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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Molybdenum Co., Ltd.\*, you should at once hand this circular and the accompanying reply slips and forms of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**洛陽欒川鉬業集團股份有限公司**

**China Molybdenum Co., Ltd. \***

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

(Stock Code: 03993)

**FINANCIAL REPORT AND BUDGET REPORT  
PROPOSED DISTRIBUTION OF FINAL DIVIDEND  
PROPOSED RENEWAL OF LIABILITY INSURANCE FOR  
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT  
PROPOSED GENERAL MANDATE FOR REPURCHASE OF H SHARES  
PROPOSED GENERAL MANDATE FOR ISSUE OF SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING  
NOTICE OF THE 2016 FIRST CLASS MEETING OF H SHAREHOLDERS**

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A letter from the Board is set out on pages 1 to 9 of this circular.

Notices convening the AGM and the H Shareholders' Class Meeting to be convened on Wednesday, 29 June 2016 are set out on pages 81 to 90 of this circular. The forms of proxy and reply slips for use in connection with such meetings are enclosed herewith.

Whether or not you are able to attend the AGM and the H Shareholders' Class Meeting in person, you are requested to complete, sign and return the reply slips and forms of proxy applicable to the AGM and the H Shareholders' Class Meeting in accordance with the instructions printed thereon. For H Shareholders, the forms of proxy applicable to the AGM and the H Shareholders' Class Meeting should be returned to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 24 hours before the time appointed for holding the relevant meetings or any adjournments thereof (as the case may be). Completion and return of the forms of proxy applicable to the AGM and the H Shareholders' Class Meeting will not preclude you from attending and voting in person at the AGM and the H Shareholders' Class Meeting or any adjournments thereof should you so wish.

H Shareholders who intend to attend the AGM and the H Shareholders' Class Meeting in person or by proxy should return the reply slips to the office of the Board at the Company's principal place of business in the PRC, at North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC, 20 days before the relevant meetings, i.e. before Thursday, 9 June 2016 by hand, by post or by facsimile.

\* For identification purposes only

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“A Share(s)”	domestic share(s) with a nominal value of RMB0.20 each issued by the Company which are listed on the SSE and traded in Renminbi (stock code: 603993)
“A Shareholder(s)”	holder(s) of A Shares
“A Shareholders’ Class Meeting”	the 2016 first class meeting of A Shareholders (and any adjournment thereof) to be held on Wednesday, 29 June 2016 after the AGM at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC
“AGM”	the annual general meeting of the Company (and any adjournment thereof) to be held at 1:00 p.m. on Wednesday, 29 June 2016 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board”	the board of Directors of the Company
“Company”	China Molybdenum Co., Ltd.* (洛陽欒川鋁業集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A Shares and H Shares of which are listed on the SSE and the Hong Kong Stock Exchange, respectively
“Company Law”	the Company Law of the PRC
“Controlling Shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“Final Dividend”	the proposed distribution of a final dividend of RMB0.25 every 10 Shares (tax inclusive) for the year ended 31 December 2015 as described in the announcement of the Company dated 24 March 2016
“Financial Report”	the 2015 financial report of the Company as set out in Appendix I to this circular
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) with a nominal value of RMB0.20 each in the share capital of the Company which are listed on the main board of the Hong Kong Stock Exchange and are traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“H Shareholders’ Class Meeting”	the 2016 first class meeting of H Shareholders (and any adjournment thereof) to be held on Wednesday, 29 June 2016 after the AGM and the A Shareholders’ Class Meeting at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Issuance Mandate”	subject to the conditions set out in the proposed resolution approving the issuance mandate to be proposed at the AGM, the general mandate to authorise the Board to exercise its authority to issue additional A Shares not exceeding 20% of the number of the A Shares in issue and additional H Shares not exceeding 20% of the number of the H Shares in issue on the date of passing of the said resolution

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## DEFINITIONS

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“Latest Practicable Date”	Friday, 6 May 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“PRC”, “Mainland”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Repurchase Mandate”	subject to the conditions set out in the proposed resolution approving the repurchase mandate at the AGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, the general mandate to authorise the Board to exercise its authority to repurchase H Shares of an aggregate number of not exceeding 10% of the number of H Shares in issue as at the date of passing of the said resolution
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC and its local representative offices
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Shares
“SSE”	the Shanghai Stock Exchange
“Supervisor(s)”	supervisor(s) of the Company
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission in Hong Kong, as amended from time to time
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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LETTER FROM THE BOARD

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

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

(Stock Code: 03993)

*Executive Directors:*

Li Chaochun (Chairman)  
Li Faben

*Non-executive Directors:*

Ma Hui (Vice Chairman)  
Yuan Honglin  
Cheng Yunlei

*Independent Non-executive Directors:*

Bai Yanchun  
Xu Shan  
Cheng Gordon

*Registered office:*

North of Yihe  
Huamei Shan Road  
Chengdong New District  
Luanchuan County  
Luoyang City  
Henan Province  
The People's Republic of China

*Principal place of business in Hong Kong:*

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

13 May 2016

*To the Shareholders*

Dear Sir or Madam,

**FINANCIAL REPORT AND BUDGET REPORT  
PROPOSED DISTRIBUTION OF FINAL DIVIDEND  
PROPOSED RENEWAL OF LIABILITY INSURANCE FOR  
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT  
PROPOSED GENERAL MANDATE FOR REPURCHASE OF H SHARES  
PROPOSED GENERAL MANDATE FOR ISSUE OF SHARES  
AND  
NOTICE OF ANNUAL GENERAL MEETING  
NOTICE OF THE 2016 FIRST CLASS MEETING OF H SHAREHOLDERS**

**1. INTRODUCTION**

References are made to the announcements of the Company dated 26 January 2016 and 24 March 2016, in relation to, among others, the budget report and proposed distribution of Final Dividend.

\* For identification purposes only

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among others, the notice of AGM and the notice of H Shareholders' Class Meeting, and to provide relevant details to you to make informed decisions on, among others, the below ordinary resolutions and special resolutions proposed for voting at the said meetings:

### AGM

- (i) Financial Report and budget report;
- (ii) Proposed distribution of Final Dividend;
- (iii) Proposed renewal of liability insurance for Directors, Supervisors, senior management;
- (iv) Proposed general mandate for repurchase of H Shares; and
- (v) Proposed general mandate for issue of Shares.

### H Shareholders' Class Meeting

- (i) Proposed general mandate for repurchase of H Shares.

## 2. FINANCIAL REPORT AND BUDGET REPORT

As stated in the announcement of the Company dated 26 January 2016, the Board approved the financial budget report of the Company for the year ending 31 December 2016 (the "**Budget Report**"). For the year ending 31 December 2016, (1) the planned production volume and planned production cash costs of molybdenum concentrates (including 100% Mo) would be 16,058 tonnes and RMB56,298 per tonne (excluding resources tax, depreciation and amortisation, sales and general management costs), respectively; (2) the planned production volume and planned production cash costs of tungsten concentrates (including 100% WO<sub>3</sub>) would be 8,850 tonnes and RMB14,879 per tonne (excluding resources tax, depreciation and amortisation, sales and general management costs), respectively; and (3) the estimated production volume of metal produced from Northparkes copper and gold mine operations in Australia would be 39,368 tonnes (on the basis of the Company's 80% equity interests in Northparkes) with C1 cash costs of USD0.77 per pound, and saleable gold would be 35,053 ounces (on the basis of the Company's 80% equity interests in Northparkes). (C1 cash costs represent the cash operating costs (including mining, processing, on-site administrative expenses, logistic, smelting and refining expenses) net of income generated from by-products).

The Board approved the Financial Report on 24 March 2016, a copy of which is set out in Appendix I to this circular.

Ordinary resolutions regarding the consideration and approval of the Budget Report and Financial Report will be proposed at the AGM.

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## LETTER FROM THE BOARD

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### 3. PROPOSED DISTRIBUTION OF FINAL DIVIDEND

As stated in the announcement of the Company dated 24 March 2016 relating to, among other things, annual results of the Company for the year ended 31 December 2015, the Board proposed to distribute the Final Dividend of RMB0.25 every 10 Shares (tax inclusive) subject to the approval of the Shareholders at the AGM and an ordinary resolution will be proposed to the Shareholders for voting at the AGM.

It is expected that the Final Dividend will be paid on Thursday, 4 August 2016, to H Shareholders whose names appear on the register of members of H Shares (the “**H Shares Register of Members**”) of the Company on Wednesday, 13 July 2016 (the “**Reference Date**”). The Company will make further announcement regarding the proposed distribution of Final Dividend to A Shareholders.

#### TAX

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

In accordance with the “Notice on Certain Issues Concerning the Policies of Individual Income Tax” (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the PRC Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. 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 the “Notice on Certain Issues



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## LETTER FROM THE BOARD

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Concerning the Policies of Individual Income Tax” (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), the Company will not be required to withhold and pay any individual income tax on behalf of individual Shareholders when the Company distributes the Final Dividend to individual Shareholders whose names appear on the H Shares Register of Members.

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

- For mainland individual investors who invest in the H Shares 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 the Final Dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax credit relating to the withholding tax already paid abroad. For mainland securities investment funds that invest in the H Shares of the Company via the Shanghai-Hong Kong Stock Connect, the Company will withhold individual income tax in the distribution of the Final Dividend pursuant to the foregoing provisions; and
- For mainland corporate investors that invest in the H Shares of the Company via the Shanghai-Hong Kong Stock Connect, the Company will not withhold the income tax in the distribution of the Final Dividend and the mainland corporate investors shall file the tax returns on their own.

H Shareholders 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.

