,621,649.00	16,887,198,699.00
III. Total amount of shares	5,076,170,525.00	552,895,708.00	-	11,258,132,466.00	-	11,811,028,174.00	16,887,198,699.00
2014:							
I. Restricted tradable shares							
1. Shareholding of state-own legal-person	1,796,593,475.00	-	-	-	-	-	1,796,593,475.00
2. Other domestic-owned shares	-	-	-	-	-	-	-
Total amount of restricted shares	1,796,593,475.00	-	-	-	-	-	1,796,593,475.00
II. Tradable shares							
1. Ordinary shares denominated in RMB	1,968,421,050.00	-	-	-	-	-	1,968,421,050.00
2. Foreign capital stocks listed abroad	1,311,156,000.00	-	-	-	-	-	1,311,156,000.00
Total amount of unrestricted shares	3,279,577,050.00	-	-	-	-	-	3,279,577,050.00
III. Total amount of shares	5,076,170,525.00	-	-	-	-	-	5,076,170,525.00

Note 1: As of 9 October 2015, Luoyang Mining Group Co., Ltd hold 1,776,593,475 shares of the company and National Council for Social Security Fund of the PRC ("NSSF") hold 20,000,000 shares of the company, total 1,796,593,475 shares in aggregate expired the lockup period, the trade restriction cancelled.

Note 2: As of 9 July 2015, the company completed the conversion and redemption of the convertible bonds, and total amount of 552,895,708 shares have been converted. After completed of conversion, the value of shares increased by RMB110,579,141.60.

Note 3: On 28 August 2015, the second session of the fourth board meeting passed the resolution of "The company's semi-annual proposal regarding transfer capital reserve into shares and the change of buying unit for each trade in H-share". Based on the total amount of shares 5,629,066,233 up to 31 July 2015, the company transfer 20 shares for every existing 10 shares to all shareholders, total amount of 11,258,132,466 shares have been transferred. After the transfer was completed, the total equity of the company was increased to 16,887,198,699 shares.

Note 4: As at 31 December 2015, the changes in industrial and commercial registration is in progress.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

35. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2015:				
Capital premium	8,102,977,121.92	4,868,955,973.66	2,251,626,493.20	10,720,306,602.38
Including: Capital invested by investors (note)	8,100,855,081.92	4,868,955,973.66	2,251,626,493.20	10,718,184,562.38
Others	2,122,040.00	–	–	2,122,040.00
Other capital reserves (note)	1,426,888,988.29	–	1,426,888,988.29	–
Total	9,529,866,110.21	4,868,955,973.66	3,678,515,481.49	10,720,306,602.38
2014:				
Capital premium	8,102,977,121.92	–	–	8,102,977,121.92
Including: Capital invested by investors	8,100,855,081.92	–	–	8,100,855,081.92
Others	2,122,040.00	–	–	2,122,040.00
Other capital reserves	–	1,426,888,988.29	–	1,426,888,988.29
Total	8,102,977,121.92	1,426,888,988.29	–	9,529,866,110.21

Note: The other capital reserves is the carrying amount of conversion option in equity upon the initial recognition of bond issue. As at 9 July 2015, after completion of conversion into ordinary shares of the Company, the amortized balance of the liabilities of RMB3,552,646,126.97 and the carrying amount of the conversion option in the equity of RMB1,426,888,988.29, deducting the increased share capital RMB110,579,141.60 have been transferred to the capital premium. The amount of capital premium increased to RMB4,868,955,973.66. Details refer to Note (V).31 and 34.

On 28 August 2015, the company transfer capital reserve into totally 11,258,132,466 common shares, the relevant capital premium decreased RMB2,251,626,493.20. Detail refer to Note (V).34.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

36. Other comprehensive incomes

Unit: RMB

Item	Opening balance	Actual amount before income tax in the year	Amount recognised in the current year			After-tax Amount Attributable to Owners of the Parent Company	After-tax amount Attributable to minority shareholder	Closing balance
			Less: Amount Previously Included in Other Comprehensive Income Transferred into Profit or Loss	Less: income tax expense				
I. Other comprehensive income cannot reclassified into the profit or loss subsequently	-	-	-	-	-	-	-	-
II. Other comprehensive income to be reclassified into the profit or loss subsequently	(208,549,984.41)	(423,942,733.35)	-	-	(423,942,733.35)	-	(632,492,717.76)	
Including: Gains and losses from changes in fair value of available-for-sale financial assets	-	(268,987,651.90)	-	-	(268,987,651.90)	-	(268,987,651.90)	
Exchange differences arising on translation of financial statements denominated in foreign currencies	(208,549,984.41)	(154,955,081.45)	-	-	(154,955,081.45)	-	(363,505,065.86)	
Total of other comprehensive incomes	(208,549,984.41)	(423,942,733.35)	-	-	(423,942,733.35)	-	(632,492,717.76)	

37. Special reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2015:				
Production safety fee	52,891,152.40	109,490,272.08	149,167,095.95	13,214,328.53
Maintenance fee	219,033,756.84	68,980,690.50	186,028,100.31	101,986,347.03
Total	271,924,909.24	178,470,962.58	335,195,196.26	115,200,675.56
Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2014:				
Production safety fee	64,462,699.12	109,629,373.04	121,200,919.76	52,891,152.40
Maintenance fee	135,123,394.21	264,641,508.60	180,731,145.97	219,033,756.84
Total	199,586,093.33	374,270,881.64	301,932,065.73	271,924,909.24

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

38. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2015:				
Statutory surplus reserve (note)	704,898,171.11	81,151,910.83	–	786,050,081.94
2014:				
Statutory surplus reserve (note)	704,898,171.11	–	–	704,898,171.11

Note: In accordance with The Company Law of the PRC, the appropriation to the statutory surplus reserve apply in 2015 according to the proportion of 10% of the net profit, which amounts to RMB81,151,910.83.

39. Retained profit

Unit: RMB

Item	Amount	Proportion of appropriation
2015:		
Retained profit at beginning of year	3,320,200,571.47	
Add: Net profit attributable to shareholders of the parent Company for the period	761,160,070.18	
Less: Appropriation to statutory surplus reserve (Note 1)	81,151,910.83	
Ordinary shares payable (Note 2)	1,013,231,921.94	
Retained profit at ending of year	2,986,976,808.88	
2014:		
Retained profit at beginning of year	2,206,609,158.00	
Add: Net profit attributable to shareholders of the parent Company for the period	1,824,255,286.97	
Less: Appropriation to statutory surplus reserve (Note 1)	–	
Ordinary shares payable (Note 2)	710,663,873.5	
Retained profit at ending of year	3,320,200,571.47	

Note 1: Details refer to Note (V).38.

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

As resolved at the Company's 2014 annual general meeting on 26 June 2015, the Company distributed to all shareholders cash dividends of RMB0.18 per share, RMB1,013,231,921.94 in total (2014: RMB710,663,873.50).

Note 3: Profit distribution decided after the balance sheet date.

According to a proposal of the board of directors, on the basis 16,887,198,699 issued shares (with the par value of RMB0.2 per share), dividends in cash of RMB0.025 per share (2014: RMB0.18) will be distributed to all the shareholders.

Note 4: Appropriation to surplus reserve by subsidiaries

As at 31 December 2015, the balance of the Group's undistributed profits include appropriation to surplus reserves by subsidiaries amounting to RMB169,699,785.59 (31 December 2014: RMB113,591,532.75).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

40. Operating income and operating costs

(1) Operating income

Unit: RMB

Item	Amount recognised in the current year		Amount recognised in the prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	4,044,138,198.75	2,505,563,447.76	6,484,300,456.84	3,743,066,560.66
Other operating activities	152,701,422.44	116,884,793.67	178,081,666.61	128,363,234.74
Total	4,196,839,621.19	2,622,448,241.43	6,662,382,123.45	3,871,429,795.40

(2) Principal operating activities (classified by products)

Unit: RMB

Name of product	Amount recognised in the current year		Amount recognised in the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Molybdenum, Tungsten and related products	2,421,140,447.03	1,483,174,288.51	3,615,113,883.37	1,954,328,057.09
Gold, silver and related products	-	-	274,177,972.60	273,721,309.77
Electrolytic lead	-	-	215,679,580.18	246,411,582.03
Copper, Gold and related products	1,442,799,406.13	931,261,148.57	2,049,420,999.10	991,636,715.54
Others	180,198,345.59	91,128,010.68	329,908,021.59	276,968,896.23
Total	4,044,138,198.75	2,505,563,447.76	6,484,300,456.84	3,743,066,560.66

41. Business taxes and levies

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Basis of calculation
Business tax	11,115,119.89	10,194,135.68	Note (IV)
Urban maintenance and construction tax	13,876,376.71	23,280,221.97	Note (IV)
Education surcharge	8,087,883.26	13,649,004.41	Note (IV)
Resource tax	160,696,556.83	213,595,802.62	Note (IV)
Tariff	-	9,279,001.00	Note (IV)
Others	48,697,416.76	79,983,504.94	
Total	242,473,353.45	349,981,670.62	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

42. Selling expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Salary, bonus and allowances	4,594,926.80	4,965,324.17
Transportation costs	63,654,059.65	77,164,477.11
Entertainment expenditures	1,261,367.04	1,390,239.00
Traveling expense	904,122.86	699,864.01
Taxes	917,932.89	1,430,197.02
Others	13,340,386.02	14,167,414.94
Total	84,672,795.26	99,817,516.25

43. General administrative expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Wages and social security contributions	115,127,161.88	127,328,692.70
Depreciation and amortization	55,243,301.03	69,715,916.62
Auditing fees	9,096,184.02	8,500,940.39
Consulting and agency fees	30,288,955.62	44,792,051.99
Entertainment expenditures	4,517,968.27	4,902,884.44
Technology development fee	80,228,860.57	126,553,737.47
Others	62,671,428.90	66,557,904.91
Total	357,173,860.29	448,352,128.52

44. Financial expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Interest expenses on bonds	260,689,500.10	122,855,059.92
Discount interest of notes receivables	43,689,546.04	4,617,561.37
Bank loans interest expenses	190,743,721.74	140,336,056.35
Including: the interest expense of bank loads due within 5 years	182,752,868.66	139,839,074.14
Total interest expenses:	495,122,767.88	267,808,677.64
Less: Capitalised interest expenses	-	-
Less: Interest income	532,139,155.03	154,414,916.16
Exchange differences	(20,451,513.79)	(5,046,526.72)
Less: Capitalised exchange differences	-	-
Others	103,650,017.47	73,350,405.29
Total	46,182,116.53	181,697,640.05

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

45. Impairment losses on assets

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Bad debt losses	6,591,858.40	20,022,810.64
Inventories provision	61,956,002.45	60,013,018.57
Impairment loss of long-term assets (Note)	161,894,742.57	25,524,079.96
Total	230,442,603.42	105,559,909.17

Note: In this period, the company disposed its subsidiary YongNing. After considering transaction and the carrying amounts of the relevant assets and liabilities, the Company made provision for impairment of RMB148,583,665.66 in accordance with the difference between estimated net realizable value and net book value of assets. Details refer to Note (VI).1.

46. Gains (losses) from changes in fair values

Unit: RMB

Source resulting in gains (losses) from changes in fair values	Amount recognised in the current year	Amount recognised in the prior year
1. Derivatives instruments not designated as hedge instruments	(19,305,059.03)	3,250,500.00
– Gains from changes in fair value of commodity futures contracts	–	3,250,500.00
– Losses from changes in fair value of foreign currency forward contracts	(19,305,059.03)	–
2. Gains (Loss) from gold lease measured in fair value and changes in fair value of forward contract	16,531,850.00	(2,362,130.00)
– Gains (losses) from changes in fair value of forwards contract	(39,683,900.00)	16,119,120.00
– Gains (losses) from changes in fair value of gold lease	56,215,750.00	(18,481,250.00)
Total	(2,773,209.03)	888,370.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

47. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Income (loss) from long-term equity investments under equity method	(9,858,527.33)	86,466,625.43
Investment income from bonds and banks' wealth investment product	174,876,549.09	140,844,167.55
Investment loss on disposal of available-for-sale financial assets	(31,768,850.88)	–
Investment income (loss) on disposal of held-for-trading financial assets	(2,499,998.75)	355,119.70
Derivatives not designated as hedging instruments – losses from commodity derivative contracts	(14,160,110.00) (14,160,110.00)	–
Investment income on disposal of long-term equity investments (note (VI).1(3))	4,282.41	304,092,277.30
Total	116,593,344.54	531,758,189.98

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

Unit: RMB

Unit under investment	Amount recognised in the current year	Amount recognised in the prior year	Reasons for change between this year and last year
Yulu Mining	90,759,506.61	151,548,955.95	The changes in profits of the invested company
Yuhua Molybdenum	–	(13,144.84)	The cancellation of the invested company
High-Tech	(14,878,498.40)	(10,215,827.48)	The changes in profits of the invested company
Fuchuan	(85,739,535.54)	(54,853,358.20)	The changes in profits of the invested company
Total	(9,858,527.33)	86,466,625.43	The increase/decrease in profits of the invested company

There are no significant restrictions on remittance of investment income.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

48. Non-operating income

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

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Gains on disposal of non-current assets	4,079,367.52	21,670,101.53
Including: Gains on disposal of fixed assets	4,079,367.52	21,670,101.53
Government grants	45,132,470.40	41,326,761.34
Others	940,809.76	3,659,429.22
Total	50,152,647.68	66,656,292.09

(2) Particulars of major government grants

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Related to assets/ Related to profit
The Government mineral resources comprehensive utilisation demonstration base subsidy	44,150,401.24	39,777,901.25	Related to profit
Special funds for the conservation and comprehensive utilisation of mineral resources	80,525.90	–	Related to profit
Subsidy of the return of Nannihu land premium	385,585.80	385,585.80	Related to assets
Subsidy of the return of the DongLin land premium	118,728.00	118,728.00	Related to assets
Others	397,229.46	1,044,546.29	
Total	45,132,470.40	41,326,761.34	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

49. Non-operating expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Total losses on disposal of non-current assets	42,120,590.15	51,055,392.73
Including: Losses on disposal of fixed assets	42,120,590.15	51,055,392.73
External donations	18,043,584.00	4,152,000.00
The losses of debt restructuring (Note)	28,516,476.23	–
Others	5,920,406.41	1,578,845.54
Total	94,601,056.79	56,786,238.27

Note: Details refer to Note (V).6.