#### **4. PROPOSED RENEWAL OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Considering the risks of domestic and overseas litigations or regulatory investigations that the Directors, Supervisors and senior management may be exposed to when carrying out their duties in executing the business decisions and information disclosure; to allow the Directors, Supervisors and senior management to work without such concerns; to stimulate them to perform their duties in a diligent and responsible manner; and to better protect the Shareholders’ interests, the Board approved the renewal of liability insurance for the Company and the Directors, Supervisors, senior management of the Company. The insurance will cover management liabilities

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## LETTER FROM THE BOARD

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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 will be USD15,000,000 per annum; at the total costs of not more than USD20,400 per annum; and with the term ending on 30 June 2017.

According to the requirements under the Company Law of the PRC, rules governing the listing of securities and the Articles of Association, an ordinary resolution to consider and approve the proposed renewal of liability insurance for Directors, Supervisors and senior management will be proposed at the AGM.

### **5. PROPOSED GENERAL MANDATE FOR REPURCHASE OF H SHARES**

In view of the development requirements of the Company and in order to give the Company the flexibility to repurchase H Shares if and when appropriate, the Board will propose a special resolution at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting to grant the Repurchase Mandate to the Board to repurchase H Shares of an aggregate number not exceeding 10% of the number of H Shares in issue as at the date of the passing of the resolutions proposed for approval of the Repurchase Mandate.

The Company Law of the PRC (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC shall not repurchase its shares unless such repurchase is effected for the purpose of: (a) reducing its registered share capital; (b) merger with another entity holding its shares; (c) granting shares as reward to the staff of the company; or (d) the repurchase is made at the request of its shareholders who disagree with the resolution regarding a merger or division made at the general meeting. The Articles of Association provides that subject to the approval of relevant regulatory authorities and in compliance with the Articles of Association, the Company shall repurchase its Shares for the purposes of reducing its registered capital, merger with another entity holding its Shares, granting Shares as reward to the staff of the Company, in such circumstances permitted by laws or administrative regulations. H Shares repurchased under this general mandate can only be cancelled and the registered capital of the Company shall be reduced accordingly.

The Hong Kong Listing Rules permit shareholders of a PRC joint stock limited company to grant a general mandate to the directors to repurchase H shares of such company that are listed on the Hong Kong Stock Exchange.

Such mandate is required to be given by way of special resolutions passed by Shareholders in general meeting and by holders of A Shares and H Shares respectively at the class meetings.

As H Shares are traded on the Hong Kong Stock Exchange in Hong Kong dollars and the price payable by the Company upon any repurchase of H Shares will, therefore, be paid in Hong Kong dollars, the approval of SAFE and other relevant competent authorities is required.

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## LETTER FROM THE BOARD

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In accordance with the requirements of Article 27 of the Articles of Association applicable to registered capital reduction, the Company shall notify its creditors within 10 days after the passing of such resolutions by the Board and shall publish a press announcement within 30 days after the passing of such resolutions by the Board. Creditors then have the right within 30 days of receiving the written notification from the Company or, if no such notification has been received, up to 45 days after the publication of the press announcement to require the Company to repay amounts due to them or to provide guarantees in respect of such amounts.

The Repurchase Mandate will be conditional upon: (a) the special resolutions approving the grant of the Repurchase Mandate being approved at each of the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting; (b) the approval of the regulatory authorities (if applicable) as required by the laws, rules and regulations of the PRC being obtained; and (c) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure under Article 27 of the Articles of Association as described above. In the event that the Company determines to repay any amount to its creditors in the circumstances described in item (c) above, the Company is expected to repurchase Shares with its internal resources. No Repurchase Mandate shall be exercised by the Board without satisfying conditions set out above. The Directors hereby state that as at the Latest Practicable Date, they have no intention to repurchase any H Shares pursuant to the Repurchase Mandate.

Details of special resolutions to be proposed at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively to grant the Repurchase Mandate to the Board are set out in the Special Resolution No. 11 of the notice of AGM, the special resolution of the notice of A Shareholders' Class Meeting and the special resolution of the notice of H Shareholders' Class Meeting. The number of H Shares which may be repurchased under the Repurchase Mandate shall not exceed 10% of the number of H Shares in issue as at the date of the passing of the proposed resolutions approving the Repurchase Mandate.

Pursuant to the Hong Kong Listing Rules, the Company shall give an explanatory statement to Shareholders, which contains information reasonably necessary to enable Shareholders to make an informed decision on voting for or against the granting of Repurchase Mandate. The explanatory statement is set out in the Appendix III to this circular.

### **6. PROPOSED GENERAL MANDATE FOR ISSUE OF SHARES**

In order to increase the flexibility and efficiency in the Company's operation, and to give discretion to the Board in the event that it becomes desirable to issue any Shares, the Board will propose a special resolution to grant to the Board the Issuance Mandate to issue, allot and deal with additional A Shares not exceeding 20% of the number of the A Shares in issue and additional H Shares not exceeding 20% of the number of the H Shares in issue on the date of passing of the resolution as set out in Resolution No. 12 of the notice of AGM.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company had an aggregate of 16,887,198,699 Shares in issue, comprising 3,933,468,000 H Shares and 12,953,730,699 A Shares. Subject to the passing of the proposed resolution for the approval of the Issuance Mandate, the Company will be allowed to issue, allot and deal with up to a maximum of 3,377,439,739 Shares (comprising 786,693,600 H Shares and 2,590,746,139 A Shares), representing 20% of the Shares in issue on the date of the passing of such resolution, on the basis that no further Shares will be issued by the Company prior to the AGM.

The Board will only exercise its authority under the Issuance Mandate in accordance with the Company Law of the PRC, other applicable laws and regulations (as amended from time to time) and the relevant provisions of the securities regulatory institutions at the place of listing of the Shares and only with the necessary approvals from the CSRC and other relevant PRC government departments. The Directors hereby state that as at the Latest Practicable Date, they have no intention to issue any new Shares pursuant to the Issuance Mandate.

The Board believes that it is in the best interests of the Company and the Shareholders to grant the Issuance Mandate to the Board to issue new Shares. Whilst it is not possible to anticipate in advance any specific circumstances in which the Board might think appropriate to issue Shares, the ability to do so would give them the flexibility to capture the opportunity if it so arises.

### **7. AGM, A SHAREHOLDERS' CLASS MEETING AND H SHAREHOLDERS' CLASS MEETING**

The Board proposed to seek the Shareholders' approval at the AGM to approve, among others: (i) the Financial Report and the Budget Report; (ii) the proposed distribution of Final Dividend; (iii) the proposed renewal of liability insurance for Directors, Supervisors and senior management; (iv) the proposed general mandate for repurchase of H Shares; and (v) the proposed general mandate for issue of Shares. The Board also proposed to seek the approval from A Shareholders and H Shareholders at the A Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively to grant a general mandate to the Board to repurchase H Shares.

Notices of the AGM and the H Shareholders' Class Meeting to be held at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC, on Wednesday, 29 June 2016 are set out on pages 81 to 90 of this circular.

According to the requirements under the "Rules of Shareholders' Meeting of Listed Companies" of the CSRC, independent Directors shall issue a work report at the annual general meeting. Such report will be submitted to the shareholders' general meeting for consideration but not for shareholders' approval. The 2015 Work Report of Independent Directors of the Company is set out in Appendix II to this circular for Shareholders' information.

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## LETTER FROM THE BOARD

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### 8. CLOSURES OF REGISTER OF MEMBERS

In order to determine the list of H Shareholders who will be entitled to attend and vote at the AGM and the H Shareholders' Class Meeting, the Company's H Shares Register of Members will be closed from Monday, 30 May 2016 to Wednesday, 29 June 2016 (both days inclusive), during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the H Shares Register of Members of the Company at 4:30 p.m. on Friday, 27 May 2016 shall be entitled to attend and vote at the AGM and the H Shareholders' Class Meeting. In order for the H Shareholders to qualify for attending and voting at the AGM and the H Shareholders' Class Meeting, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 27 May 2016.

In order to determine the list of H Shareholders who are entitled to receive the Final Dividend, the H Shares Register of Members will be closed from Friday, 8 July 2016 to Wednesday, 13 July 2016 (both days inclusive), during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the H Shares Register of Members as at the Reference Date (i.e. Wednesday, 13 July 2016) will be entitled to receive the Final Dividend. In order to determine the entitlement for receiving the proposed Final Dividend, H Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Thursday, 7 July 2016.

### 9. PROXY ARRANGEMENT

Forms of proxy applicable to the AGM and the H Shareholders' Class Meeting are enclosed with this circular and such forms of proxy are also published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinamoly.com](http://www.chinamoly.com)). For H Shareholders, whether or not you are able to attend the AGM and the H Shareholders' Class Meeting in person, you are requested to complete the forms of proxy applicable to the AGM and the H Shareholders' Class Meeting in accordance with the instructions printed thereon, and return the same to the Company's H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 24 hours before the time appointed for holding the relevant meetings or any adjournments thereof. Completion and return of the forms of proxy as applicable to the AGM and the H Shareholders' Class Meeting will not preclude you from attending and voting in person at the AGM and the H Shareholders' Class Meeting or any adjournments thereof should you so wish.

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## LETTER FROM THE BOARD

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### 10. VOTING BY WAY OF POLL

Pursuant to Rule 13.39 of the Hong Kong Listing Rules, any votes of the Shareholders at the AGM and the H Shareholders' Class Meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll results announcement will be announced by the Company after the AGM and the H Shareholders' Class Meeting in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

As at the Latest Practicable Date, no Shareholder is required to abstain from voting on any resolution.

In addition, the Company will offer a platform to A Shareholders including investors of Shanghai-Hong Kong Stock Connect to vote online through the general meeting online voting system of the SSE. Please refer to the relevant announcement published by the Company on the SSE for details.

### 11. RECOMMENDATIONS

The Board considers that, (i) the Financial Report and the Budget Report; (ii) the proposed distribution of Final Dividend; (iii) the proposed renewal of liability insurance for Directors, Supervisors and senior management; (iv) the proposed general mandate for repurchase of H Shares; and (v) the proposed general mandate for issue of Shares are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting (as the case may be) as set out in the notices of AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting.

By Order of the Board  
**China Molybdenum Co., Ltd. \***  
**Li Chaochun**  
*Chairman*

**China Molybdenum Co., Ltd.**  
**2015 Financial Report**

**CHAPTER 1 OVERVIEW**

In 2015, the Group witnessed too many challenges. Throughout the year, under the disadvantageous condition that the nonferrous metal market kept sluggish and the tungsten copper price went down substantially due to the influences of international and domestic economy, the Group, in accordance with the overall arrangements of Board of Directors and on the basis of such measures as stripping low-efficiency assets, decreasing costs and increasing benefits, comprehensively recycling resources and constantly enhancing internal management, made a positive response to the challenges resulting from the fluctuation of market price, well fulfilled all annual targets and tasks, and realized significant achievements. Meanwhile, in terms of financial management task, the Group performed better than expected in budget and achieved an annual financial management income of RMB175,000,000 (net income before tax), which offset the losses caused by income decreases of some entities.

Relevant data in this Financial Report has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership).

The general financial condition of the year is:

As of 31 December 2015, the Group's total consolidated assets summed up to RMB30,880,530,000, total liabilities were RMB13,063,840,000 and net assets were RMB17,816,690,000, among which RMB17,353,480,000 was attributable to parent company shareholders' equity and RMB463,210,000 attributable to minority shareholders' equity.

The Group's consolidated sales revenue in 2015 was RMB4,196,840,000, accounting for 77% of the annual budgetary revenue (RMB5,425,980,000) and representing a year-on-year decrease of RMB2,465,540,000 or 37%. The net profit was RMB703,110,000, representing a decrease of RMB634,850,000 or 47% compared with the annual budget and a year-on-year decrease of RMB1,097,090,000 or 61%. The net profit attributable to the owners of the parent company was RMB761,160,000, showing a decrease of RMB614,910,000 or 45% compared with the annual budget and a year-on-year decrease of RMB1,063,100,000 or 58%.

## CHAPTER 2 PROFIT PERFORMANCE

## Profit Contrastive Analysis Sheet

Unit: RMB0'000 yuan

Item	2015 Actual	2014 Actual	2015 Budget	Compared with the same period of last year		Compared with the Budget	
				Increase/ decrease	Percentage of Increase/ decrease	Increase/ decrease	Percentage of Increase/ decrease
<b>I. Total operating revenue</b>	419,684	666,238	542,598	-246,554	-37%	-122,914	-23%
Including: Operating revenue	419,684	666,238	542,598	-246,554	-37%	-122,914	-23%
Less: Operating costs	262,245	387,143	313,380	-124,898	-32%	-51,135	-16%
<b>II. Gross operating profits</b>	157,439	279,095	229,218	-121,656	-44%	-71,779	-31%
Business taxes and surcharges	24,247	34,998	29,020	-10,751	-31%	-4,773	-16%
Selling expenses	8,467	9,982	10,212	-1,514	-15%	-1,745	-17%
Administrative expenses	35,717	44,835	32,668	-9,118	-20%	3,050	9%
Financial expenses	4,618	18,170	18,857	-13,552	-75%	-14,239	-76%
Impairment losses of assets	23,044	10,556	-	12,488	118%	23,044	
Add: Gains (losses) from changes in fair values	-277	89	-	-366	-412%	-277	
Investment income	11,659	53,176	38,132	-41,516	-78%	-26,473	-69%
Including: Income from investments in associates and joint ventures	-986	8,647	10,870	-9,633	-111%	-11,856	-109%
<b>III. Operating profit</b>	72,727	213,819	176,593	-141,092	-66%	-103,866	-59%
Add: Non-operating income	5,015	6,666	2,505	-1,650	-25%	2,511	100%
Less: Non-operating expenses	9,460	5,679	10,066	3,781	67%	-606	-6%
<b>IV. Total profit</b>	68,282	214,806	169,031	-146,524	-68%	-100,749	-60%
Less: Income tax expenses	-2,029	34,786	35,236	-36,815	-106%	-37,265	-106%
<b>V. Net profit</b>	70,311	180,020	133,796	-109,709	-61%	-63,485	-47%
<b>VI. Net profit attributable to owners of the parent company</b>	76,116	182,426	137,607	-106,310	-58%	-61,491	-45%
<b>VII. Profit or loss attributable to minority interests</b>	-5,805	-2,405	-3,811	-3,400	141%	-1,994	52%



## 2.1. ANALYSIS ON THE OPERATING REVENUE PERFORMANCE

## 2.1.1 Total Revenue Performance

## 1. Year-on-year contrastive analysis of operating revenue:

Unit: RMB0'000 yuan

Product name	Grade	Actual in 2014		Actual in 2015			Year-on-Year Increase or Decrease of Actual Revenue				Total	
		Sales volume (ton)	Unit cost	Sales revenue	Sales volume (ton)	Unit cost	Sales revenue	Change of sales volume	Impact of sales volume	Change of sales price		Impact of sales price
<b>- Domestic:</b>												
Molybdenum raw ore		2,025,012	78	15,705	2,033,000	66	13,480	7,988	62	-11	-2,288	-2,226
Molybdenum concentrate	47%	696	53,640	3,733	40	51,471	32,360	-656	-3,517	-2,169	-9	-3,526
Molybdenum oxide	53%	1,780	71,337	12,696	6,870	47,107	32,360	5,090	36,309	-24,229	-16,645	19,665
Molybdenum oxide granule	60%	1,566	74,823	11,715	258	50,374	1,300	-1,308	-9,784	-24,449	-631	-10,415
Ferromolybdenum	60%	28,378	79,566	225,792	22,653	56,587	128,187	-5,725	-45,549	-22,979	-52,058	-97,605
Ammonium molybdate		1,075	84,374	9,070	797	67,792	5,401	-278	-2,349	-16,581	-1,321	-3,670
Molybdenum powder		49	167,833	817	169	133,204	2,256	121	2,025	-34,629	-586	1,439
High-purity molybdenum trioxide		20	110,135	223	68	74,565	507	48	525	-35,569	-242	284
Molybdenum disulfide		10	109,865	113	7	114,621	84	-3	-32	4,756	3	-29
Tungsten concentrate	100%	2,281	130,068	29,663	4,706	85,496	40,230	2,425	31,540	-44,572	-20,973	10,567
Tungstic acid	100%	4,647	139,244	64,712	3,374	91,003	30,704	-1,273	-17,732	-48,242	-16,276	-34,009
APT	100%	0	94,645	0	53	94,645	503	53	503	-	-	503
Gold (kg)		643	231,719	14,903	-	231,719	-	-643	-14,903	-	-	-14,903
Silver (kg)		40,868	3,062	12,515	-	3,062	-	-40,868	-12,515	-	-	-12,515
Electrolytic lead		18,259	11,812	21,568	-	11,812	-	-18,259	-21,568	-	-	-21,568
Vitriol		59,201	69	407	32,075	150	480	-27,126	-186	81	260	73
Iron powder		0	209	0	3,475	209	73	3,475	73	-	-	73
Nickel plate		100	117,928	1,182	-	117,928	-	-100	-1,182	-	-	-1,182
Processing charges of molybdenum oxide		3,648	1,790	653	2,155	1,748	37,678	-1,493	-267	-42	-9	-276
Processing charges of ferromolybdenum		356	7,264	258	-	7,264	-	-356	-258	-	-	-258
Others		-	-	17,763	-	-	3,987	-	-13,776	-	-	-13,776
Hotel revenue		-	-	7,516	-	-	6,400	-	-1,116	-	-	-1,116
Other revenues		-	-	6,968	-	-	5,247	-	-1,721	-	-	-1,721
Sub-total				457,971			271,780		-75,419		-110,772	-186,191
<b>- Australia:</b>												
Copper concentrate				204,942			144,280		-60,662	-	-	-60,662
Other revenue				3,325			3,624		299			299
Sub-total				208,267			147,904		-60,363		0	-60,363
Total operation revenue				656,238			419,684		-135,783		-110,772	-246,554

The actual sales revenue for the year reached RMB4,196,840,000, representing a decrease of RMB2,465,540,000 as compared with the same period of last year, including:

- (1) Changes of product sales volume affected that the sales revenue for the year decreased by RMB1,191,690,000 as compared with the same period of last year, including:
  - a. The sales volume of ferromolybdenum for the year decreased by 5,725 tons as compared with the same period last year, affecting that the sales revenue decreased by RMB455,490,000.
  - b. The sales volume of molybdenum oxide for the year increased by 5,090 tons as compared with the same period last year, affecting that the sales revenue increased by RMB363,090,000.
  - c. The sales volume of molybdenum oxide granule for the year decreased by 1,308 tons as compared with the same period last year, affecting that the sales revenue decreased by RMB97,840,000.
  - d. The sales volume of tungsten concentrate for the year increased by 2,425 tons as compared with the same period last year, affecting that the sales revenue increased by RMB315,400,000.
  - e. The sales volume of tungstic acid for the year decreased by 1,273 tons as compared with the same period last year, affecting that the sales revenue decreased by RMB177,320,000.
  - f. The APT product for the year newly increased by 53 tons for selling affected that the income increased by RMB5,030,000.
  - g. Due to the respective selling of the gold business and silver business in 2014 and 2015, a decrease of RMB274,180,000 of relevant products was caused.
  - h. Due to the selling of Yongning Gold & Lead Company, a decrease of RMB215,680,000 in electrolytic lead income was caused.
  - i. The sales volume of trade product (nickel plate) for the year decreased by 100 tons as compared with the budget, affecting that the sales revenue decreased by RMB11,820,000.