50. Income tax expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Current tax expense calculated according to tax laws and relevant requirements	114,041,949.38	482,233,005.90
Differences arising on settlement of income tax for the previous years	(39,714,902.44)	37,182,252.00
Adjustments to deferred income tax	(94,617,024.70)	(171,556,964.70)
Total	(20,289,977.76)	347,858,293.20

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

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Accounting profit	682,818,377.21	2,148,060,077.24
Income tax expenses calculated at 15% (2014: 15%)	102,422,756.58	322,209,011.59
Tax impact of non-deductible expense	25,874,270.66	17,075,150.99
Tax impact of tax free income/extra deductible expense	(10,930,148.53)	(61,726,361.01)
Tax impact of utilising deductible loss and deductible temporary difference previously not recognised	(141,899,902.37)	(68,745,518.46)
Tax impact of unrecognised deductible loss and deductible temporary difference	37,050,202.82	52,957,907.68
Impact of different tax rate in subsidiaries in other jurisdictions	6,907,745.52	48,905,850.41
Difference arising on settlement of income tax for the previous years	(39,714,902.44)	37,182,252.00
Total	(20,289,977.76)	347,858,293.20

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

51. Calculation process of basic earnings per share and diluted earnings per share

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

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Net profit attributable to ordinary shareholders for the current year	761,160,070.18	1,824,255,286.97

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

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Number of ordinary shares outstanding at the beginning of year (note 1)	15,228,511,575.00	15,228,511,575.00
Add: Weighted average number of ordinary shares issued during the year (note 1)	777,370,896.50	–
Weighted average number of ordinary shares issued and outstanding at the end of year (note 1)	16,005,882,471.50	15,228,511,575.00

Earnings per share

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year (note 1)
Calculated based on net profit attributable to shareholders of the Company:		
Basis Earnings Per Share	0.05	0.12
Diluted earnings per share (Note 2)	0.05	0.12

Note 1: As the Company completed capitalisation of capital reserve for the year, and in accordance with rules of as Regulations on the Preparation of Information Disclosure for Entities with Offering Securities to public No. 9 – Calculation and Disclosure of Return on Net Assets and Earning per Share (Revised in 2010), the Accounting Standard for Business Enterprises No. 34 – earnings per share and the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – The Contents and Formats of Annual Report (Revised edition 2015) the Company has adjusted the earnings per share for 2014 from RMB0.36 to RMB0.12 and restated the number of ordinary shares outstanding at the beginning of the year on the same basis.

Note 2: In the year end, the Company has no outstanding dilutive ordinary shares. (In prior year end: the outstanding potential ordinary shares of the company had no dilution effect.)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

52. Notes to the cash flow statement

(1) Other cash received related to operating activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Receipts of indemnity and penalty, etc.	57,870.00	307,400.00
Receipts of interest income	412,961,978.15	78,200,451.17
Receipts of government grants	74,800,890.73	40,562,548.41
Others	882,939.76	517,336.63
Total	488,703,678.64	119,587,736.21

(2) Other cash payments related to operating activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Payments for consulting fee, technology development fee and transportation fee, etc.	188,473,030.39	129,133,294.34
Payments of donations and penalty, etc.	18,043,584.00	4,152,000.00
Payments of bank charges and consulting fees	36,592,927.14	4,151,750.18
Prepaid farmland occupation tax	25,959,022.32	–
Others	51,234,292.61	49,820,856.65
Total	320,302,856.46	187,257,901.17

(3) Cash receipts from disposals and recovery of investments

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash receipts from disposal financial assets held-for-trading and wealth investment products of banks and other financial institutions	11,655,519,607.75	4,515,000,000.00
Cash receipts from joint venture for reduce registered capital (Note (V).11)	50,000,000.00	–
Receipts of entrusted loans	–	150,000,000.00
Cash receipts from disposal of available-for sale financial assets	517,790,351.84	3,357,974.57
Total	12,223,309,959.59	4,668,357,974.57

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

52. Notes to the cash flow statement (Continued)

(4) Net cash receipts from acquisition or disposals of subsidiaries and other business units

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Investment income on subsidiary KUNYU	–	645,257,418.49
Investment income on disposal of "HOTEL MANAGEMENT"	–	169,116,006.52
Investment income on disposal of "Precious Metals" (Note VI.1(3))	4,282.41	–
Total	4,282.41	814,373,425.01

(5) Other cash received related to investment activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Receipts from land-transferring fees and others receivables	–	34,200,000.00
Receipts from disposed subsidiaries	163,708,746.00	–
Total	163,708,746.00	34,200,000.00

(6) Cash payments for acquisitions or disposals of subsidiaries and other business units

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash outflow for disposals of subsidiary Yongning (Note (VI) 1(3))1(3)	86,272.98	–
Total	86,272.98	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

52. Notes to the cash flow statement (Continued)

(7) Cash payments to investments

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash payment of purchasing wealth investment products of banks and other financial institutions	9,037,578,809.22	9,229,000,000.00
Cash payment of purchasing available-for-sale financial assets	3,085,268,599.61	–
Total	12,122,847,408.83	9,229,000,000.00

(8) Other cash receipts related to operating activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash payment for acquisition related stamp duty in Australia	–	131,158,843.62
Cash payment for loans to third party (Note (V).9)	100,000,000.00	–
Total	100,000,000.00	131,158,843.62

(9) Other cash receipts related to financing activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash receipts from gold lease business	1,482,568,890.00	992,093,300.00
Total	1,482,568,890.00	992,093,300.00

(10) Cash payment and other cash related to financial activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash paid for gold leasing business	997,120,400.00	356,963,220.00
Commission charge related to gold leasing business and guarantee fees related to loans	57,440,703.41	27,956,114.87
Commission charge related to issue of letter of guarantee for loan business	24,587,257.12	41,242,540.24
Total	1,079,148,360.53	426,161,875.11

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

53. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	703,108,354.97	1,800,201,784.04
Add: Provision for impairment losses of assets	230,442,603.42	105,559,909.17
Depreciation of fixed assets	558,429,296.21	612,349,446.42
Intangible asset amortization	186,519,964.76	197,175,729.46
Amortisation of long-term deferred expenses	11,165,305.45	13,115,338.01
Gains (losses) on disposal of fixed assets, intangible assets and other long-term assets	38,041,222.63	29,385,291.20
Gains (losses) on changes in fair values	2,773,209.03	(888,370.00)
Financial expenses	431,766,109.03	265,052,435.97
Gains arising from investments	(116,593,344.54)	(531,758,189.98)
Increase in deferred tax assets	(94,617,024.70)	(171,556,964.70)
Decrease in inventories	(200,021,157.20)	339,024,621.99
Decrease in receivables from operating activities (increase is filled in column with "-")	441,352,257.77	368,764,151.39
Increase in payables from operating activities (decrease is filled in column with "-")	(121,729,566.81)	498,248,435.26
Amortisation of deferred income	(45,132,470.40)	(40,282,215.05)
Increase (decrease) in special reserve (decrease is filled in column with "-")	(156,390,836.22)	72,591,067.05
(Increase) decrease in restricted bank deposits (increase is filled in column with "-")	(510,342,000.00)	78,064,666.94
Net cash flow from operating activities	1,358,771,923.40	3,635,047,137.17
2. Significant investing and financing activities that do not involving cash:	-	-
3. Net changes in cash and cash equivalents:		
Closing balance of cash	8,982,162,302.30	774,781,044.71
Less: Opening balance of cash	774,781,044.71	1,704,583,230.33
Add: Closing balance of cash equivalents	-	4,850,800,000.00
Less: Opening balance of cash equivalents	4,850,800,000.00	100,000,000.00
Net increase (decrease) in cash and cash equivalents	3,356,581,257.59	3,820,997,814.38

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

53. Supplementary information to the cash flow statement (Continued)

(2) Constitution of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
1. Cash	8,982,162,302.30	774,781,044.71
Including: Cash on hand	274,735.66	427,474.82
Bank deposits always available for payment	8,981,887,566.64	774,353,569.89
Other monetary funds always available for payment	-	-
2. Cash equivalents	-	4,850,800,000.00
3. Closing balance of cash and cash equivalents	8,982,162,302.30	5,625,581,044.71

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries within the Group and bank and cash balance due over 3 months.

54. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing balance of foreign currency	Exchange rate conversion	Closing balance of foreign currency translated into RMB
Monetary assets			
Including: U.S. dollar	215,447,962.32	6.12	1,399,946,300.92
Euro	1,759.58	7.09	12,408.91
Hong Kong dollar	522,849.49	0.84	440,650.75
Canada Dollar	29,411,505.97	4.71	138,578,771.02
Australian Dollar	2,220,958.66	4.74	10,536,725.73
RMB	855,913.41	1.00	855,913.41
Short-term borrowing			
Including: U.S. dollar	177,500,000.00	6.49	1,152,614,000.00
Euro	44,000,000.00	7.09	312,188,800.00
Hong Kong dollar	243,797,030.11	0.84	204,248,275.88
Non-current liabilities due within one year			
Including: EUR	276,287,822.88	7.09	1,948,036,610.28

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VI) CHANGE OF CONSOLIDATION SCOPE

Disposal of subsidiary

(1) Disposal of subsidiary and losing control

Name of subsidiary	Consideration (RMB)	Disposal interest (%)	Disposal Method	Time-point of losing control power	Certain basis of time-point of losing control power	Difference between the consideration and the shared net assets of the subsidiary disposal by the Group (RMB)	Remaining interest upon disposal date
Luoyang Yongning Gold & Lead Refining Co., Ltd. (YONGNING) (Note 1)	-	75	Increase registered capital	30 June 2015	Transfer of control	-	0.610%
Luomu Group Precious Metals Co., Ltd. (Special Metals) (Note 2)	10,000.00	100	Disposal in cash	13 August 2015	Transfer of control	4,282.41	0%

Note 1: On 18 May 2015, China Molybdenum Precious Metals Investment Co. Ltd. ("Precious Metals") and Luoyang Yongning Gold & Lead Refining Co., Ltd. ("Yongning"), subsidiaries of the Company, entered into the Agreement on Capital and Share Addition of Luoyang Yongning Gold & Lead Refining Co., Ltd. with an third party, Lingbao Dinglong Mining Co., Ltd. ("Dinglong Mining"). In accordance with the Agreement, Dinglong Mining shall contribute in cash for Yongning's newly added registered capital in the amount of RMB122 million and the Company shall restructure the debt in total amount of RMB495 million owing by Yongning to the Company. Upon completion of capital addition and restructuring, Dinglong Mining held 99.187% of the share of Yongning and Precious Metals held 0.610% Yongning. As of signed date of agreements, Yongning was no longer the Group's subsidiary such transaction was regarded as disposal of Yongning. After considering transaction consideration and the carrying amounts of the relevant assets and liabilities, the Company has made provision for impairment of RMB161,894,742.57 in accordance with the estimated net realizable value for the disposal of assets. Details refer to Note (V).45.

On 30 July 2015, the Yongning received payment of additional registered capital. Meanwhile, the parties have completed capital increase and debt restructuring and management appointed by the Company quit from the operation of Yongning. The changes in industrial and commercial registration had been completed on 7 August 2015.

Note 2: According to the share transfer agreement entered between the Company and Dinglong on 11 August 2015, the Company agrees to transfer its 100% interest in Precious Metals at a consideration of RMB10,000.00. Precious Metals held 0.610% interest of Yongning. On 13 August 2015, Company has received the consideration in full and then management appointed by the Company quit from the operation of Precious Metals while the Company ceased to directly or indirectly hold equity interest in Precious Metals and Yongning

(2) Disposal of subsidiary YONGNING

Financial position of subsidiary YONGNING on disposal date and 31 December 2014 and operating result from 1 January 2015 to disposal date are as follows:

Unit: RMB

	Date of disposal	31 December 2014
Current assets	60,819,156.14	84,958,519.65
Non-current assets	260,875,427.63	314,529,515.81
Impairment of long-term assets (Note(VI). (1))	(161,894,742.57)	-
Assets classified as held for sale	159,799,841.20	Not Applicable
Current liabilities	659,722,335.76	671,125,717.73
Non-current liabilities	5,045,940.00	5,164,668.00
Liabilities classified as held for sale	664,768,275.76	Not Applicable
Less: minority interest	(9,968,434.56)	(9,968,434.56)
Equity interest belong to owners of the parent company	(495,000,000.00)	(266,833,915.71)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VI) CHANGE OF CONSOLIDATION SCOPE (Continued)

Disposal of subsidiaries (Continued)

(2) Disposal subsidiary YongNing (Continued)

Unit: RMB

	From 1 January 2015 to the date of disposal
Operating revenue	16,241,015.68
Less: Operating costs and expenses	82,512,357.40
Less: Impairment of Long-term assets (Note (VI).1)	161,894,742.57
Net loss	(228,166,084.29)
Less: Gain or loss on minority interests	-
Profits attributable to owners of the parent company	(228,166,084.29)
Net Cash flow from operating activities	2,089,608.97
Net Cash flow from investing activities	-
Net cash flow from financing activities	(2,901,000.00)
Net increase in cash and cash equivalents	(811,391.03)

The information about cash flows

Unit: RMB

	Amount
Consideration for disposal	-
Cash and cash equivalents received upon disposal	-
Less: Cash and cash equivalents of the disposal subsidiary	86,272.98
Net outflow of cash and cash equivalents paid upon disposal of subsidiary	(86,272.98)

The gain on disposal of subsidiaries

Unit: RMB

	Amount
Consideration for disposal	-
Debt waived by the Company	495,000,000.00
Disposal of net assets attributable to owners of the parent company	(495,000,000.00)
The gain on disposal of subsidiaries	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VI) CHANGE OF CONSOLIDATION SCOPE (Continued)

Disposal of subsidiaries (Continued)

(3) Information of disposal of subsidiary Precious Metals

The financial statement of subsidiary Precious Metals on disposal date and 31 December 2014 and operating results from 1 January 2015 to disposal date are as follows:

Unit: RMB

	Date of disposal	31 December 2014
Current assets	5,717.59	251,159.21
Non-current assets (note)	–	–
Current liabilities	–	877,591.49
Non-current liability	–	–
Net asset	5,717.59	(626,432.28)
Less: minority stockholder's interest	–	–
Shares belong to owners of the parent company	5,717.59	(626,432.28)

Note: The non-current assets is the remaining equity interest of 0.610% after disposals of YongNing. As of date of disposal, carrying amount of the equity investment is zero.

Unit: RMB

	From 1 January 2015 to the date of disposal
Operating revenue	–
Less: Operating costs and expenses	(9,161.13)
Total profit	9,161.13
Net profit	632,149.87
Net cash flow from operating activities	(245,441.62)
Net cash flow from investing activities	–
Net cash flow from financing activities	–
Net increase in cash and cash equivalents	(245,441.62)

The information about cash flows

Unit: RMB

	Amount
Consideration for disposal	10,000.00
Cash and cash equivalents received upon disposal	10,000.00
Less: Cash and cash equivalents of the disposal subsidiary	5,717.59
Net outflow of cash and cash equivalents paid upon disposal of subsidiary	4,282.41

The gain on disposal of subsidiaries

Unit: RMB

	Amount
Consideration for disposal	10,000.00
Disposal of net assets	5,717.59
The gain on disposal of subsidiary	4,282.41

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VII) INTERESTS IN OTHER ENTITIES

1. Equity of subsidiaries

(1) Constitution of subsidiaries

Name of the subsidiary	Main Business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
China Molybdenum Refining Co., Ltd. (Ye Lian)	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	-	Investment Establishment
China Molybdenum Sales and Trading Co., Ltd. (Xiao Shou Mao Yi)	China	Luanchuan, Henan	Trading of mineral products	100.00	-	Investment Establishment
Luoyang Dachuan Molybdenum & Tungsten Technology Co., Ltd. (Da Chuan)	China	Luanchuan, Henan	Processing and sales of mineral products	100.00	-	Investment Establishment
Luoyang Mudu International Hotel Co., Ltd. (International Hotel)	China	Luoyang, Henan	Hotel	100.00	-	Investment Establishment
China Molybdenum Tungsten Co., Ltd (Wu Ye)	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	-	Investment Establishment
China Molybdenum (Hong Kong) Company Limited (Hong Kong company)	Hong Kong, China	Hong Kong	Trading of mineral products	100.00	-	Investment Establishment
China Molybdenum Metal Material Company Limited (Metal Material)	China	Luoyang, Henan	Processing and sales of mineral products	100.00	-	Investment Establishment
Xinjiang Luomu Mining Co., Ltd (Xin Jiang Luo Mu)	China	Xinjiang	Production and sales of mineral products	70.00	-	Investment Establishment
China Molybdenum Sales Co., Ltd. (Sales Company)	China	Luanchuan, Henan	Trading of mineral products	100.00	-	Investment Establishment
CMOC Co., Ltd ("Hong Kong CMOC")	Hong Kong, China	Hong Kong	Investment & Holding	100.00	-	Investment Establishment
CMOC Mining Pty Limited ("CMOC Mining")	Australia	Australia	Production and sales of mineral products	-	100.00	Investment Establishment
CMOC Mining Services Pty. Limited ("CMOC Services")	Australia	Australia	Mining services	-	100.00	Investment Establishment
Luochuan Huqi Mining Company Limited (Hu Qi)	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	-	Investment Establishment
Luanchuan Fu Kai Trading Co., Ltd. (Fu Kai)	China	Luanchuan, Henan	Trading of molybdenum products	100.00	-	Investment Establishment
Luochuan Qixing Mining Company Limited (Qi Xing)	China	Luanchuan, Henan	Refining and sales of mineral products	90.00	-	Investment Establishment
Luanchuan Furun Mining Co., Ltd (Fu Run)	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	-	Investment Establishment
Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. (Da Dong Po)	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	-	Investment Establishment
Luanchuan County Jiuyang Mining Co., Ltd. (Jiu Yang)	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	-	Business combination under common control
Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd. (San Qiang)	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	-	Business combination not under common control
Luoyang Mudulihao Business Co., Ltd. (Mudulihao)	China	Luoyang, Henan	HOTEL MANAGEMENT	-	100.00	Investment Establishment
Schmoke (Shanghai) International Trading Co., Ltd. (Schmoke)	China	Shanghai	Import and export of goods and technology	100.00	-	Investment Establishment
CMOC Mining USA LTD ("CMOC USA")	America	America	Consultancy	-	100.00	Investment Establishment
Shanghai Ruichao Investment Co., Ltd (Note 1)	China	Shanghai	Consulting and enterprise operating and management	-	100.00	Investment Establishment
Schmocker (Shanghai) International Trading Co., Ltd (Note1)	China	Tibet	Consulting and asset management and sales	-	100.00	Investment Establishment
Upnorth Investment Limited ("Upnorth") (Note 1)	China	BVI	Investment holding	-	100.00	Investment Establishment
Beijing Yongbo Resources Investment holding Co., Ltd. (Note 1)	China	Beijing	Consulting and asset management and sales	100.00	-	Investment Establishment

Note 1: Subsidiaries newly established by the company during the year.

Note 2: No securities and bonds had been issued by the subsidiaries the Company.

2. Equity in joint ventures and associates

(1) Significant joint ventures and associates

Name of the joint venture or associate	Major place of business	Place of incorporation	Nature of business	Shareholding ratio (%)		Accounting methods of joint ventures and associates
				Direct	Indirect	
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-Tech")	Luoyang, Henan	Luoyang, Henan	Processing and sales of minerals products	50%	-	Equity method
Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu") (Note 1)	Xuzhou, Jiangsu	Xuzhou, Jiangsu	Investment	50%	-	Equity method
Luoyang Yulu Mining Co., Ltd. ("Yulu Mining") (Note 2)	Luoyang, Henan	Luoyang, Henan	Processing, refining and sales of minerals products	40%	-	Equity method

Note 1: Huan Yu, a joint venture of the Group, holds 90% interest of Luoyang Fuchuan Mining Co., Ltd. (Fuchuan). Meanwhile, the Group, through its subsidiary Fukai, indirectly holds 10% interest of Fuchuan. In accordance with the agreement with local government, the local government shares 8% dividend rights of Fuchuan; therefore, the Group actually shares 47% profits and losses of Fuchuan under equity accounting.

Note 2: According to the resolution of shareholders' meeting in 2007 of Yulu Mining Co., Ltd., from 2008, both investment parties share net profits of the company by 1 to 1 basis. Therefore, the Group has beneficially 50% of interest in the gain or loss of Yulu Mining under equity accounting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VII) INTERESTS IN OTHER ENTITIES (Continued)

2. Equity in joint ventures and associates (Continued)

(2) Main financial information of key joint ventures

Unit: RMB

Name of subsidiary	Closing balance/Amount recognised in the current year		Opening balance/Amount recognised in the prior year	
	High-Tech	Huan Yu (Note 1)	High-Tech	Huan Yu
Current assets	166,099,121.80	262,911,080.85	84,140,060.30	209,862,823.27
Including: cash and cash equivalent	8,945,768.83	85,237.99	18,554,604.20	3,634,838.64
Non-current assets	132,329,844.30	2,722,778,299.10	341,491,751.65	2,832,537,349.79
Total assets	298,428,966.10	2,985,689,379.95	425,631,811.95	3,042,400,173.06
Current liabilities	94,655,316.20	858,954,575.81	2,101,165.25	716,171,299.42
Non-current liabilities	–	–	–	–
Total liabilities	94,655,316.20	858,954,575.81	2,101,165.25	716,171,299.42
Minority Interests	–	(7,498,689.97)	–	14,206,455.25
Equity interests attributable to the parent company	203,773,649.90	2,134,233,494.11	423,530,646.70	2,312,022,418.40
Net assets share calculated by percentage of shareholding	101,886,824.95	1,067,116,747.05	211,765,323.35	1,156,011,209.20
Adjusting items (Note 2)	–	14,593,963.51	–	11,439,036.90
Carrying amount in the investment of Joint ventures equity	101,886,824.95	1,081,710,710.56	211,765,323.35	1,167,450,246.10
Fair value of joint venture investment of public offer	Not applicable	Not applicable	Not applicable	Not applicable
Operating income	107,801,682.20	504,144.66	123,369,590.76	597,478.58
Financial cost	(277,173.65)	37,578,594.79	(810,550.21)	34,150,297.67
Income tax expense	–	60,494,630.41	8,914,259.88	(28,406,179.00)
Net losses	(29,756,996.80)	(182,424,543.71)	(20,431,846.55)	(116,709,272.77)
Discontinued operation net profit	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	(29,756,996.80)	(182,424,543.71)	(20,431,846.55)	(116,709,272.77)
Dividends received from joint ventures for the period	–	–	–	–

Note 1: The joint venture Huan Yu of the Company has 90% interests of Fu Chuan; meanwhile, through its subsidiary Fukai, the Company holds the remaining 10% interests of Fu Chuan.

Note 2: According to the agreement with local government, the local government is entitled to 8% of the dividend rights of Fu Chuan. Thus, according to equity method, the Group actually shares 47% of the profit or loss of Fu Chuan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VII) INTERESTS IN OTHER ENTITIES (Continued)

2. Equity in joint ventures and associates (Continued)

(3) Main financial information of significant associates

Unit: RMB

	Closing balance/ Amount recognised in the current year Yulu Mining	Opening balance/ Amount recognised in the prior year Yulu Mining
Current assets	161,996,611.07	191,135,874.23
Including: cash and cash equivalent	533,647.16	557,250.06
Non-current assets	66,779,787.55	71,044,904.04
Total assets	228,776,398.62	262,180,778.27
Current liabilities	50,262,445.40	25,785,838.26
Non-current liabilities	5,000,000.00	6,000,000.00
Total liabilities	55,262,445.40	31,785,838.26
Minority Interests	–	–
Total equity interest attributable to parent company	173,513,953.22	230,394,940.01
Net assets shares calculated by percentage of shareholding	69,405,581.28	92,157,976.00
Adjustments items (Note)	7,504,277.66	13,192,376.33
Carrying amount in the investment of associates	76,909,858.94	105,350,352.33
Fair value of the joint venture investment with public offer	Not applicable	Not applicable

Note: Although the Group holds 40% equity interest in Yulu Mining, it recognises investment income in the proportion of 50%. Details refer to Note (V).11.

Unit: RMB

	Closing balance/ Amount recognised in the current year Yulu Mining	Opening balance/ Amount recognised in the prior year Yulu Mining
Operating income	358,703,078.68	541,285,690.63
Financial cost	(561,567.07)	(11,156.05)
Income tax expense	(60,511,887.10)	(101,539,940.33)
Net profits	181,519,013.21	303,097,911.89
Discontinued operation net profit	–	–
Other comprehensive income	–	–
Total comprehensive income	181,519,013.21	303,097,911.89
Dividends received from associates for the period	119,200,000.00	197,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

3. Significant joint operation

(1) Significant joint operation

Name of the operation under common control	Main business Site	Place of incorporation	Nature of Business	Shareholding ratio/shares (%)	
				Direct	Indirect
Nothparkes Joint Venture ("NJV") (Note)	Australia	Australia	Copper gold mining	–	80%

Note: On 1 December 2013, the Company had completed acquiring 80% joint control interests of unincorporated joint venture in Northparkes copper gold mining and some relevance assets related to copper gold mining business of Northparkes Joint Venture held by North Mining Limited. Afterwards, the unincorporated joint venture Northparkes Joint Venture became a joint operation of the Group.

Northparkes mines held by Northparkes Joint Venture is a quality copper and gold mining operation with advanced mining method of block caving in Goonumbra, situated northwest of the town of Parkes in New South Wales, Australia. The Northparkes mines started operating in 1993 and the remaining useful life is more than 20 years. The headquarters of Northparkes Joint Venture is located in the town of Parkes in New South Wales, Australia. The 80% interest in Northparkes Joint Venture under joint control is held by CMOC Mining Pty Limited, a subsidiary of the Company. The remaining 20 per cent interest is held by Sumitomo Metal Mining Oceania Pty Ltd (SMM) and SC Mineral Resources Pty Ltd (SCM).

Pursuant to the Northparkes Joint Venture Management Agreement, the Company as the manager holds the management business of Northparkes mine and is responsible for the management of the daily operation of the Northparkes mines, while the joint venturers as joint controllers of Northparkes Joint Venture jointly control the operation of Northparkes mines and are entitle to and responsible for the assets and liabilities related to the relevant joint venture agreements of Northparkes mine according to their respective proportion. The joint venturers have agreed to protect the rights of individual joint venturers in the event of default by any other joint venture, so as to ensure the interest of all parties (including their respective shares of the production volume).