- j. The change of other product sales volume affected that the sales revenue decreased by RMB39,250,000.
  - k. Affected by businesses in Australia, the revenue decreased by RMB603,630,000 as compared with the budget.
- (2) The sales price of products for the year was lower than that in the same period of last year, affecting that the sales for the year decreased by RMB1,107,720,000, including:
- a. The sales price (tax inclusive) of ferromolybdenum for the year decreased by RMB26,886/ton as compared with the same period last year, affecting that operating revenue for the year decreased by RMB520,560,000.
  - b. The sales price (tax inclusive) of molybdenum oxide for the year decreased by RMB28,348/ton as compared with the same period last year, affecting that operating revenue for the year decreased by RMB166,450,000.
  - c. The sales price (tax inclusive) of molybdenum oxide granule for the year decreased by RMB28,605/ton as compared with the same period last year, affecting that operating revenue for the year decreased by RMB6,310,000.
  - d. The sales price (tax inclusive) of tungsten concentrate for the year decreased by RMB52,149/ton as compared with the same period last year, affecting that operating revenue for the year decreased by RMB209,730,000.
  - e. The sales price (tax inclusive) of tungstic acid for the year decreased by RMB56,442/ton as compared with the same period last year, affecting that operating revenue for the year decreased by RMB162,760,000.
  - f. The change of other product prices affected that the revenue decreased by RMB41,910,000.
- (3) Other incomes for the year decreased by RMB166,130,000 as compared with the same period of last year.

## 2. Contrastive analysis of operating revenue and the budget:

## Contrastive Analysis Sheet of Operating Revenue and the Budget in 2015

Unit: RMB0'000 yuan

Product name	Budget in 2015			Actual in 2015			Year-on-Year Increase or Decrease of Actual Revenue					Total
	Grade	Sales		Sales revenue	Sales		Sales revenue	Change of sales volume	Impact of sales volume	Change of sales price	Impact of sales price	
		volume (ton)	Unit cost		volume (ton)	Unit cost						
<b>- Domestic:</b>												
Molybdenum raw ore		2,078,806	78	16,140	2,033,000	66	13,480	-45,806	-356	-11	-2,304	-2,660
Molybdenum concentrate	47%	-	51,471	-	40	51,471	207	40	207	-	-	207
Molybdenum oxide	53%	2,717	58,348	15,853	6,870	47,107	32,360	4,153	24,229	-11,240	-7,722	16,508
Molybdenum oxide granule	60%	1,200	72,650	8,718	258	50,374	1,300	-942	-6,843	-22,275	-575	-7,418
Ferromolybdenum	60%	26,370	76,867	202,698	22,653	56,587	128,187	-3,717	-28,570	-20,280	-45,941	-74,511
Ammonium molybdate		870	80,693	7,020	797	67,792	5,401	-73	-592	-12,901	-1,028	-1,620
Molybdenum powder		60	163,248	979	169	133,204	2,256	109	1,785	-30,044	-509	1,276
High-purity molybdenum trioxide		66	102,906	679	68	74,565	507	2	20	-28,341	-193	-173
Molybdenum disulfide		-	114,621	-	7	114,621	84	7	84	-	-	84
Tungsten concentrate	100%	3,320	106,838	35,470	4,706	85,496	40,230	1,386	14,803	-21,342	-10,042	4,760
Tungstic acid	100%	5,400	116,344	62,826	3,374	91,003	30,704	-2,026	-23,572	-25,341	-8,550	-32,122
APT	100%	-	94,645	-	53	94,645	503	53	503	-	-	503
Gold (kg)		-	231,719	-	-	231,719	-	-	-	-	-	-
Silver (kg)		-	3,062	-	-	3,062	-	-	-	-	-	-
Electrolytic lead		-	11,812	-	-	11,812	-	-	-	-	-	-
Vitriol		37,420	65	244	32,075	150	480	-5,345	-35	84	271	236
Iron powder		-	209	-	3,475	209	73	3,475	73	-	-	73
Nickel plate		360	91,026	3,277	-	117,928	-	-360	-3,277	26,902	-	-3,277
Processing charges of molybdenum oxide		3,085	1,534	473	2,155	1,748	377	-930	-143	215	46	-96
Processing charges of ferromolybdenum		-	7,264	-	-	7,264	-	-	-	-	-	-
Others		-	-	4,822	-	-	3,987	-	-834	-	-	-834
Hotel revenue		-	-	6,787	-	-	6,400	-	-387	-	-	-387
Other revenues		-	-	4,413	-	-	5,247	-	833	-	-	833
Sub-total				370,400			271,780		-22,073		-76,546	-98,619
<b>- Australia:</b>												
Copper concentrate				172,198			144,280		-27,918	-	-	-27,918
Other revenue				-			3,624		3,624			3,624
Sub-total				172,198			147,904		-24,295		-	-24,295
Total operation revenue				542,598			419,684		-46,368		-76,546	-122,914

The actual sales revenue for the year reached RMB4,196,840,000, representing a decrease of RMB1,229,140,000 as compared with the budget of the year.

Including:

- (1) Changes of product sales volume affected that the sales revenue for the year decreased by RMB459,800,000 as compared with the budget, including:
  - a. The sales volume of ferromolybdenum for the year decreased by 3,717 tons as compared with the budget, affecting that the sales revenue decreased by RMB285,700,000.
  - b. The sales volume of molybdenum oxide for the year increased by 4,153 tons as compared with the budget, affecting that the sales revenue increased by RMB242,290,000.
  - c. The sales volume of molybdenum oxide granule for the year decreased by 942 tons as compared with the budget, affecting that the sales revenue decreased by RMB68,430,000.
  - d. The sales volume of tungsten concentrates for the year increased by 1,386 tons as compared with the budget, affecting that the sales revenue increased by RMB148,030,000.
  - e. The sales volume of tungstic acid for the year decreased by 2,026 tons as compared with the budget, affecting that the sales revenue decreased by RMB235,720,000.
  - f. The APT product for the year newly increased by 53 tons for selling affected that the income increased by RMB5,030,000.
  - g. The sales volume of trade product (nickel plate) for the year decreased by 360 tons as compared with the budget, affecting that the sales revenue decreased by RMB32,770,000.
  - h. The change of other product sales volumes affected that the revenue increased by RMB10,430,000.
  - i. Affected by Australia businesses, the revenue decreased by RMB242,950,000 as compared with the budget.

- (2) The sale prices of products for the year were lower than the budget ones, affecting that the sales decreased by RMB765.46 million, including:
- a. Sales price (tax inclusive) of ferromolybdenum for the year decreased by RMB23,728/ton as compared with the budget, affecting that operating revenue for the year decreased by RMB459,410,000.
  - b. Sales price (tax inclusive) of molybdenum oxide for the year decreased by RMB13,151/ton as compared with the budget, affecting that operating revenue for the year decreased by RMB77,220,000.
  - c. Sales price (tax inclusive) of molybdenum oxide granule for the year decreased by RMB26,062/ton as compared with the budget, affecting that operating revenue for the year decreased by RMB5,750,000.
  - d. Sales price (tax inclusive) of tungsten concentrates for the year decreased by RMB24,970/ton as compared with the budget, affecting that operating revenue for the year decreased by RMB100,420,000.
  - e. Sales price (tax inclusive) of tungstic acid for the year decreased by RMB29,649/ton as compared with the budget, affecting that operating revenue for the year decreased by RMB85,500,000.
    - a) The change of other products sales prices affected that the revenue decreased by RMB37,160,000.
- (3) Other revenues for the year decreased by RMB3,380,000 as compared with the budget.

## 3. Composition of operating revenue:

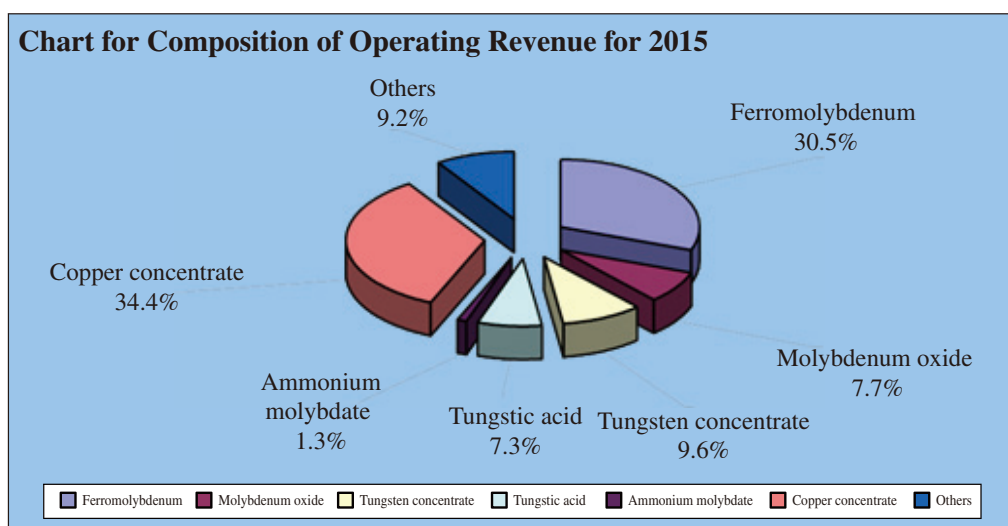
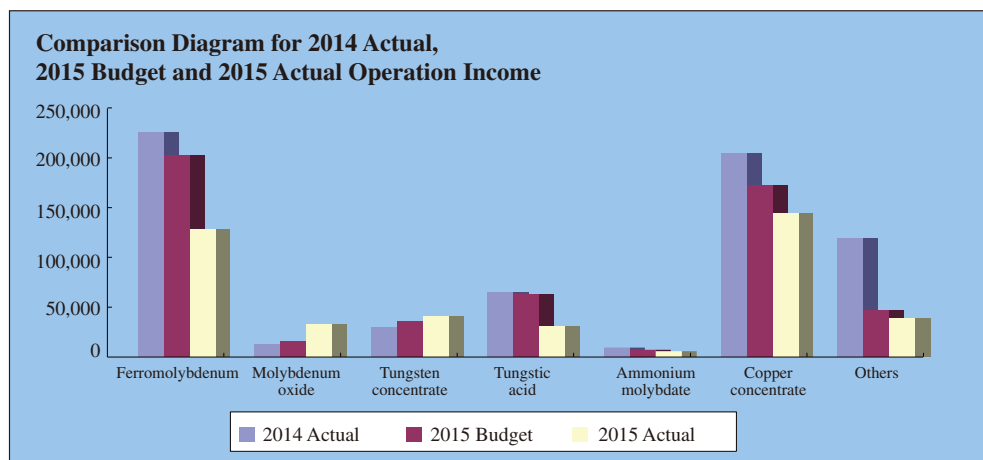