(2) Financial information of significant joint operation

As at 31 December 2015, the assets and liabilities and operation of Northparkes Joint Venture are as follows:

Unit: RMB

Item	2015	2014
Net shares of operative costs	776,810,457.55	793,458,646.05

Item	As at 31 December 2015	as at 31 December 2014
Share of total assets	2,168,071,050.23	2,287,558,513.24
Share of total liabilities	386,150,174.01	351,617,226.08

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

1. Risk management objectives and policies

The Group's business is mining. The Group only sells commodities which it has produced. In the long term, natural hedges operate in a number of ways to help to protect and stabilise earnings and cash flow, obviating the need to use derivatives or other forms of synthetic hedging for this purpose. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has exposure to such trading or speculative holdings through its investments in associates and jointly controlled entities.

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

1.1 Market risk

1.1.1 Foreign exchange risk

Foreign exchange risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with USD, HKD and AUD. The Group's subsidiaries in China have purchases and sales mainly denominated in RMB, while the Group's subsidiaries in Australia have principal activities denominated and settled in USD or AUD. Therefore, the Group has no significant exposure to exchange rate changes. The foreign currency transactions of the Group are mainly the financing activities which are denominated and settled in USD and the AUD denominated assets held by the subsidiary in Australia whose functional currency is USD.

As at 31 December 2015, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in USD, HKD. and AUD. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.1 Foreign exchange risk (Continued)

Unit: RMB'000

Item	Closing balance	Opening balance
U.S.dollar (USD)		
Bank balances and cash	1,399,946	9,718
Short-term borrowings	(1,152,614)	(305,950)
Subtotal	247,332	(296,232)
HK dollar (HKD)		
Bank balances and cash	441	23
Short-term borrowings	(204,248)	–
Subtotal	(203,807)	23
AU dollar (AUD)		
Bank balances and cash	10,537	37,762
Subtotal	10,537	37,762
EURO		
Bank balances and cash	12	–
Short-term borrowings	(312,189)	–
Long-term borrowings	(1,948,037)	–
Subtotal	(2,260,214)	–
Canada dollar (CAD)		
Bank balances and cash	138,579	–
Subtotal	138,579	–
RENMINBI (RMB)		
Bank balances and cash	856	–
Subtotal	856	–
Total	(2,066,717)	(258,447)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(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)

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

The following table details the sensitivity of this Group to 10% of the change of foreign exchanges rate from functional currency of related group entities (including: RMB, USD and HKD) to other foreign currencies. The 10 per cent is the rate used when reporting foreign currency risk internally to key management personnel and represents directors' assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the end of the reporting period and held constantly throughout the reporting period. A positive number indicates an increase in pre-tax profit where RMB strengthens against the respective currencies which are mainly attributable to the exposure of outstanding USD bank borrowings. A negative number indicates a decrease in pre-tax profit where RMB strengthens against the respective currencies which are mainly attributable to the exposure of outstanding USD bank balances and HKD bank balances or where USD strengthens against the respective currency which is mainly attributable to the exposure of the AUD bank balance. It will bring opposite impacts on pre-tax profit if RMB or USD devalues these foreign currencies.

RMB'000

Item	Changes in exchange rates	Current year		Prior year	
		Impact on profit	Effect on shareholders' equity	Impact on profit	Impact on shareholders' equity
Entities which are denominated in RMB					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation of 10% of USD against RMB	(10,205)	(10,205)	29,623	29,623
	Depreciation of 10% of HKD against RMB	20,422	20,422	(2)	(2)
	Depreciation of 10% of EURO against RMB	31,219	31,219	-	-
Entities which are denominated in HKD					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation of 10% of AUD against USD	(14,528)	(14,528)	-	-
	Depreciation of 10% of RMB against HKD	(85)	(85)	-	-
Entities which are denominated in USD					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation of 10% of AUD Against USD	(1,054)	(1,054)	(3,776)	(3,776)
	Depreciation of 10% of HKD against USD	(42)	(42)	-	-
	Depreciation of 10% of EURO against USD	194,802	194,802	-	-
	Depreciation of 10% of CAD against USD	(13,858)	(13,858)	-	-

The management of the Group believes that closing foreign currency risk cannot reflect the risk of the duration. Sensitivity analysis cannot reflect inherent foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.2 Interest rate risk

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy in accordance with the management consider the risk exposure related to fair value interest rate is low.

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. The Group paid close attention to the impact on cash flow change risks from the changes in interest rate.

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

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

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

Item	Changes in interest rates	Current year		Prior year	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
Profit or loss for the year and shareholders' equity	Increase 50 base points of interest rate	(18,316)	(18,316)	(21,062)	(21,062)
Profit or loss for the year and shareholders' equity	Decrease 50 base points of interest rate	18,316	18,316	21,062	21,062

1.1.3 Other Price risk

The equity instrument investments held by the Group, including financial assets classified as available-for-sale financial assets measured at fair value at each balance sheet date. As at the end of the reporting period, the equity instrument investments held by the Group mainly comprise listed securities and assets management plans and the Groups, therefore is exposed to the risk of the fluctuation of securities market price. If equity price of the equity instrument investments held by the Group increase or decrease by 5% while other variables remain the same, the interests of shareholders of the Group will increase or decrease by RMB61.106 million at the end of the year (excluding the impact of income tax).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Risk management objectives and policies *(Continued)*

1.2 Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.
- Note (X).5 "Guarantees with related parties" disclosure the amount of financial guarantee contract.

The Group, trades only with recognised, creditworthy third parties. Total amount of top five entities with the largest balances of accounts receivable as at 31 December 2015 takes 54.23% of the amount of total accounts receivable (31 December 2014: 52.33%). 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 in use generally.

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

With regard to group's available-for-sale financial asset, the Group has established an investment committee that is responsible for analysis of major investment and for advisory of the board. And the Group has a mechanism to authorise, examine and approve along the hierarchy. The Group has devised a relatively sophisticated investment management system to control the credit risks from group's invested financial assets.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk management objectives and policies (Continued)

1.3 Liquidity risk

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

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

Unit: RMB'000

Current year	Within 1 year	1–2 years	2–5 years	Total
Bank borrowings	5,488,380	366,776	1,672,897	7,528,053
Financial liabilities at FVTPL	1,505,911	–	–	1,505,911
Bills payable	782,730	–	–	782,730
Accounts payable	237,376	–	–	237,376
Dividends payable	27,886	–	–	27,886
Other payables	208,404	–	–	208,404
Non-current liabilities due				
within one year	22,924	–	–	22,924
Other current liabilities	541,146	–	–	541,146
Bonds payable	98,800	98,800	2,098,800	2,296,400
Total	8,913,557	465,576	3,771,697	13,150,830

Unit: RMB'000

Previous year	Less than 1 year	1–2 years	2–5 years	Total
Bank borrowings	950,575	2,434,924	1,911,733	5,297,232
Financial liabilities at FVTPL	998,691	–	–	998,691
Bills payable	156,900	–	–	156,900
Accounts payable	192,794	–	–	192,794
Dividends payable	27,886	–	–	27,886
Other payables	253,314	–	–	253,314
Non-current liabilities due				
within one year	45,848	–	–	45,848
Other current liabilities	16,652	–	–	16,652
Bonds payable	123,300	133,100	7,708,908	7,965,308
Total	2,765,960	2,568,024	9,620,641	14,954,625

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(IX) DISCLOSURE OF FAIR VALUE

1. The closing fair value of assets and liabilities measured at fair value

Unit: RMB'000

Item	Closing fair value			Total
	Fair value measurement in the first Level	Fair value measurement in the second Level	Fair value measurement in the third Level	
1. Persistent fair value measurement				
(1) Financial assets measured at fair value and change included in the profit and loss for the period				
1. Financial assets held for trading				
– Equity instrument investment	–	–	–	–
– Derivative financial liabilities not designated as hedge instruments	–	4,838.05	–	4,838.05
(2) Available-for-sale financial assets				
– Equity instrument	222,286.53	999,832.54	–	1,222,119.07
The total assets measured continuously at fair value	222,286.53	1,004,670.59	–	1,226,957.12
(3) Financial liabilities held for trading				
– Derivative financial liabilities not designated as hedge instruments	–	108,578.30	–	108,578.30
– Liabilities caused by gold leasing measured at fair value	1,397,332.20	–	–	1,397,332.20
The total assets measured continuously at fair value	1,397,332.20	108,578.30	–	1,505,910.50

2. Determination basis of item market price measured at continuous first level fair value

Inputs used for Level 1 financial instruments measured at fair value on an ongoing basis are assets related to equity instruments and liabilities arising from gold lease. Its fair values are the prices of the equity instruments and similar commodity quoted in an active market.

3. Determination basis of item market price measured at continuous second level fair value

Inputs used for Level 2 financial instruments measured at fair value on an ongoing basis are asset management plan, forward foreign exchange contracts and gold lease liabilities caused by forward contracts. The discounted cash flow as its fair values was applied as a basis in the valuation. The main input values include forward exchange quotations and discount rates of similar projects in banks, observable prices of similar investment portfolios the closing prices of similar contracts on the Shanghai Gold Exchange.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(IX) DISCLOSURE OF FAIR VALUE (Continued)

4. Item measured at continuous fair value. No transfer between each levels for the period. No appraisalment technology change for the period.

5. Financial instruments not measured at fair value subsequently

The management of the Group has assessed monetary items, notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, short-term borrowings, notes payable, accounts payable, receipt in advance, dividends payable, interest payable, other payables, non-current liabilities due within a year (long-term borrowings), etc. As the remaining term is not long, fair values are similar to book values.

The long-term financial assets and financial liabilities which are not subsequently measured at fair values by the Group include long-term borrowings. The floating rates of the long-term borrowings of the Group are linked to market interest rates.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. The Parent Company

Name of the parent company	Registered place	Business nature	Registered capital	Shareholding ratio to the company	Voting rights ratio to the company
CFC	Shanghai	Investment management	RMB181,818,200	31.58%	31.58%

On 12 January 2014, the Company received "Notification on change-of-control of China Molybdenum Co., Ltd." from the shareholders, CFC and LMG, respectively. CFC increased H shares of the Company in the open market through its wholly owned subsidiary Cathay Fortune Investment Limited, and holds 1,827,706,322 shares (account for about 36.01% of the total amount) of the Company together with persons acting in concert, which beyond the original largest shareholder LMG's 1,776,594,475 shares (account for about 35.01% of the total amount), and becomes the largest shareholder of the Company. Communication was held between CFC and LMG on the change-of-control of the Company, LMG confirmed its loss of control power of the Company, and did not intend to increase its share holding; therefore, the CFC became the controlling shareholder of the Company.

As of 31 December 2015, CFC holds 5,333,220,000.00 shares which account for about 31.58% of the total amount of the company. Thus, CFC was regarded as the actual controlling shareholder of the Company.

2. Subsidiaries of the Company

Please see Note (VII).1 for details for subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

3. Associates and joint ventures of the Company

Please see Note (VII).2 for details for associates and joint ventures of the Company.

Other associates and joint ventures balanced in the related party transactions during the current period or the prior period are as follows:

Name of associates or joint ventures	Relationship with the company
High-Tech	Associate
Fu Chuan	Associate
Yulu Mining	Joint venture

4. Other related parties

Name of other related party	Relationships with the company
LMG	Shareholder
CFC	Shareholder

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services

Purchase of goods:

Unit: RMB

Related party	Details of related party transactions	Amount recognised in the current year	Amount recognised in the prior year
High-Tech	purchase of goods	–	1,048,717.96

Sales of goods:

Unit: RMB

Related party	Details of related party transactions	Amount recognised in the current year	Amount recognised in the prior year
High-Tech	sales of goods	11,260,683.78	25,723,931.59

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(2) Guarantees with related parties

Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Fu Chuan (Note 1)	RMB148,500,000	23 May 2014	22 May 2017	No
Fu Chuan (Note 2)	RMB27,500,000	31 July 2014	30 July 2015	YES
Fu Chuan (Note 2)	RMB55,000,000	4 August 2014	3 August 2015	YES

Note 1: The Company provided maximum guarantees for Fuchuan, a joint venture of the Company, with a guarantee period from 23 May 2014 to 22 May 2017. As of 31 December 2015, no outstanding bank borrowings for Fuchuan under this maximum guarantees contract.

Note 2: The Company provided guarantees for the bank borrowings granted to Fuchuan, a joint venture of the Company, with a guarantee period of two years starting from the effective date of the relevant borrowing contracts and up to the expiry of the debt discharge period. During this year, Fuchuan repaid all the bank borrowings, the relevant guarantee obligations were released.

(3) Compensation for key management personnel

Unit: RMB'000

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	8,441	11,726

6. Amounts due from and to related parties

Unit: RMB

Item	Name of related party	Closing balance		Opening balance	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Other receivables	High Tech	45,000,000.00	-	-	-
Prepayments	Fuchuan	1,360,060.60	-	1,360,060.60	-
Other payables	Fuchuan	1,175,776.21	-	585,276.21	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

7. Directors and supervisors' emoluments

Directors' emoluments for the year 2015 are as follows:

	Basic director's fee RMB'000	Retirement salary and allowances RMB'000	Performance related bonus RMB'000	Pensions RMB'000	Social welfare and housing funds (except pensions) RMB'000	Total RMB'000
Executive director:						
Li Chaochun	–	400.00	750.00	20.08	21.38	1,191.46
Li Faben	–	400.00	700.00	20.08	21.38	1,141.46
Wu Wenjun (Note 3)	–	211.04	–	20.08	21.38	252.50
Wang Qinxin (Note 1)	–	185.00	325.00	10.04	10.69	530.73
Gu Meifeng (Note 1)	–	180.00	325.00	10.04	10.69	525.73
Non-executive director:						
Zhang Yufeng (Note 3)	45.00	–	–	–	–	45.00
Ma Hui (Note 2)	45.00	–	–	–	–	45.00
Cheng Yunlei (Note 2)	45.00	–	–	–	–	45.00
Yuan Honglin	90.00	–	–	–	–	90.00
Independent non-executive director:						
Bai Yanchun	200.00	–	–	–	–	200.00
Xu Shan	200.00	–	–	–	–	200.00
Cheng Yu	200.00	–	–	–	–	200.00
Total	825.00	1,376.04	2,100.00	80.32	85.52	4,466.88

Note 1: Wang Qinxin and Gu Meifeng resigned on 26 June 2015 as executive director, but continue working in the Company. The directors' emoluments for these two directors only include the period assigned as directors.

Note 2: Ma Hui and Cheng Yunlei were appointed on 26 June 2015 as Non-executive directors. Ma Hui was appointed as vice chairman of the Board on 27 June 2015.

Note 3: Zhang Yufeng and Wu Wenjun resigned on 26 June 2015 as directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

7. Directors and supervisors' emoluments (Continued)

Directors' emoluments for the year ended 31 December 2014 are as follows:

	Basic director's fee	Retirement salary and allowances	Performance related bonus (Note 4)	Pensions	Social welfare and housing funds (except pensions)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:						
Li Chaochun (Note 1)	–	399	1,300	20	23	1,742
Wu Wenjun (Note 2)	–	400	–	20	23	443
Li Faben	–	400	1,200	20	23	1,643
Wang Qinxin	–	370	1,100	20	23	1,513
Gu Meifeng	–	360	1,000	20	23	1,403
Non-executive director:						
Zhang Yufeng	90	–	–	–	–	90
Yuan Honglin	90	–	–	–	–	90
Independent non-executive director:						
Bai Yanchun	200	–	–	–	–	200
Xu Shan	200	–	–	–	–	200
Xu Xu (Note 3)	117	–	–	–	–	117
Cheng Yu	200	–	–	–	–	200
Total	897	1,929	4,600	100	115	7,641

Note 1: Appointed on 14 January 2014 as chairman of the board and strategic committee.

Note 2: Resigned on 14 January 2014 as chairman of the board, but will continue the position as an executive director.

Note 3: Resigned on 7 February 2014.

Note 4: Except for the annual bonus for 2014, in May 2014, the Remuneration Committee determined the final appraisal proposal for senior management of the Group for 2013 and approved bonus of RMB6,700,000.00, of which Mr. Li Chaochun received RMB3,100,000.00, Mr. Li Faben received RMB1,500,000.00, Mr. Wang Qinxin received RMB1,100,000.00, and Ms. Gu Meifeng received RMB1,000,000.00. The annual bonus for 2013 was not included in the above director's remuneration for 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

7. Directors and supervisors' emoluments (Continued)

Supervisors' emoluments for 2015 are as follows:

	Retirement salary and allowances RMB'000	Performance related bonus RMB'000	Pensions RMB'000	Social welfare and housing funds (except pensions) RMB'000	Total RMB'000
Zhang Zhenhao	90.00	–	–	–	90.00
Dou Youmin (Note 1)	45.00	–	–	–	45.00
Wang Zhenyan (Note 2)	250.00	600.00	24.28	27.03	901.31
Total	385.00	600.00	24.28	27.03	1,036.31

Note 1: Kou Youmin was appointed on 26 and 27 June 2015 as supervisor and chairperson of the supervisory committee.

Note 2: On 19 January 2015, Deng Jiaoyun resigned for personal reasons, Wang Zhenyan was appointed as the employee supervisor.

Supervisors' emoluments for 2014 are as follows:

	Retirement salary and allowances RMB'000	Performance related bonus RMB'000	Pensions RMB'000	Social welfare and housing funds (except pensions) RMB'000	Total RMB'000
Deng Jiaoyun	–	–	–	–	–
Yin Dongfang	68	–	–	–	68
Zhang Zhenhao	90	–	–	–	90
Total	158	–	–	–	158

The five highest paid individuals represented four directors (2014: four) for 2015, the salary range of the other two (2014: one) is as follows:

Salary range	Head count in current year	Head count in prior year
HKD1,000,001 to HKD1,500,000 (equivalent to RMB838,000 to RMB1,256,000)	2	–
HKD3,000,001 to HKD3,500,000 (equivalent to RMB2,514,000 to RMB2,933,000)	–	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(XI) COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB'000

	Amount for the year	Amount for the previous year
Contracted but not recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	154,384	123,749
– Commitment for investment	548,797	–
Total	703,181	123,749

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

(2) Operating lease commitments

Till the balance sheet date, the information on irrevocable operating lease contracts that have been signed are as follows:

Unit: RMB'000

	Closing balance	Opening balance
Minimum lease payment under irrevocable operating leases:		
First year after the balance sheet date	15,742	360
Second year after the balance sheet date	17,150	27
Third year after the balance sheet date	17,150	–
Fourth year after the balance sheet date	15,742	–
Subsequent years	32,611	–
Total	98,395	387

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(XI) COMMITMENTS AND CONTINGENCIES *(Continued)*

2. Contingencies

(1) *Pending litigation*

On 30 January 2013, the Company received relevant documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that West Lead Mine, Yangshuao, Luanchuan County (樂川縣楊樹凹西鉛礦) ("Yangshuao") filed a lawsuit accusing that the tailing storage built by the No. 3 Ore Processing Branch, a branch of the Company, was in its mining area. As the height of the dam of the tailing storage increased to occupy upwards and the level of the groundwater rose, the mining facilities and equipment of Yangshuao were damaged and its mining needed to be written off. The plaintiff was unable to exploit the defined lead-zinc ore and an economic loss was thus incurred. Therefore, the plaintiff made claims that No. 3 Ore Processing Branch shall cease the infringement and compensate the plaintiff for a direct economic loss of approximately RMB18.0 million. According to the results of judicial authentication, the appraised value of the mining right in the litigation in respect of Yangshuao amounted to RMB1.724 million.

The first instance of the case started in December 2015. The trial has now completed but the court judgment is pending. The Company is of the opinion that, in accordance with the existing situation and the submitted evidence, the existence of tort alleged by Yangshuao cannot be confirmed; meanwhile, the Company has filed a counterclaim, requesting the court, in accordance with law, to order the immediate cessation of tort infringed by Yangshuao against the Company's land use rights within the afore-mentioned range of mining area. The Company currently believes that the litigation would not have any significant impact on the financial position of the Company and has not made any provision for an amount claimed in the aforesaid issue in its year-end financial statements.

(2) *Guarantee*

As at 31 December 2015, the Group's Australian Northparkes copper and gold mine business provides guarantees to the relevant business operations of Southwest Welsh government agencies of Australia through the bank, whose guarantee amount of AUD28,380,000 is equivalent to RMB134.64 million). The relevant business venture agrees to any liability of the business compulsory executed from this guarantee. As at 31 December 2015, no material security responsibility was undertaken.

As of 31 December 2015, the Company provided maximum guarantees of a total of RMB148.5 million granted to Fuchuan, the subsidiary of Huan Yu, who is a joint venture of the Company, with a term of two years starting from the effective date of the contract and up to the expiry of debt discharge period (please see note (X) 5(2) for detail). The management of the Company is of the view that, such financial guarantee will have no significant impacts on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(XII) EVENTS AFTER THE BALANCE SHEET DATE

1. Bond issued

The Company issued the 2016 first tranche of short-term financing bonds on 26 February 2016 amounting to RMB500,000,000 with a period of 366 days, a coupon rate of 3.18% and the value date begins from 29 February 2016.

The company issued the 2016 first tranche of Mid-term Notes with an amount of RMB2,000,000,000 five-year term and a coupon rate of 4.22%. The relevant funds has been received at the issuance date.

2. Dividend declaration

According to a proposal at the 5th meeting of the Fourth Session of the Board held on 24 March 2016, on the basis 16,887,198,699 issued shares, total dividends in cash of RMB422,179,967.48 (pre-tax) will be distributed to all the shareholders representing RMB0.25 (pre-tax) for each 10 shares registered on the equity rights registration date stipulated in the dividend announcement. The above proposal regarding dividends distribution is subject to be approved in the forthcoming annual shareholders' meeting.

(XIII) OTHER SIGNIFICANT EVENTS

1. Discontinued operation

Item	Sales	Expense	Total Profit	Income tax expense	Net Profit	Discontinued operation Profit attribute to share Holders of the parent company
Yongning (note)	16,241,015.68	244,407,099.97	(228,166,084.29)	–	(228,166,084.29)	(228,166,084.29)

Note: The disposals of Yongning (Note (VI).1) was constituted as an separate business, the profit in current period of Yongning was constituted as discontinued operation profit.

2. Segment reporting

(1) Reporting segment's confirmation basis and accounting policies

Management divided the Group's business into five operating segments, namely molybdenum tungsten related products, gold and silver related products, electrolytic lead, copper and gold-related products and others on the basis of the Group's internal organization structure, management requirements and internal reporting system. The Group's management evaluate the operating results of these segments regularly, in order to determine the allocation of resources and assess their performance.

These reporting segments are determined on the basis of internal management and reporting system. Information of segment reporting are disclosed according to segment accounting policies and measurement standards, the measurement basis of which are consistent with the accounting and measurement basis of financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(XIII) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(2) Reporting segment's financial information

Unit: RMB'000

Current year	Molybdenum, Tungsten and related products	Gold, silver and related products	Electrolytic lead	Copper, gold and related products (Australia)	Other	Unallocated item	Intersegment eliminations	Total
Operating revenue								
External revenue	2,421,140	-	-	1,479,035	296,665	-	-	4,196,840
Inter-segment revenue	-	-	-	-	-	-	-	-
Total segment operating revenue	2,421,140	-	-	1,479,035	296,665	-	-	4,196,840
Total operating revenue in the financial statements	2,421,140	-	-	1,479,035	296,665	-	-	4,196,840
Operating cost	1,483,174	-	-	931,261	208,013	-	-	2,622,448
Business taxes and levies	-	-	-	42,326	-	200,147	-	242,473
Selling expenses	-	-	-	66,079	-	18,594	-	84,673
Administrative expenses	-	-	-	17,355	-	339,819	-	357,174
Financial expenses	-	-	-	79,412	-	(33,230)	-	46,182
Impairment losses of assets	-	-	-	17,149	-	213,294	-	230,443
Add: Gains (losses) from changes in fair values	-	-	-	-	-	(2,773)	-	(2,773)
Investment income	-	-	-	-	-	116,593	-	116,593
Segment operating profit	937,966	-	-	325,453	88,652	(624,804)	-	727,267
Operating profit	937,966	-	-	325,453	88,652	(624,804)	-	727,267
Add: Non-operating income	-	-	-	-	-	50,152	-	50,152
Less: Non-operating expenses	-	-	-	-	-	94,601	-	94,601
Total profit	937,966	-	-	325,453	88,652	(669,253)	-	682,818
Less: Income tax expense	-	-	-	3,029	-	(23,319)	-	(20,290)
Net profit	937,966	-	-	322,424	88,652	(645,934)	-	703,108

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(XIII) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(2) Reporting segment's financial information (Continued)

Unit: RMB'000

Last year	Molybdenum, Tungsten and related products	Gold, silver and related products	Electrolytic lead	Copper, gold and related products (Australia)	Other	Unallocated item	Intersegment eliminations	Total
Operating revenue								
External revenue	3,615,114	274,178	215,680	2,082,668	474,742	-	-	6,662,382
Inter-segment revenue	-	-	-	-	-	-	-	-
Total segment operating revenue	3,615,114	274,178	215,680	2,082,668	474,742	-	-	6,662,382
Total operating revenue in the financial statements	3,615,114	274,178	215,680	2,082,668	474,742	-	-	6,662,382
Operating cost	1,954,328	273,721	246,412	991,637	405,332	-	-	3,871,430
Business taxes and levies	-	-	-	66,845	-	283,137	-	349,982
Selling expenses	-	-	-	75,594	-	24,224	-	99,818
Administrative expenses	-	-	-	17,109	-	431,241	-	448,350
Financial expenses	-	-	-	91,302	-	90,396	-	181,698
Impairment losses of assets	-	-	-	-	-	105,560	-	105,560
Add: Gains (losses) from changes in fair values	-	-	-	-	-	888	-	888
Investment income	-	-	-	-	-	531,758	-	531,758
Segment operating profit	1,660,786	457	(30,732)	840,181	69,410	(401,912)	-	2,138,190
Operating profit in financial statements	1,660,786	457	(30,732)	840,181	69,410	(401,912)	-	2,138,190
Add: Non-operating income	-	-	-	-	-	66,656	-	66,656
Less: Non-operating expenses	-	-	-	-	-	56,786	-	56,786
Total profit	1,660,786	457	(30,732)	840,181	69,410	(392,042)	-	2,148,060
Add: Income tax expense	-	-	-	125,829	-	222,029	-	347,858
Net profit	1,660,786	457	(30,732)	714,352	69,410	(614,071)	-	1,800,202

(3) The Group mainly operates in China and Australia, sales to the customers in China and other countries. The Group's geographical information on revenue was determined by the destination to where products are delivered.