Table for operation revenue of main products accounting for the total revenue

Unit: RMB0'000 yuan

Product	Actual in 2014		Budget in 2015		Actual in 2015	
Ferromolybdenum	225,792	33.9%	202,698	37.4%	128,187	30.5%
Molybdenum oxide	12,696	1.9%	15,853	2.9%	32,360	7.7%
Tungsten concentrate	29,663	4.5%	35,470	6.5%	40,230	9.6%
Tungsten acid	64,712	9.7%	62,826	11.6%	30,704	7.3%
Ammonium molybdate	9,070	1.4%	7,020	1.3%	5,401	1.3%
Copper concentrate	204,942	30.8%	172,198	31.7%	144,280	34.4%
Others	119,363	17.9%	46,533	8.6%	38,522	9.2%
Total	<u>666,238</u>	<u>100%</u>	<u>542,598</u>	<u>100%</u>	<u>419,684</u>	<u>100%</u>

Comparison of the compositions of actual operation revenue in 2014, the budget in 2015 and actual operation revenue in 2015 of main products:



### 2.1.2 Revenue performance of main products

- Impact of changes in sales volume of main products on revenue:

**Table for impact of changes in sales volume of main products on sales revenue**

Product name	Actual in 2014		Budget in 2015		Actual in 2015		Revenue Influenced by Change of Sales Volume (RMB0'000)	
	Sales volume	Unit price	Sales volume	Unit price	Sales volume	Unit price	Compared with last year	Compared with budget
Ferromolybdenum (60%)	28,378	79,566	26,370	76,867	22,653	56,587	-45,549	-28,570
Molybdenum oxide (53%)	1,780	71,337	2,717	58,348	6,870	47,107	36,309	24,229
Tungsten concentrate (100%)	2,281	130,068	3,320	106,838	4,706	85,496	31,540	14,803
Tungstic acid (100%)	4,647	139,244	5,400	116,344	3,374	91,003	-17,732	-23,572
Gold (kg)	643	231,719	0	231,719	0	231,719	-14,903	0
Silver (kg)	40,868	3,062	0	3,062	0	3,062	-12,515	0
Electrolytic lead	18,259	11,812	0	11,812	0	11,812	-21,568	0

**Year-on-year comparison:** a decrease in revenue of RMB632,810,000 was caused by a decrease in the sales volume of ferromolybdenum and tungsten acid; a decrease of RMB489,860,000 was caused by the disposal of gold, silver and electrolytic lead businesses; an increase of RMB678,500,000 was caused by an increase in the sales volume of molybdenum oxide and tungsten concentrate.

**Comparison to the Budget:** a decrease in revenue of RMB521,420,000 was caused by a decrease in the sales volume of ferromolybdenum and tungsten acid; an increase of RMB390,320,000 was caused by an increase in the sales volume of molybdenum oxide and tungsten concentrate.



## 2. Impact of changes in selling price of main products on revenue:

**Table for impact of changes in selling price of main products on revenue**

Product name	Auctual in 2014		Budget in 2015		Auctual in 2015		Revenue Influenced by Change of Sales Volume (RMB0'000)	
	Sales volume	Unit price	Sales volume	Unit price	Sales volume	Unit price	Compared with last year	Compared with budget
Ferromolybdenum (60%)	28,378	79,566	26,370	76,867	22,653	56,587	-52,056	-45,941
Molybdenum oxide (53%)	1,780	71,337	2,717	58,348	6,870	47,107	-16,645	-7,722
Tungsten concentrate (100%)	2,281	130,068	3,320	106,838	4,706	85,496	-20,973	-10,042
Tungstic acid (100%)	4,647	139,244	5,400	116,344	3,374	91,003	-16,276	-8,550
Gold (kg)	643	231,719	0	231,719	0	231,719	0	0
Silver (kg)	40,868	3,062	0	3,062	0	3,062	0	0
Electrolytic lead	18,259	11,812	0	11,812	0	11,812	0	0

**Year-on-year comparison:** a total decrease in revenue of RMB1,059,500,000 was caused by a decrease in the unit price of ferromolybdenum, molybdenum oxide, tungsten concentrate and tungstic acid.

**Comparison to the Budget:** a total decrease in revenue of RMB722,550,000 was caused by a decrease in the unit price of ferromolybdenum, molybdenum oxide, tungsten concentrate and tungstic acid.

## 2.2. ANALYSIS ON THE OPERATING COST PERFORMANCE

## 2.2.1 Total cost performance

## 1. Year-on-year contrastive analysis of operating cost:

## Year-on-year contrastive analysis sheet of operating costs in 2015

Unit: RMB0'000 yuan

Product name	Actual in 2014			Actual in 2015			Year-on-Year Decrease or Increase of Actual cost					Total
	grade	Sales volume (ton)	Unit cost	Cost of sales	Sales volume (ton)	Unit cost	Cost of sales	Change of sales volume	Impact of sales volume	Change of unit cost	Impact of sales price	
<b>- Domestic:</b>												
Molybdenum raw ore		2,025,012	33	6,705	2,033,000	19	3,821	7,988	26	-14	-2,911	-2,884
Molybdenum concentrate	47%	696	38,709	2,694	40	51,499	207	-656	-2,538	12,790	51	-2,487
Molybdenum oxide	53%	1,780	31,216	5,555	6,870	22,984	15,789	5,090	15,889	-8,232	-5,655	10,234
Molybdenum oxide granule	60%	1,566	35,105	5,496	258	36,253	935	-1,308	-4,591	1,148	30	-4,561
Ferromolybdenum	60%	28,378	53,772	152,593	22,653	46,975	106,414	-5,725	-30,783	-6,797	-15,397	-46,179
Ammonium molybdate		1,075	68,508	7,365	797	62,035	4,942	-278	-1,907	-6,473	-516	-2,423
Molybdenum powder		49	161,694	787	169	124,075	2,101	121	1,951	-37,619	-637	1,314
High-purity molybdenum trioxide		20	89,658	182	68	46,399	315	48	428	-43,259	-294	134
Molybdenum disulfide		10	123,077	126	7	34,592	25	-3	-36	-88,485	-65	-101
Tungsten concentrate	100%	2,281	19,751	4,504	4,706	20,245	9,526	2,425	4,789	494	233	5,022
Tungstic acid	100%	4,647	27,344	12,708	3,374	22,118	7,462	-1,273	-3,482	-5,226	-1,763	-5,245
APT	100%	0	84,381	-	53	84,381	448	53	448	-	-	448
Gold (kg)		643	181,772	11,690	-	181,772	-	-643	-11,690	-	-	-11,690
Silver (kg)		40,868	3,837	15,682	-	3,837	-	-40,868	-15,682	-	-	-15,682
Electrolytic lead		18,259	13,495	24,641	-	13,495	-	-18,259	-24,641	-	-	-24,641
Vitriol		59,201	551	3,262	32,075	576	1,846	-27,126	-1,495	24	78	-1,416
Iron powder		0	202	-	3,475	202	70	3,475	70	-	-	70
Nickel plate		100	112,498	1,127	-	112,498	-	-100	-1,127	-	-	-1,127
Processing charges of molybdenum oxide		3,648	624	228	2,155	704	152	-1,493	-93	80	17	-76
Processing charges of ferromolybdenum		356	5,255	187	-	-	-	-356	-187	-5,255	-	-187
Others				19,610	-	-	3,376		-16,234		-	-16,234
Hotel Incomes				6,281	-	-	6,385		104		-	104
Other revenues				6,556	-	-	5,304		-1,252		-	-1,252
Sub-total				287,979			169,119		-92,033		-26,828	-118,861
<b>- Australia:</b>												
Copper concentrate	53%			99,164			93,126		-6,038	-	-	-6,038
Other revenue	60%			0			0		-		-	-
Sub-total				99,164			93,126		-6,038		0	-6,038
Total operation revenue				387,143			262,245		-98,070		-26,828	-124,898

The actual sales revenue for the year reached RMB2,622,450,000, representing a decrease of RMB1,248,980,000 as compared the same period of last year.