Unit: RMB'000

	Amount recognised in the current year	Amount recognised in the prior year
Revenue		
China	3,159,375	5,153,782
Japan	952,913	1,310,357
United Kingdom	1,692	15,934
Korea	-	19,640
Others	82,860	162,669
Subtotal	4,196,840	6,662,382

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(XIII) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(4) External revenue by geographical area of source and non-current assets by geographical location

Unit: RMB'000

Items	Amount recognised in the current year	Amount recognised in the prior year
External revenue from China	2,717,805	4,579,714
External revenue from Australian	1,479,035	2,082,668
Subtotal	4,196,840	6,662,382

Unit: RMB'000

Items	Amount at the end of period	Amount at the beginning of period
Non-current assets located in China	7,523,268	8,025,655
Non-current assets located in Australia	4,839,399	4,956,534
Subtotal	12,362,667	12,982,189

Note: The above non-current assets not including deferred tax assets and financial assets.

(5) Reliance on major clients

There is one single external customer had revenue RMB511,149,451.27 in Copper, gold and related products segment which accounts for 12.18% of total revenue (2014: 9.79%).

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

1. Bank balances and cash

Unit: RMB

Item	Foreign currency	Closing balance		Foreign currency	Opening balance	
		Exchange rate	Amount in RMB		Exchange rate	Amount in RMB
Cash:			89,261.88			107,646.60
RMB	-	-	77,573.40	-	-	107,646.60
US dollar	1,800.00	6.49	11,688.48	-	-	-
Bank balances:			8,163,067,277.60			215,994,633.61
RMB	-	-	6,908,393,130.51	-	-	212,901,653.87
US dollar	193,213,351.92	6.49	1,254,650,222.03	501,789.95	6.12	3,070,452.85
HK dollar	28,557.70	0.84	23,925.06	28,554.81	0.79	22,526.89
Other bank and cash balance			922,317,000.00			8,550,800,000.00
RMB	-	-	922,317,000.00	-	-	8,550,800,000.00
Total			9,085,473,539.48			8,766,902,280.21

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. Notes receivable

(1) Categories of Notes receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	419,859,476.44	950,664,698.73
Commercial acceptance	2,300,000.00	–
Total	422,159,476.44	950,664,698.73

(2) Notes receivable endorsed or discounted by the Company as at the end of the year but not yet due at the balance sheet date

Unit: RMB

Category	Amount derecognized as at the end of the year
Bank acceptance	1,839,494,731.47
Total	1,839,494,731.47

3. Accounts receivable

Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Book Balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Book Balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Accounts receivable that are individually significant	672,357,461.90	95.40	4,229,626.57	0.63	232,110,982.80	96.27	4,229,626.57	1.82
Accounts receivable that are not individually significant	32,398,805.29	4.60	3,562,634.19	11.00	9,002,283.60	3.73	3,812,634.19	42.35
Total	704,756,267.19	100.00	7,792,260.76	1.11	241,113,266.40	100.00	8,042,260.76	3.34

The Group recognises accounts receivable of over RMB5 million as accounts receivable that are individually significant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

4. Prepayments

Aging analysis of prepayments is as follows:

Unit: RMB

Aging	Amount at the end of year		Amount at the beginning of year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	34,536,763.27	97.83	35,305,044.91	95.49
1 to 2 years	208,525.89	0.59	1,510,540.94	4.08
2 to 3 years	558,630.45	1.58	158,630.45	0.43
Total	35,303,919.61	100.00	36,974,216.30	100.00

5. Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Categories	Closing balance				Opening balance			
	Carrying Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Carrying amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Other receivables that are individually significant	2,983,584,202.08	99.07	-	-	1,845,108,192.00	98.71	400,000,000.00	21.68
Other receivables that are not individually significant	27,871,140.89	0.93	13,004,044.42	46.66	24,065,512.99	1.29	14,451,543.90	60.05
Total	3,011,455,342.97	100.00	13,004,044.42	0.43	1,869,173,704.99	100.00	414,451,543.90	22.17

The Group recognises other receivables of over RMB5 million as other receivables that are individually significant.

(2) The Group has other receivables actually written off during the reporting period:

Unit: RMB

Other receivables (by company)	Nature	Written off amount	Written off reason	Procedure	Accordance With related parties
Yongning	Receivables	495,000,000.00	Debt restructuring	Note	YES

Note: On 18 May 2015, the Company signed debt restructuring agreement with a third party, Lingbao Dinglong Mining Co., Ltd. ("Dinglong Mining"). According to the agreements, the company waived off the debt in total amount of RMB495 million. Details refer to Note (VI).1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

6. Inventories

Categories of inventories:

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	73,893,509.84	-	73,893,509.84	79,137,905.78	-	79,137,905.78
Finished goods	178,554,248.40	-	178,554,248.40	33,746,116.72	-	33,746,116.72
Total	252,447,758.24	-	252,447,758.24	112,884,022.50	-	112,884,022.50

7. Available-for-sale financial assets

(1) Available-for-sale financial assets

Unit: RMB

Items	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	provision for diminution in value	Net carrying amount
Available-for-sale equity instruments measured at cost	200,004,928.00	-	200,004,928.00	4,928.00	-	4,928.00
Total	200,004,928.00	-	200,004,928.00	4,928.00	-	4,928.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

8. Long-term equity investments

Details of long-term equity investment as follows:

Unit: RMB

Investee	Initial investment cost	Closing balance	Opening balance
Equity Method			
Yulu Mining	20,000,000.00	76,909,858.94	105,350,352.33
High-tech (Note 3)	135,000,000.00	101,886,824.95	211,765,323.35
Huan Yu	973,335,000.00	816,065,487.90	881,695,431.86
subtotal	1,128,335,000.00	994,862,171.79	1,198,811,107.54
Cost Method			
Ye Lian	5,638,250.27	5,638,250.27	5,638,250.27
Da Chuan	157,500,000.00	17,500,000.00	157,500,000.00
Xiao Shou Mao Yi	2,000,000.00	2,000,000.00	2,000,000.00
Da Dong Po	33,483,749.86	33,483,749.86	33,483,749.86
Jiu Yang	17,028,900.00	17,028,900.00	17,028,900.00
San Qiang	28,294,800.00	33,397,038.41	33,397,038.41
International Hotel	210,000,000.00	210,000,000.00	210,000,000.00
Wu Ye	100,000,000.00	100,000,000.00	100,000,000.00
Precious Metals (Note 1)	282,997,600.00	–	282,997,600.00
Hong Kong	0.96	0.96	0.96
Metal Material	650,000,000.00	650,000,000.00	650,000,000.00
Fu Run	8,803,190.84	8,803,190.84	8,803,190.84
Xin Jiang Luo Mu	980,000,000.00	980,000,000.00	980,000,000.00
Hu Qi	9,900,000.00	9,900,000.00	9,900,000.00
Fu Kai	261,520,000.00	261,520,000.00	261,520,000.00
Sales Company	50,000,000.00	50,000,000.00	50,000,000.00
Qi Xing	46,963,636.00	46,963,636.00	46,963,636.00
Hong Kong CMOC (Note 2)	575,797,299.48	638,797,299.48	638,797,299.48
Schmocker (Note 5)	500,000,000.00	500,000,000.00	4,600,000.00
Beijing YongBo (Note 4)	10,000,000.00	10,000,000.00	–
Subtotal		3,575,032,065.82	3,492,629,665.82
Total		4,569,894,237.61	4,691,440,773.36
Less: Provision for impairment losses (Note 1)		–	282,997,600.00
Net amount of long-term equity investments		4,569,894,237.61	4,408,443,173.36

Note 1: The Company has completed disposal of Precious Metals' investment during the year, the Company had no longer held any shareholding in Precious Metals at the same time all impairment for long-term equity investment provided in previous years had been written-off. This transaction has been approved by the 26th extraordinary meeting of the third session of the Board.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

8. Long-term equity investments (Continued)

Details of long-term equity investment as follows: (Continued)

Note 2: RMB63,000,000.00 (31 December 2014: RMB63,000,000.00) is the fair value arising from financial guarantee provided to a long-term bank loan amounting to USD1.995 billion (31 December 2014: USD2.395 billion) of CMOC Mining Pty Limited, a wholly-owned subsidiary of Hong Kong CMOC which held 100% of its interests.

Note 3: On December 2015, the shareholders' meeting of High-Tech approved resolution in relation to reduce in the resisted capital from RMB530,000,000.00 to RMB270,000,000.00. The proportion of shares owned by the Group remain unchanged as 50%

Note 4: On 23 October 2015, the Company established Beijing YongBo Resources Investments Holding Co., Ltd. as its wholly-owned subsidiary in Beijing by cash.

Note 5: At the end of the year, RMB 5 billion capital have been paid to Schmoker by the Company.

9. Fixed Assets

Unit: RMB

Items	House building and mining engineering	Machinery equipment	Electronic equipment, furniture and Fixtures	Transport equipment	Total
I. Total original carrying amount:					
1. opening balance	2,403,212,093.10	740,577,870.97	140,264,854.59	125,486,702.04	3,409,541,520.70
2. increased amount at current year	40,907,632.34	4,378,445.45	3,251,185.00	3,610,352.90	52,147,615.69
(1) purchasing	18,810,103.26	3,801,221.29	3,251,185.00	3,610,352.90	29,472,862.45
(2) Transferred from construction-in-progress	22,097,529.08	577,224.16	-	-	22,674,753.24
3. reduced amount at current year	1,924,050.00	982,714.14	29,417.48	1,828,702.21	4,764,883.83
(1) disposal or retirement	1,924,050.00	982,714.14	29,417.48	1,828,702.21	4,764,883.83
4. closing balance	2,442,195,675.44	743,973,602.28	143,486,622.11	127,268,352.73	3,456,924,252.56
II. Accumulated depreciation					
1. opening balance	1,201,373,788.61	457,729,700.91	87,285,506.79	113,981,116.23	1,860,370,112.54
2. increased amount at current year	100,434,051.88	59,233,823.14	10,551,620.34	2,716,317.22	172,935,812.58
(1) provision	100,434,051.88	59,233,823.14	10,551,620.34	2,716,317.22	172,935,812.58
3. reduced amount at current year	327,869.75	474,180.40	29,417.48	1,469,102.75	2,300,570.38
(1) disposal or retirement	327,869.75	474,180.40	29,417.48	1,469,102.75	2,300,570.38
4. closing balance	1,301,479,970.74	516,489,343.65	97,807,709.65	115,228,330.70	2,031,005,354.74
III. Impairment provision					
1. opening balance	-	2,966,254.30	-	-	2,966,254.30
2. increased amount at current year	-	-	-	-	-
(1) provision	-	-	-	-	-
(2) Transferred from construction-in-progress	-	-	-	-	-
3. reduced amount at current year	-	-	-	-	-
(1) disposal or retirement	-	-	-	-	-
(2) reduction because of selling subsidiary	-	-	-	-	-
4. closing balance	-	2,966,254.30	-	-	2,966,254.30
IV. Carrying amount					
1. carrying amount at the end of the year	1,140,715,704.70	224,518,004.33	45,678,912.46	12,040,022.03	1,422,952,643.52
2. carrying amount at the beginning of the year	1,201,838,304.49	279,881,915.76	52,979,347.80	11,505,585.81	1,546,205,153.86

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

10. Intangible assets

Unit: RMB

Item	Land use right	Mining right	Trademark right	Non proprietary technology	Others	Total
I. Total original carrying amount:						
1. opening balance	321,653,291.27	408,985,700.00	1,286,750.00	83,831,281.87	9,809,596.54	825,566,619.68
2. increased amount at current year	-	-	-	-	427,350.45	427,350.45
(1) purchasing	-	-	-	-	427,350.45	427,350.45
3. reduced amount at current year	-	-	-	-	-	-
(1) disposal	-	-	-	-	-	-
(2) decrease for sale of subsidiary	-	-	-	-	-	-
4. closing balance	321,653,291.27	408,985,700.00	1,286,750.00	83,831,281.87	10,236,946.99	825,993,970.13
II. Accumulated amortization						
1. opening balance	50,915,436.33	226,328,079.00	993,068.81	23,053,602.66	718,026.68	302,008,213.48
2. increased amount at current year	7,172,959.56	27,219,369.48	73,400.08	8,383,128.24	2,195,508.90	45,044,366.26
(1) provision	7,172,959.56	27,219,369.48	73,400.08	8,383,128.24	2,195,508.90	45,044,366.26
3. reduced amount at current year	-	-	-	-	-	-
(1) disposal	-	-	-	-	-	-
(2) decrease for sale of subsidiary	-	-	-	-	-	-
4. closing balance	58,088,395.89	253,547,448.48	1,066,468.89	31,436,730.90	2,913,535.58	347,052,579.74
III. Impairment provision						
1. opening balance	-	-	-	-	-	-
2. increased amount at current year	-	-	-	-	-	-
(1) provision	-	-	-	-	-	-
3. reduced amount at current year	-	-	-	-	-	-
(1) disposal	-	-	-	-	-	-
(2) decrease for sale of subsidiary	-	-	-	-	-	-
4. closing balance	-	-	-	-	-	-
IV. Carrying amount						
1. carrying amount at the end of the year	263,564,895.38	155,438,251.52	220,281.11	52,394,550.97	7,323,411.41	478,941,390.39
2. carrying amount at the beginning of the year	270,737,854.94	182,657,621.00	293,681.19	60,777,679.21	9,091,569.86	523,558,406.20

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

(Continued)

11. Deferred income tax assets/deferred income tax liabilities

(1) *Deferred income tax assets or liabilities listed in net value after offsetting*

Unit: RMB

Item	Closing amount	Opening amount
Deferred income tax assets		
Impairment provision for assets	3,564,383.93	106,268,648.84
Government grants' deferred revenue	3,457,070.29	4,673,819.72
Gains and losses from changes in fair value	1,405,583.85	354,319.50
Net accrued and unpaid expenses	20,819,508.25	23,256,016.75
Scrap of fixed assets without record	3,510,509.81	3,510,509.81
Deductible losses	11,998,953.53	–
Subtotal	44,756,009.66	138,063,314.62
Deferred income tax liabilities:		
Interest income withheld	44,323,085.56	20,256,603.04
Deferred income tax assets after offsetting	432,924.10	117,806,711.58

(2) *Temporary differences corresponding to the assets/liabilities causing temporary differences*

Unit: RMB

Item	Temporary difference amount	
	Closing amount	Opening amount
Impairment provision for assets	23,762,559.48	708,457,658.96
Government grants' deferred revenue	23,047,135.28	31,158,798.16
Gains and losses from changes in fair value	9,370,559.03	2,362,130.00
Net accrued and unpaid expenses	138,796,721.68	155,040,111.61
Scrap of fixed assets without record	23,403,398.76	23,403,398.76
Deductible losses	79,993,023.55	–
Interest income withheld	(295,487,237.09)	(135,044,020.29)
Subtotal	2,886,160.69	785,378,077.20

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

12. Breakdowns of impairment provision on assets

Unit: RMB

Items	Beginning balance	Increase in current year	Decrease in current year			Closing balance
			Return back	Written-off	Sell (Note)	
I. Bad debts provision (Note)	422,493,804.66	95,030,904.00	1,728,403.48	-	495,000,000.00	20,796,305.18
II. Inventory revaluation provision	-	1,049,480.61	2,792.64	1,046,687.97	-	-
III. Impairment provision for fixed assets	2,966,254.30	-	-	-	-	2,966,254.30
IV. Impairment provision for long-term equity investment (Note)	282,997,600.00	-	-	-	282,997,600.00	-
Total	708,457,658.96	96,080,384.61	1,731,196.12	1,046,687.97	777,997,600.00	23,762,559.48

Note: Details of written-off for impairment provision on assets defer to Note (XIV).5 and (XIV).8.

13. Other non current assets

Unit: RMB

Item	Closing amount	Opening amount
Deposit over one year (Note)	1,282,384,582.09	1,717,165,520.29
Structured Deposit over one year (Note)	300,000,000.00	-
Banks' wealth investment product over one year	200,000,000.00	-
Prepaid farmland occupation tax (Note)	25,959,022.32	-
Total	1,808,343,604.41	1,717,165,520.29

Note: For details, please refer to note (V).17.

14. Short term borrowings

Categories of Short term borrowings:

Unit: RMB

Item	Closing amount	Opening amount
Credit loan	2,549,051,075.88	305,950,000.00
Total	2,549,051,075.88	305,950,000.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

15. Financial liabilities measured at fair value with the changes through profit or loss

Details of transaction financial liabilities are as follows:

Unit: RMB

Item	Closing fair value	Opening fair value
1. Derivative financial liabilities not designated as hedge instruments	108,578,304.53	44,751,300.00
– Forward Foreign Exchange Contracts	24,143,104.53	–
– Forward Commodity Contracts	84,435,200.00	44,751,300.00
2. Gold lease liabilities measured at fair value	1,397,332,200.00	953,939,350.00
Total	1,505,910,504.53	998,690,650.00

Details of transaction financial liabilities refer to Note (V).19.

16. Taxes payable

Unit: RMB

Item	Closing amount	Opening amount
Corporate income tax	(74,471,714.91)	(14,278,193.86)
Urban maintenance and construction tax	1,522,744.42	1,579,690.76
Value-added tax	(11,022,504.98)	4,623,587.62
Resource tax	10,878,534.58	18,490,861.08
Mineral resources compensation fees	–	14,337,412.80
Price adjustment fund	–	350,380.89
Education surtax	929,875.11	945,725.13
Other tax	3,881,626.86	(618,387.84)
Total	(68,281,438.92)	25,431,076.58

17. Other current liabilities

Unit: RMB

Item	Closing amount	Opening amount
Accrued expenses	14,623,710.70	13,799,059.54
Financial guarantee contracts (Note)	45,764,063.70	63,000,000.00
Payables for short-term financing bonds	500,000,000.00	–
Total	560,387,774.40	76,799,059.54

Note: Details refer to note (XIV), 8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

18. Provision

Unit: RMB

Item	Closing amount	Opening amount
Land restoration and rehabilitation fee (Note)	47,570,371.67	47,570,371.67
Total	47,570,371.67	47,570,371.67

Note: Details refer to note (V).32.

19. Operating income and operating costs

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Main business income	2,128,645,900.72	2,876,424,285.42
Other business income	49,529,359.23	47,173,409.59
Main business cost	1,025,081,456.73	1,229,979,561.81
Other business cost	50,747,813.70	51,243,158.82

20. Business tax and levies

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Calculation and payment standards
Business tax	7,029,132.12	4,209,194.22	Note (IV)
Urban maintenance and construction tax	12,103,882.42	18,877,365.31	Note (IV)
Education Surcharges	7,262,329.46	11,326,419.18	Note (IV)
Resource tax	160,696,556.83	211,713,206.88	Note (IV)
Tariff	–	9,279,001.00	Note (IV)
Other	5,790,567.13	11,335,789.84	
Total	192,882,467.96	266,740,976.43	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

21. Administrative expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Wages and social security contribution	48,392,223.07	53,533,349.38
Depreciation and amortization	23,235,745.77	22,841,070.60
Auditing fee	6,418,700.00	6,094,690.48
Consulting and agency fees	15,645,461.45	37,355,150.63
Entertainment expenditures	3,028,056.85	2,752,912.68
Technological development expense	73,131,025.27	125,315,740.17
Other	47,545,557.84	43,219,892.37
Total	217,396,770.25	291,112,806.31

22. Financial expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Interest expenses on bond	260,689,500.10	122,855,059.92
Discount interest of notes receivables	43,689,546.04	4,132,561.37
Bank loans interest expenses	66,709,585.49	22,909,701.66
Including: the interest expense of bank loads due within 5 years	62,635,548.38	2,971,064.51
Other borrowing	4,074,037.11	19,938,637.15
Total interest expenses:	371,088,631.63	149,897,322.95
Less: Capitalised interest expenses	–	–
Less: Interest income	551,536,886.92	149,708,660.49
Exchange differences	(8,398,696.58)	(5,383,994.34)
Less: Capitalised exchange differences	–	–
Other	77,449,544.04	64,117,195.33
Total	(111,397,407.83)	58,921,863.45

23. Impairment losses on assets

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Bad debt losses	93,302,500.52	403,316,653.13
Inventories provision	1,046,687.97	–
Impairment loss of long-term equity investment	–	282,997,600.00
Total	94,349,188.49	686,314,253.13

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

24. Investment income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Income (loss) from long-term equity investments under equity method	10,251,064.25	96,270,415.49
The dividends declared by investment of cost method	103,824,027.68	151,728,858.78
Investment income from bonds and banks' wealth investment product	160,716,439.09	140,355,509.27
Loss from investment during the held-for-trading financial assets	(2,499,998.75)	–
Investment losses from the disposal of held-for-trading financial assets	–	(4,235,220.00)
Investment gains from the sale of equity investment	10,000.00	350,488,658.28
Investment loss on disposal of held-for-trading financial assets	(32,209,648.16)	–
Total	240,091,884.11	734,608,221.82

25. Non-operating income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Gains on disposal of non-current assets	4,072,337.62	21,670,101.53
Government grants	44,696,512.94	40,879,687.05
Other	719,417.11	459,627.76
Total	49,488,267.67	63,009,416.34

26. Non-operating expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Total losses on disposal of non-current assets	3,244,790.17	–
External donations	18,013,584.00	4,100,000.00
The losses of debt restructuring (Note)	28,516,476.23	–
Others	2,592,379.69	70,838.84
Total	52,367,230.09	4,170,838.84

Note: Details refer to Note (V).6.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

27. Income tax expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Current income tax liabilities calculated as per tax law and relevant regulations	–	201,900,367.79
Differences arising on settlement of income tax for the previous years	13,370,589.09	50,398,090.85
Adjustments to deferred income tax	117,373,787.48	(81,070,959.35)
Total	130,744,376.57	171,227,499.29

Reconciliation sheet for income tax expenses and accounting profit as follows:

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Accounting profit	942,263,484.90	1,129,464,597.21
Income tax expenses calculated as per 15% tax rate (the year of 2014: 15%)	141,339,522.74	169,419,689.58
Tax impact of non-deductible expenses	7,472,356.46	15,382,608.60
Tax impact of non-taxable income	(31,438,091.72)	(63,972,889.74)
Difference arising on settlement of income tax for the previous years	13,370,589.09	50,398,090.85
Total	130,744,376.57	171,227,499.29

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

28. Supplementary information for cash flow statement

Unit: RMB

Supplementary information	Amount recognised in the current year	Amount recognised in the prior year
1. Adjusting net profit into cash flow from operating activities:		
Net profit	811,519,108.33	958,237,097.92
Add: Provision of the impairment of assets	94,349,188.49	686,314,253.13
Depreciation of fixed assets	172,935,812.58	166,421,976.67
Amortization of intangible assets	45,044,366.26	43,022,616.64
Amortisation of long-term prepaid expenses	9,948,474.53	11,152,737.34
Loss from the disposal of fixed assets, intangible assets and other long-term assets (income is filled in column with "-")	(827,547.45)	(21,670,101.53)
Loss from fair value change (less income)	2,773,209.03	2,362,130.00
Financial expenses (income is filled in column with "-")	285,035,743.46	140,038,759.66
Investment losses (income is filled in column with "-")	(240,091,884.11)	(734,608,221.82)
The decrease of deferred tax assets (increase is filled in column with "-")	117,373,787.48	(81,070,959.35)
The decrease of inventory (increase is filled in column with "-")	(140,610,423.71)	45,516,056.03
The decrease of operating accounts receivable items (increase is filled in column with "-")	65,631,490.20	364,896,003.63
The increase of operating payables (decrease is filled in column with "-")	(46,427,415.93)	106,430,309.77
The amortization of deferred revenue	(44,616,512.94)	(40,163,487.05)
The increase of special reserves	(157,071,239.20)	72,543,789.06
The limited bank deposits (increase) decrease	(342,000.00)	52,504,326.45
The net cash flow incurred from operating activities	974,624,157.02	1,771,927,286.55
2. The net change conditions of cash and cash equivalents:		
Cash balance at the end of that year	8,163,156,539.48	216,102,280.21
Less: cash balance at the beginning of that year	216,102,280.21	1,243,720,932.85
Add: cash equivalents balance at the end of that year	-	4,850,800,000.00
Less: cash equivalents balance at the beginning of that year	4,850,800,000.00	-
Net increase amount of cash and cash equivalents	3,096,254,259.27	3,823,181,347.36

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

29. Related party relationships and transactions

Please refer to note (VII).1 for the subsidiaries of the enterprise and note (v), 10 for associates and joint ventures of the enterprise.

(1) Details on related party transactions

(1.1) Sales and purchase of goods, provision and receipt of services

Unit: RMB

The related party	Related transaction type	Content of related party transactions	Related transaction pricing methods and decision-making process	Amount for the current year	Amount for the prior year
The Sales Company	Goods	Sales	Contract price	1,026,165,163.50	2,295,339,099.59
Ye Lian	Goods	Sales	Contract price	69,650,803.20	-
Da Chuan	Goods	Sales	Contract price	-	27,301,078.54
Da Dong Po	Goods	Sales	Contract price	85,601,174.73	86,637,732.96
Jiu Yang	Goods	Sales	Contract price	54,535,585.21	59,517,676.99
San Qiang	Goods	Sales	Contract price	65,151,283.87	101,224,406.38
Metal Material	Goods	Sales/provide the charge for use of specific technology	Contract price	365,586,249.89	4,191,564.08
Total				1,666,690,260.40	2,574,211,558.54
The Sales Company	Service/Goods	Accept services/purchase of goods and material	Contract price	157,476,313.24	-
Da Chuan	Service/Goods	Accept services/purchase of goods and materials	Contract price	4,598,290.60	7,995,084.13
Jiu Yang	Goods	Purchase of goods and materials	Contract price	2,279,545.30	2,052,806.84
Metal Material	Service/Goods	Accept services/purchase of goods and materials	Contract price	1,983,528.94	2,230,811.23
Xiao Shou Mao Yi	Goods	Purchase of goods and materials	Contract price	7,587,418.89	6,156,742.67
Ye Lian	Service	Accept services	Contract price	5,555,061.88	2,207,584.95
International Hotel	Service	Accept services	Contract price	12,168,000.00	8,992,412.40
Total				191,648,158.85	29,635,442.22

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

29. Related party transactions (Continued)

(1) Details on related party transactions (Continued)

(1.2) Loans and borrowings of the related party

Except the currencies deposit of the related party between our company and Fuchuan disclosed in note (X).5(2), the currencies deposit between our company and other related parties as follows:

The year of 2015:

	Lent to during the current year Unit: RMB	Received during the current year Unit: RMB	Closing balance Unit: RMB	Lent to during the prior year Unit: RMB	Received during the prior year Unit: RMB	Opening balance Unit: RMB
Lent to						
Sales Company	7,921,798,838.03	8,241,752,138.60	472,374,488.01	5,003,142,846.11	4,624,315,631.52	792,327,788.58
Ye Lian	498,394,026.22	408,602,640.03	121,040,123.01	173,158,256.49	174,818,519.24	31,248,736.82
International Hotel	68,977,716.04	81,367,965.40	146,307,893.73	96,806,700.00	264,193,481.82	158,698,143.09
Jiu Yang	102,253,525.19	77,820,620.04	86,567,553.77	141,244,238.63	159,085,598.82	62,134,648.62
San Qiang	-	-	-	366,868,690.65	443,701,066.67	-
Metal Material	-	-	-	18,801,150.00	-	-
Hong Kong	2,028,254,469.96	507,760,330.00	1,520,494,139.96	-	-	-
CMOC Co., Ltd	13,364,800.00	377,600.00	12,987,200.00	-	-	-
Yong Ning (note)	16,965,761.05	186,054,862.24	Not Applicable	534,540,450.12	668,356,317.01	686,390,875.15
Qi Xing	-	-	64,796,642.59	-	-	64,796,642.59
Schmocker	325,050,000.00	-	325,050,000.00	-	-	-
Fu Run	4,020,950.00	-	16,786,718.29	12,765,768.29	-	12,765,768.29
Total	10,979,080,086.49	9,503,736,156.31	2,766,404,759.36	6,347,328,100.29	6,334,470,615.08	1,808,362,603.14

Note: As noted (VI).1 mentioned, the Company waived the debt in total amount of RMB495 million. In the end of period, YongNing is no longer the related party of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

29. Related party transactions (Continued)

(1) Details on related party transactions (Continued)

(1.2) Loans and borrowings of the related party (Continued)

Except the currencies deposit of the related party between our company and Fuchuan disclosed in note (X).5(2), the currencies deposit between our company and other related parties as follows: (Continued)

	Lent to during the current year Unit: RMB	Repaid of the current year Unit: RMB	Closing balance Unit: RMB	Lent to during the prior year Unit: RMB	Repaid of the prior year Unit: RMB	Opening balance Unit: RMB
Borrowed from						
Hong Kong Company	-	10,492,276.04	-	-	1,000,000.00	10,492,276.04
Xiao Shou Mao Yi	4,712,171.58	6,168,352.37	4,224,612.73	103,634,422.37	100,804,543.48	5,680,793.52
Wu Ye	2,725,000.00	121,520,877.23	64,459,967.11	-	15,758,776.19	183,255,844.34
Precious Metals	-	-	-	-	290,722,000.00	-
Metal Material	1,168,666,204.34	848,213,019.28	339,254,335.06	163,171,872.49	144,370,722.49	18,801,150.00
KUNYU (Note)	-	-	-	150,590,391.87	164,238,768.36	-
San Qiang	1,041,741,408.62	1,072,057,648.54	192,150,307.98	222,466,547.90	-	222,466,547.90
Da Dong Po	604,791,907.26	659,191,420.43	481,829.74	303,934,593.70	260,285,296.57	54,881,342.91
Da Chuan	77,345,100.38	99,633,129.03	7,013,698.89	369,448,331.46	361,545,108.17	29,301,727.54
Xin Jiang Luo Mu	2,746,674.47	29,735,549.07	211,582,417.22	53,498,362.44	162,704,087.72	238,571,291.82
Fu Kai	-	-	11,300,000.00	11,300,000.00	-	11,300,000.00
Hu Qi	-	-	9,900,000.00	9,900,000.00	-	9,900,000.00
Shimoke	362,000,000.00	558,141,290.00	-	214,141,290.00	18,000,000.00	196,141,290.00
CMOC Mining	1,483,500.00	301,314,500.00	-	299,831,000.00	-	299,831,000.00
Total	3,266,211,966.65	3,706,468,061.99	840,367,168.73	1,901,916,812.23	1,519,429,302.98	1,280,623,264.07

Note: KunYu had been disposed in 2014.

(1.3) Interest of related parties

In addition to the disclosure of borrowings/loans with Fuchuan in Note (X).5(2), the borrowings/loans with other related parties are as follows:

	Current year RMB	Prior year RMB
Net interests paid to (charged from) related parties	(37,809,210.66)	19,441,654.94

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

29. Related party transactions (Continued)

(1) Details on related party transactions (Continued)

(1.4) Guarantees with related party

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
China Molybdenum Co., Ltd. (Note 1)	Hong Kong CMOC	USD282,290,000	25 November 2013	25 November 2018	No
China Molybdenum Co., Ltd. (Note 1), (Note 2)	CMOC Mining	USD259,500,000	29 November 2013	29 November 2020	No
China Molybdenum Co., Ltd. (Note 1)	CMOC Mining	USD259,500,000	27 November 2013	27 November 2020	No
China Molybdenum Co., Ltd.	CMOC Mining	AUD 32,000,000	18 December 2013	18 December 2019	No
China Molybdenum Co., Ltd.	CMOC Mining	USD40,000,000	5 June 2015	4 June 2016	No
China Molybdenum Co., Ltd.	CMOC Mining	USD50,000,000	28 June 2015	30 June 2016	No
China Molybdenum Co., Ltd. (Note 3)	Fuchuan	RMB148,500,000	23 May 2014	22 May 2017	No
China Molybdenum Co., Ltd. (Note 4)	Fuchuan	RMB27,500,000	31 July 2014	30 July 2015	Yes
China Molybdenum Co., Ltd. (Note 4)	Fuchuan	RMB55,000,000	4 August 2014	3 August 2015	Yes

Note 1: The guarantee period of instalment debts is from the effective date of the contract to the two years after the debt discharge period expires.

Note 2: The guaranteed amount is USD259.5 million provided guarantee for bank borrowings for CMOC Mining, in the year end the outstanding bank borrowings are USD179.5 million.

Note 3: The Company provided maximum guarantees for Fuchuan, a joint venture of the Company, with a guarantee period from 23 May 2014 to 22 May 2017. As of 31 December 2015, no outstanding borrowings for Fuchuan in accordance with this maximum guarantees contract. Details refer to Note (X).5(2).

Note 4: The Company provided guarantees for the bank borrowings granted to Fuchuan in 2014, a joint venture of the Company, with a guarantee period of two years starting from the effective date of the relevant borrowing contracts and up to the expiry of the debt discharge period. During this year, Fuchuan repaid all the bank borrowings, the relevant guarantee obligations were released.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

29. Related party relationships and transactions (Continued)

(2) Amount due from and amount due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts receivable	Ye Lian	10,076.96	10,076.96
	Da Dong Po	20,190,269.53	208,583.10
	Jiu Yang	316,529.69	89,421.75
	Da Chuan	–	2,862,586.02
	San Qiang	744,719.83	–
	The sales company	380,000,000.00	–
Dividends receivable	San Qiang	10,118,892.09	10,118,892.09
	Da Dong Po	6,893,440.23	6,893,440.23
	Jiu Yang	26,993,751.76	26,993,751.76
Other receivables	Yong Ning (Note)	Note Applicable	686,390,875.15
	International Hotel	146,307,893.73	158,698,143.09
	Qi Xing	64,796,642.59	64,796,642.59
	Ye Lian	121,040,123.01	31,248,736.82
	Jiu Yang	86,567,553.77	62,134,648.62
	Sales Company	472,374,488.01	792,327,788.58
	Da Chuan	90,000,000.00	–
	CMOC Co., Ltd	12,987,200.00	–
	Shimoke	325,050,000.00	–
	Fu Run	16,786,718.29	12,765,768.29
	Hong Kong Company	1,520,494,139.96	–
	High Tech	45,000,000.00	–
	Interest receivable	Hong Kong Company	41,399,847.78
Shimoke		210,464.57	–
CMOC Co., Ltd		96,541.74	–
Other payables	Wu Ye	64,459,967.11	183,255,844.34
	Hong Kong company	–	10,492,276.04
	Metal Material	339,254,335.06	18,801,150.00
	Da Chuan	7,013,698.89	29,301,727.54
	Da Dong Po	481,829.74	54,881,342.91
	San Qiang	192,150,307.98	222,466,547.90
	Fu Kai	11,300,000.00	11,300,000.00
	Hu Qi	9,900,000.00	9,900,000.00
	Schmock	–	196,141,290.00
	CMOC Mining	–	299,831,000.00
	Xin Jiang Luo Mu	211,582,417.22	238,571,291.82
Xiao Shou Mao Yi	4,224,612.73	5,680,793.52	

Note: In the end of period, YongNing is on longer regarded as the related party of the company.

(XV) APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the Board and authorised for issue on 24 March 2016.

SUPPLEMENTARY INFORMATION

FOR THE YEAR 2015

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount
Net profit	703,108,354.97
Add (less): Non-recurring profit or loss items	
– Loss on disposal of non-current assets	38,041,222.63
– Government grants	(45,132,470.40)
– Income from bank's wealth investment product	(174,876,549.09)
– Loss from the disposal of available-for-sale financial assets	31,768,850.88
– Losses from the disposal of held-for-trading financial assets	2,499,998.75
– Derivatives not designated as hedging instruments	14,160,110.00
– Loss on impairment of long-term assets	161,894,742.57
– Investment income for disposal of subsidiaries	(4,282.41)
– Loss on changes in the fair value	2,773,209.03
– Loss on debt restructuring	28,516,476.23
– Other net non-operating income or expenses other than the above	23,023,180.65
Subtotal	82,664,488.84
Income tax effects from non-recurring profit or loss items	(98,710,435.29)
Net profit after deducting non-recurring profit or loss items	687,062,408.52
Including: Net profit attributable to shareholders of the parent company	745,236,424.23
Net profit attributable to minority interests	(58,174,015.71)

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE ("EPS")

The return on net assets and EPS have been prepared by China Molybdenum Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Entities with Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised in 2010) issued by China Securities Regulatory Commission.

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	4.77	0.05	0.05
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	4.67	0.05	0.05

SUPPLEMENTARY INFORMATION

FOR THE YEAR 2015

3. THE GROUP'S OPERATING RESULTS, ASSETS AND LIABILITIES FOR THE PAST FIVE ACCOUNTING YEARS

Unit: RMB

Item	2015	2014	2013	2012	2011
I. Total operating income	4,196,839,621.19	6,662,382,123.45	5,536,469,246.73	5,710,893,904.27	6,099,651,578.23
II. Total operating costs					
Less: Operating costs	2,622,448,241.43	3,871,429,795.40	3,733,468,267.20	4,009,216,807.89	3,911,370,115.23
Business taxes and levies	242,473,353.45	349,981,670.62	270,681,417.11	268,890,022.83	218,796,117.22
Selling expenses	84,672,795.26	99,817,516.25	26,909,956.33	25,330,075.67	24,626,272.32
Administrative expenses	357,173,860.29	448,352,128.52	686,204,836.52	433,331,447.59	460,023,025.05
Financial expenses	46,182,116.53	181,697,640.05	103,227,553.28	49,597,057.16	68,700,862.67
Impairment losses of assets	230,442,603.42	105,559,909.17	87,704,184.08	27,853,560.45	23,196,195.85
Add: Gains from changes in fair values (the loss is filled with "-")	(2,773,209.03)	888,370.00	8,269,939.71	(738,261.14)	(2,469,548.93)
Investment income (the loss is filled with "-")	116,593,344.54	531,758,189.98	373,417,961.32	151,042,583.91	127,041,473.79
Including: Investment income from investments in associates and joint ventures	(9,858,527.33)	86,466,625.43	185,933,456.10	116,760,141.81	109,243,630.10
III. Operating profit	727,266,786.32	2,138,190,023.42	1,009,960,933.24	1,046,979,255.45	1,517,510,914.75
Add: Non-operating income	50,152,647.68	66,656,292.09	246,601,099.22	54,187,319.00	14,804,136.79
Less: Non-operating expenses	94,601,056.79	56,786,238.27	20,379,818.34	4,209,530.52	20,398,534.05
Including: Losses on disposal of non-current assets	42,120,590.15	51,055,392.73	4,610,406.83	1,036,818.99	15,357,352.18
IV. Total profit (the total loss is filled with "-")	682,818,377.21	2,148,060,077.24	1,236,182,214.12	1,096,957,043.93	1,511,916,517.49
Less: Income tax expenses	(20,289,977.76)	347,858,293.20	151,271,401.35	80,581,368.21	355,754,740.02
V. Net profit (the net loss is filled with "-")	703,108,354.97	1,800,201,784.04	1,084,910,812.77	1,016,375,675.72	1,156,161,777.47
Net profit attributable to owners of the parent company	761,160,070.18	1,824,255,286.97	1,174,203,715.57	1,050,304,676.57	1,118,175,996.91
Minority interests	(58,051,715.21)	(24,053,502.93)	(89,292,902.80)	(33,929,000.85)	37,985,780.56
VI. Earnings per share (note)					
Basic earnings per share	0.05	0.12	0.08	0.07	0.08
VII. Other comprehensive income	(423,942,733.35)	(157,520,863.72)	(48,970,530.23)	(215,779.49)	1,897,969.35
VIII. Total comprehensive income	279,165,621.62	1,642,680,920.32	1,035,940,282.54	1,016,159,896.23	1,158,059,746.82
Total comprehensive income attributable to shareholders of the parent company	337,217,336.83	1,666,734,423.25	1,125,233,185.34	1,050,088,897.08	1,120,073,966.26
Total comprehensive income attributable to minority interests	(58,051,715.21)	(24,053,502.93)	(89,292,902.80)	(33,929,000.85)	37,985,780.56

Unit: RMB

Item	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011
Total assets	30,880,528,485.14	28,054,876,371.91	21,899,138,540.63	15,749,315,192.48	14,946,123,955.04
Total liabilities	13,063,837,413.88	12,910,342,725.64	9,006,486,233.88	3,377,921,043.83	3,687,136,847.05
Minority interests	463,209,880.46	510,959,763.65	714,376,778.08	829,859,172.33	868,853,735.28
Total equity attributable to the shareholders of the parent company	17,353,481,190.80	14,633,573,882.62	12,178,275,528.67	11,541,534,976.32	10,390,133,372.71

Note: the basic earning per share from 2011 to 2014 has been restated. Details refer to Note (V).51.



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