Including:

- (1) Changes of product sales volume affected that the operating costs for the year decreased by RMB806,890,000 as compared with that of the current period, including:
  - a. The sales volume of ferromolybdenum for the year decreased by 5,725 tons as compared with the same period of last year, affecting that the operation cost decreased by RMB307,830,000.
  - b. The sales volume of molybdenum oxide for the year increased by 5,090 tons as compared with the same period of last year, affecting that the operation cost increased by RMB158,890,000.
  - c. The sales volume of molybdenum oxide granule for the year decreased by 1,308 tons as compared with the same period of last year, affecting that the operation cost decreased by RMB45,910,000.
  - d. The sales volume of tungsten concentrate for the year increased by 2,425 tons as compared with the same period of last year, affecting that the operation cost increased by RMB47,890,000.
  - e. The sales volume of tungstic acid for the year decreased by 1,273 tons as compared with the same period of last year, affecting that the operation cost decreased by RMB34,820,000.
  - f. The APT product for the year newly increased by 53 tons for selling affected that the operation cost increased by RMB4,480,000.
  - g. Due to the respective selling of the gold business and silver business in 2014 and 2015, a decrease of RMB273,720,000 in operation cost to relevant products was caused.
  - h. Due to the selling of Yongning Gold & Lead Company, a decrease of RMB246,410,000 in electrolytic lead operation cost was caused.

- i. The sales volume of trade product (nickel plate) for the year decreased 100 tons as compared with the same period of last year, affecting that the operation cost decreased by RMB11,270,000.
  - j. The increase or decrease of other product sales volumes affected that the operation cost decreased by RMB37,810,000.
  - k. Affected by Australia businesses, the operation cost decreased by RMB60,380,000 as compared with the same period of last year.
- (2) The unit selling costs of products for the year were lower than the same period of last year, affecting that the operation cost of the current year decreased by RMB268,280,000, including:
- a. The unit selling cost of ferromolybdenum for the year decreased by RMB6,797/ton as compared with the same period of last year, affecting that operating cost for the year decreased by RMB153,970,000.
  - b. The unit selling cost of molybdenum oxide for the year decreased by RMB8,232/ton as compared with the same period of last year, affecting that operating cost for the year decreased by RMB56,550,000.
  - c. The unit selling cost of tungsten concentrate for the year increased by RMB494/ton as compared with the same period of last year, affecting that operating cost for the year increased by RMB2,330,000.
  - d. The unit selling cost of tungstic acid for the year decreased by RMB5,226/ton as compared with the same period of last year, affecting that operating cost for the year decreased by RMB17,630,000.
  - e. The increase or decrease of other products costs affected that operation cost decreased by RMB42,460,000.
- (3) Other costs for the year decreased by RMB173,810,000 as compared with the same period of last year.

## 2. Comparative Analysis of Operation Cost and the Budget:

## Comparative analysis sheet of operation cost and the budget in 2015

Unit: RMB0'000 yuan

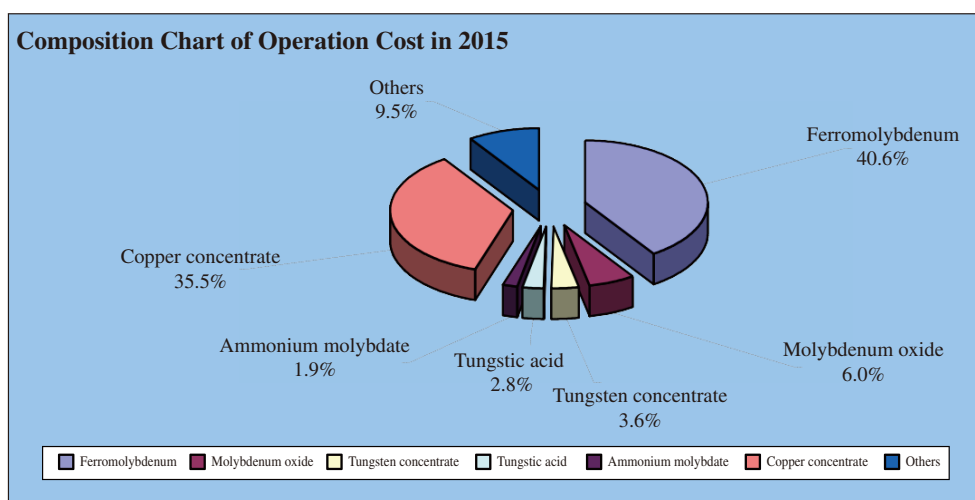
Product name	Budget in 2015			Actual in 2015			Actual cost (Compared with budget)					Total
	Grade	Sales volume (ton)	Unit cost	Cost of sales	Sales volume (ton)	Unit cost	Cost of sales	Change of sales volume	Impact of sales volume	Change of unit cost	Impact of sales price	
<b>- Domestic:</b>												
Molybdenum raw ore		2,078,806	34	7,120	2,033,000	19	3,821	-45,806	-157	-15	-3,142	-3,299
Molybdenum concentrate	47%	-	51,499	-	40	51,499	207	40	207	-	-	207
Molybdenum oxide	53%	2,717	42,732	11,610	6,870	22,984	15,789	4,153	17,745	-19,748	-13,566	4,179
Molybdenum oxide granule	60%	1,200	51,244	6,149	258	36,253	935	-942	-4,827	-14,991	-387	-5,214
Ferromolybdenum	60%	26,370	57,140	150,678	22,653	46,975	106,414	-3,717	-21,238	-10,164	-23,026	-44,264
Ammonium molybdate		870	77,149	6,712	797	62,035	4,942	-73	-566	-15,114	-1,204	-1,770
Molybdenum powder		60	153,216	919	169	124,075	2,101	109	1,675	-29,141	-493	1,182
High-purity molybdenum trioxide		66	111,169	734	68	46,399	315	2	22	-64,770	-440	-418
Molybdenum disulfide		-	34,592	-	7	34,592	25	7	25	-	-	25
Tungsten concentrate	100%	3,320	17,734	5,888	4,706	20,245	9,526	1,386	2,457	2,511	1,181	3,639
Tungstic acid	100%	5,400	25,518	13,780	3,374	22,118	7,462	-2,026	-5,170	-3,400	-1,147	-6,317
APT	100%	-	84,381	-	53	84,381	448	53	448	-	-	448
Gold (kg)		-	-	-	-	-	-	0	-	-	-	-
Silver (kg)		-	-	-	-	-	-	0	-	-	-	-
Electrolytic lead		-	-	-	-	-	-	0	-	-	-	-
Vitriol		37,420	903	3,378	32,075	576	1,846	-5,345	-482	-327	-1,049	-1,532
Iron powder		-	202	-	3,475	202	70	3,475	70	-	-	70
Nickel plate		360	90,171	3,246	-	112,498	-	-360	-3,246	22,327	-	-3,246
Processing charges of molybdenum oxide		3,085	951	293	2,155	704	152	-930	-88	-247	-53	-142
Processing charges of ferromolybdenum		-	-	-	-	-	-	-	-	-	-	-
Others		-	-	4,586	-	-	3,376	-	-1,210	-	-	-1,210
Hotel Incomes		-	-	6,115	-	-	6,385	-	270	-	-	270
Other business revenue		-	-	5,554	-	-	5,304	-	-251	-	-	-251
Sub-total				226,762			169,119		-14,317		-43,327	-57,644
<b>- Australia:</b>												
Copper concentrate	53%			86,618			93,126		6,509	-	-	6,509
Other business revenue	60%			-			-		-	-	-	-
Sub-total				86,618			93,126		6,509		-	6,509
Total operation revenue				313,380			262,245		-7,808		-43,327	-51,135

The actual sales revenue for the year reached RMB2,622,450,000, representing a decrease of RMB511,350,000 as compared the budget, including:

- (1) Changes of product sales volume affected that the operating costs for the year decreased by RMB66,170,000 as compared with the budget, including:
  - a. The sales volume of ferro molybdenum for the year decreased by 3,717 tons as compared the budget, affecting that the operation cost decreased by RMB212,380,000.
  - b. The sales volume of molybdenum oxide for the year increased by 4,153 tons as compared with the budget, affecting that the operation cost increased by RMB177,450,000.
  - c. The sales volume of molybdenum oxide granule for the year decreased by 942 tons as compared with the budget, affecting that the operation cost decreased by RMB48,270,000.
  - d. The sales volume of tungsten concentrate for the year increased by 1,386 tons as compared with the budget, affecting that the operation cost increased by RMB24,570,000.
  - e. The sales volume of tungstic acid for the year decreased by 2,026 tons as compared with the budget, affecting that the operation cost decreased by RMB51,700,000.
  - f. The APT product for the year newly increased by 53 tons for selling affected that the operation cost increased by RMB4,480,000.
  - g. The sales volume of trade product (nickel plate) for the year decreased by 360 tons as compared with the budget, affecting that the operation cost decreased by RMB32,460,000.
  - h. The increase or decrease of other product sales volumes affected that the operation cost increased by RMB7,050,000.
  - i. Affected by Australia businesses, the operation cost increased by RMB65,090,000 as compared with the budget.

- (2) The unit selling costs of products for the year were lower than the budget, affecting that the operation cost of the current year decreased by RMB433,270,000, including:
- a. The unit selling cost of ferromolybdenum for the year decreased by RMB10,164/ton as compared with the budget, affecting that operating cost for the year decreased by RMB230,260,000.
  - b. The unit selling cost of molybdenum oxide for the year decreased by RMB19,748/ton as compared with the budget, affecting that operating cost for the year decreased by RMB135,660,000.
  - c. The unit selling cost of tungsten concentrate for the year increased by RMB2,511/ton as compared with the budget, affecting that operating cost for the year decreased by RMB11,810,000.
  - d. The unit selling cost of tungstic acid for the year decreased by RMB3,400/ton as compared with the budget, affecting that operating cost for the year decreased by RMB11,470,000.
  - e. The increase or decrease of other products costs affected that operation cost decreased by RMB67,690,000.
- (3) Other costs for the year decreased by RMB11,910,000 as compared with the same period of last year.

## 3. Composition of Operation Cost:



Composition of operation cost of main products in 2014, 2015 and budget in 2015:

**Table for operation cost of main products accounting for the total cost**

*Unit: RMB0'000 yuan*

Product	Actual in 2014		Budget in 2015		Actual in 2015	
Ferromolybdenum	152,593	39.4%	150,678	48.1%	106,414	40.6%
Molybdenum oxide	5,555	1.4%	11,610	3.7%	15,789	6.0%
Tungsten concentrate	4,504	1.2%	5,888	1.9%	9,526	3.6%
Tungstic acid	12,708	3.3%	13,780	4.4%	7,462	2.8%
Ammonium molybdate	7,365	1.9%	6,712	2.1%	4,942	1.9%
Copper concentrate	99,164	25.6%	86,618	27.6%	93,126	35.5%
Others	105,254	27.2%	38,095	12.2%	24,985	9.5%
<b>Total</b>	<b>387,143</b>	<b>100%</b>	<b>313,380</b>	<b>100%</b>	<b>262,245</b>	<b>100%</b>



### 2.2.2 Operation Cost Performance of Main Products

1. Impact of sales volume of main products on operation cost:

**Table for Impact of sales volume of main products on operation cost:**

Product name	Actual in 2014		Budget in 2015		Actual in 2015		Revenue influenced by sales variation (RMB0'000)	
	Sales	Unit	Sales	Unit	Sales	Unit	Compared with last year	Compared with budget
	volume	cost	volume	cost	volume	cost		
Ferromolybdenum (60%)	28,378	53,772	26,370	57,140	22,653	46,975	-30,783	-21,238
Molybdenum oxide (53%)	1,780	31,216	2,717	42,732	6,870	22,984	15,889	17,745
Tungsten concentrate (100%)	2,281	19,751	3,320	17,734	4,706	20,245	4,789	2,457
Tungstic acid (100%)	4,647	27,344	5,400	25,518	3,374	22,118	-3,482	-5,170
Gold (kg)	643	181,772	-	-	-	-	-11,690	-
Silver (kg)	40,868	3,837	-	-	-	-	-15,682	-
Electrolytic lead	18,259	13,495	-	-	-	-	-24,641	-

**Year-on-year comparison:** a decrease of RMB342,650,000 was caused by the sales volume decrease of ferromolybdenum and tungsten acid; a decrease of RMB520,130,000 was caused by the fact that gold, silver and electrolytic lead businesses were sold; an increase of RMB206,780,000 was caused by the sales volume increase of molybdenum oxide and tungsten concentrate.

**Comparison to the Budget:** a decrease of RMB264,080,000 was caused by the sales volume decrease of ferromolybdenum and tungsten acid; an increase of RMB202,020,000 was caused by the sales volume increase of molybdenum oxide and tungsten concentrate.

## 2. Impact of changes in unit selling cost of main products on operating cost:

**Table for Impact of changes in unit selling cost  
of main products on operating cost**

Product name	Actual in 2014		Budget in 2015		Actual in 2015		Cost influenced by unit cost (RMB0'000)	
	Sales volume	Unit cost	Sales volume	Unit cost	Sales volume	Unit cost	Compared with last year	Compared with budget
Ferromolybdenum (60%)	28,378	53,772	26,370	57,140	22,653	46,975	-15,397	-23,026
Molybdenum oxide (53%)	1,780	31,216	2,717	42,732	6,870	22,984	-5,655	-13,566
Tungsten concentrate (100%)	2,281	19,751	3,320	17,734	4,706	20,245	233	1,181
Tungstic acid (100%)	4,647	27,344	5,400	25,518	3,374	22,118	-1,763	-1,147
Gold (kg)	643	181,772	-	-	-	-	-	-
Silver (kg)	40,868	3,837	-	-	-	-	-	-
Electrolytic lead	18,259	13,495	-	-	-	-	-	-

**Year-on-year comparison:** a decrease of RMB228,150,000 was caused by the sales volume decrease of ferromolybdenum, molybdenum oxide and tungsten acid; an increase of RMB2,330,000 was caused by the sales volume increase of tungsten concentrate.

**Comparison to the Budget:** a decrease of RMB377,390,000 was caused by the sales volume decrease of ferromolybdenum, molybdenum oxide and tungsten acid; an increase of RMB11,810,000 was caused by the sales volume increase of and tungsten concentrate.

## 2.3. ANALYSIS ON PRODUCTION COST PERFORMANCE OF MAIN PRODUCTS OF THE COMPANY

### 2.3.1 Production cost of main products

#### Comparison of Production cost of main products

Item	2015 actual	2015 budget	2014 actual	Comparison to the Budget	Year- on-year comparison
Unit cost of molybdenum					
concentrate	54,204	67,827	62,397	-13,623	-8,193
Unit cost of tungsten concentrate	16,362	17,734	19,481	-1,372	-3,119
Processing cost of					
ferromolybdenum	6,662	7,244	7,084	-582	-422

### 2.3.2 Production cost of molybdenum concentrate

#### Molybdenum concentrate cost performance

Cost Item	Unit	2015 actual	2015 budget	2014 actual	Actual budget	Year-on-year comparison
1. Direct mining cost	RMB	9.02	9.71	9.76	-0.69	-0.74
2. Direct Stripping Cost	RMB	7.12	8.52	7.54	-1.39	-0.41
3. Machinery expenses	RMB	4.63	4.75	4.83	-0.12	-0.19
Including: manufacturing expenses	RMB	1.22	1.28	1.30	-0.06	-0.08
Machinery operators	RMB	1.66	1.63	1.80	0.03	-0.14
Depreciation cost	RMB	1.75	1.85	1.73	-0.09	0.03
4. Fixed expenses	RMB	7.32	9.43	9.89	-2.11	-2.57
Including: safety expenses	RMB	5.00	5.00	5.00	0.00	0.00
Mining rights apportioned						
expenses	RMB	1.50	1.48	1.54	0.02	-0.05
Resources compensation						
expenses	RMB	0.82	2.95	3.35	-2.13	-2.53
5. Conversion into ore cost	RMB	28.41	32.70	29.64	-4.29	-1.23
Mining quantity	0'000 tons	1,818.41	1,845.00	1,764.28	-26.59	54.13
Stripping quantity	0'000 tons	1,898.82	1,908.60	1,209.14	-9.78	689.68
Stripping ratio	times	1.04	1.03	0.69	0.01	0.36

**Year-on-year comparison:** the unit cost of molybdenum raw ore decreased by RMB1.23/ton (that in the same period of last year: RMB29.64/ton). Such change was caused by the fact that the resources compensation was reduced by RMB2.53 while the ore cost had a year-on-year increase of RMB1.3 mainly because the stripping ratio sharply increased by 0.36.

**Comparison to the budget:** the actual cost of molybdenum raw ore in current year was RMB28.41/ton, meaning a decrease of RMB4.29/ton compared with the budget. Such difference was caused by the fact that mining companies did not assume mineral resources compensation any longer after the adjustment of national resources tax policy and such change resulted in a decrease of RMB2.13 compared with the budgetary cost while the ore cost had a decrease of RMB2.16 compared with the budgetary cost mainly because the transportation cost decreased (mainly due to the reduction of haul distance and freight price per tonnage-kilometer).

### 2.3.3 Production cost of molybdenum concentrate

Budget	Ore Grinding Cost										Ore Concentrate Cost	
	Ore Cost	Ore Grinding Cost					Subtotal		Total	Dressing Ratio		
		Materials Expenses	Power Expenses	Labor Expenses	Manufacturing Expenses	Grinding Cost of Ore	Administrative Cost	Subtotal				
Actual cost in 2014	99	9.91	14.39	13.59	11.23	49.12	1.12	50.24	149.24	449	67,039	
Budget cost in 2015	99	10.00	13.66	11.81	12.88	48.35	1.00	49.35	148.35	471	69,929	
Actual cost in 2015	99	9.63	12.87	12.29	12.13	46.92	1.11	48.03	147.03	449	66,062	
Comparison of actual cost and budget	0	-0.37	-0.80	0.47	-0.74	-1.43	0.11	-1.32	-1.32	-22	-3,867	
Comparison of actual cost in current year and that in last year	0	-0.28	-1.52	-1.31	0.90	-2.20	-0.01	-2.21	-2.21	0.11	-977	
Difference from budgetary cost		-164	-357	213	-334	-642	49	-593	-593	-3,274	-3,867	
Difference from the cost in last year		-124	-683	-587	405	-989	-4	-993	-993	16	-977	

**Year-on-year comparison:** the actual unit cost of molybdenum concentrate (47% content) in current year was RMB66,062, indicating a year-on-year decrease of RMB977 and mainly resulting from the change of ore grinding cost change.

Ore dressing ration in current year increased by 0.11 ton, which resulted in a unit cost increase of RMB16 to the concentrate cost.

Ore grinding cost in current year was RMB48.03 and decreased by RMB2.21, which resulted in a cost decrease of RMB993 to the concentrate cost. Causes of ore grinding cost decrease included:

- (1) **Materials Expenses:** it had a year-on-year decrease of RMB0.28, which resulted in a decrease of RMB124 to the unit production cost of molybdenum concentrate. It is mainly because all ore dressing units enhanced inventory management and optimized technological level and the Group adopted united bid mechanism that the materials expenses was economized.
- (2) **Power Expenses:** it had a year-on-year decrease of RMB1.52, which resulted in a decrease of RMB683 to the unit cost of molybdenum concentrate. Thanks to the implementation of peak-valley TOU electricity pricing mechanism since late April of current year, the unit average electricity price of molybdenum dressing had a significant decrease, which resulted in the decrease of power expenses.
- (3) **Labor Expenses:** it had a year-on-year decrease of RMB1.31, which resulted in a decrease of RMB587 to the unit cost of molybdenum concentrate. It is mainly because the actual processing capacity of current year increased by 700,000 tons on year-on-year basis that such fixed expenses as cost of labor decreased.
- (4) **Manufacturing Expenses:** it had a year-on-year increase of RMB0.9, which resulted in a increase of RMB405 to the unit cost of molybdenum concentrate. It is mainly because safety expenses for mine, phase II and phase III ore dressing and tailings handling expenses for phase I ore dressing had a sharp year-on-year increase that unit cost increased.
- (5) **Subsidiary management fees:** it had a year-on-year decrease of RMB0.01, which resulted in a decrease of RMB4 to the unit cost of molybdenum concentrate.

**Budget comparison:** the actual unit cost of molybdenum concentrate (47% content) in current year was RMB66,062, indicating a budget unit decrease of RMB3,867 and mainly resulting from Ore dressing ration and the change of ore grinding cost change.

Ore dressing ration in current year's budget decreased by 22 tons, which resulted in a unit cost decrease of RMB3,274 to the concentrate cost.

Ore grinding cost in current year was RMB48.03 and decreased by RMB1.32, which resulted in a cost decrease of RMB593 to the concentrate cost. Causes of ore grinding cost decrease included:

- (1) Materials Expenses: it had a year-on-year decrease of RMB0.37, which resulted in a decrease of RMB164 to the unit production cost of molybdenum concentrate. It is mainly because all ore dressing units enhanced inventory management and optimized technological level and the Group adopted united bid mechanism that the materials expenses was economized.
- (2) Power Expenses: it had a year-on-year decrease of RMB0.80, which resulted in a decrease of RMB357 to the unit cost of molybdenum concentrate. Thanks to the implementation of peak-valley TOU electricity pricing mechanism since late April of current year, the unit average electricity price of molybdenum dressing had a significant decrease, which resulted in the decrease of power expenses.
- (3) Labor Expenses: it had a year-on-year increase of RMB0.47, which resulted in a increase of RMB213 to the unit cost of molybdenum concentrate. It is mainly because all the units well fulfilled the performance appraisal indicators and the actual wage payments exceeded the budget.
- (4) Manufacturing Expenses: it had a year-on-year decrease of RMB0.74, which resulted in a decrease of RMB334 to the unit cost of molybdenum concentrate. It is mainly because the safety expenses was lower than the budget.
- (5) Subsidiary Management Fees: it had a year-on-year increase of RMB0.11, which resulted in a increase of RMB49 to the unit cost of molybdenum concentrate.

## 2.3.4 Processing cost of ferromolybdenum

Number	Products Names	Cost structure	Actual income	Budget in	Actual Cost	Comparison	Year-on-Year
			in 2015	2015	in 2014	of Budgetary Cost	Comparison
1	Molybdenum oxide	Direct materials expenses	222.5	167.5	167.4	54.9	55.1
2		Direct power expenses	68.4	69.0	68.9	-0.6	-0.5
3		Direct cost of labor	340.8	327.0	332.0	13.8	8.8
4		Manufacturing expenses	626.0	682.6	600.4	-56.6	25.5
5		Sub-total	1,257.7	1,246.1	1,168.7	11.6	89.0
6	Ferromolybdenum	Direct materials expenses	3,138.5	3,780.1	3,788.2	-641.6	-649.8
7		Direct power expenses	35.2	34.1	29.0	1.1	6.2
8		Direct cost of labor	422.7	392.1	465.8	30.6	-43.1
9		Manufacturing expenses	624.0	570.3	535.6	53.8	88.4
10		Sub-total	4,220.4	4,776.5	4,818.6	-556.1	-598.2
11	Vitriol	Direct materials expenses	168.3	171.3	148.7	-3.0	19.6
12		Direct power expenses	188.7	170.1	170.9	18.6	17.8
13		Direct cost of labor	76.2	80.7	79.9	-4.5	-3.6
14		Manufacturing expenses	435.4	480.6	405.3	-45.1	30.2
15		Sub-total	868.7	902.7	804.7	-34.0	64.0
16	Comprehensive	Direct materials expenses	3,587.1	4,169.1	4,151.1	-581.9	-564.0
17	processing of	Direct power expenses	330.5	308.7	304.3	21.7	26.1
18	ferromolybdenum	Direct cost of labor	901.5	860.2	938.6	41.4	-37.1
19		Manufacturing expenses	1,842.6	1,905.7	1,690.3	-63.1	152.4
20		Administrative expenses	1,269.4	1,136.9	1,066.6	132.5	202.8
21		In Total	<u>7,931.2</u>	<u>8,380.6</u>	<u>8,151.0</u>	<u>-449.4</u>	<u>-219.8</u>

**Year-on-year comparison:** the comprehensive processing cost of ferromolybdenum in current year was RMB7,931, a decrease of RMB220 to the same period of last year (RMB8,151/ton), including:

The processing cost of molybdenum oxide increased by RMB89. It is mainly because the increase of national molybdenum reserve business resulted the increase of packing expenses and the decrease of molybdenum oxide output caused the increase of unit fixed cost;

The processing cost of vitriol increased by RMB64. It is mainly because the vitriol output decreased on year-on-year basis that the unit fixed cost increased;

The processing cost of ferromolybdenum decreased by RMB598. It is mainly because the prices of such main raw materials as silica powder and aluminum granule fell that the cost decrease was caused.

**Budget comparison:** the comprehensive processing cost of ferromolybdenum in current year was RMB7,931, a decrease of RMB449 to the budget (RMB8,381), including:

The processing cost of molybdenum oxide increased by RMB11.6. It is because the increase of national molybdenum oxide reserves business resulted in the increase of packing cost and at the same time the increase (compared with the budgetary output) of molybdenum oxide output influenced the dilution of fixed cost. The factors above jointly had impact on the cost fluctuation;

The processing cost of vitriol decreased by RMB34. It is mainly because the sufficiency of roasting raw material and the stability of gas concentration resulted in high conversion ratio of vitriol and the output exceeded the budget that the dilution of fixed cost was influenced;

The processing cost of ferromolybdenum decreased by RMB556. It is mainly because all the prices of such main raw materials as silica powder and aluminum granule fell to some extent that the cost decrease was caused.

### 2.3.5 Production cost of scheelite

Budget	Ore Grinding Cost				Total	Ore Dressing Ratio (100%)	Concentrate Cost
	Materials Expenses	Power Expenses	Labor Expenses	Manufacturing Expenses			
Actual cost in 2014	8.48	2.43	3.44	1.78	16.14	1,379	22,256
Budget in 2015	8.23	2.36	3.22	1.78	15.60	1,391	21,689
Actual cost in 2015	8.28	2.14	3.45	1.74	15.61	1,221	19,064
Comparison of actual cost and budget	0.05	-0.22	0.22	-0.03	0.01	-169	-2,625
Comparison of actual cost in current year and that in last year	-0.21	-0.29	0.00	-0.03	-0.52	-158	-3,192
Difference from budgetary cost	58	-269	270	-41	18	-2,643	-2,625
Difference from the cost in last year	-252	-352	3	-39	-640	-2,552	-3,192



**Year-on-year comparison:** the actual unit cost of Tungsten concentrate (100% content) in current year was RMB19,064, a decrease of RMB3,192 to the same period of last year, including:

1. Ore grinding cost had a year-on-year decrease of RMB0.52, which caused that the production cost of tungsten concentrate decreased by RMB640.

The year-on-year decrease of ore grinding cost was mainly because the decrease of material expenses and power expenses. It is because all ore dressing units enhanced inventory management and optimized technological level and the Group adopted united bid mechanism that the materials expenses was economized. Thanks to the implementation of peak-valley TOU electricity pricing mechanism since late April of current year, the unit average electricity price of tungsten dressing had a significant decrease, which resulted in the decrease of power expenses.

2. Ore concentration ratio had a year-on-year decrease of 158 ton, which caused that the unit production cost of tungsten concentrate decreased by RMB2,552.

Because the grade and the recovery rate of raw ore had a year-on-year increase, the ore concentration ratio had a year-on-year decrease.

**Budget comparison:** the actual unit cost of Tungsten concentrate (100% content) in current year was RMB19,064, a decrease of RMB2,625 to the budget unit cost, including:

1. Ore grinding cost had a year-on-year increase of RMB0.01, which caused that the production cost of tungsten concentrate increased by RMB18.
2. Ore concentration ratio had a year-on-year decrease of 169 ton, which caused that the unit production cost of tungsten concentrate decreased by RMB2,643.

Because the grade and the recovery rate of raw ore had a year-on-year increase, the ore concentration ratio had a year-on-year decrease.

## 2.4. ANALYSIS OF GROSS PROFIT ACHIEVED

## 2.4.1 Comparative analysis of actual gross profit in 2015 and that in 2014

## Comparative analysis of actual gross profit in 2015 and that in 2014

Unit: RMB0'000 yuan

Product name	Grade	Actual Income in 2014				Actual Income in 2015				Comparison year			Total
		Sales	Sales	Unit	Gross	Sales	Unit	Unit	Gross	Sales			
		Volume (ton)	price	Cost	profit	Volume (ton)	Price	Cost	profit	Volume influence	Sales influence	Cost influence	
<b>- Domestic:</b>													
Molybdenum raw ore		2,025,012	78	33	9,000	2,033,000	66	19	9,659	36	-2,288	2,911	659
Molybdenum concentrate	47%	696	53,640	38,709	1,039	40	51,471	51,499	-0	-979	-9	-51	-1,039
Molybdenum oxide	53%	1,780	71,337	31,216	7,140	6,870	47,107	22,984	16,571	20,421	-16,645	5,655	9,431
Molybdenum oxide granule	60%	1,566	74,823	35,105	6,219	258	50,374	36,253	364	-5,194	-631	-30	-5,854
Ferromolybdenum	60%	28,378	79,566	53,772	73,198	22,653	56,587	46,975	21,773	-14,766	-52,056	15,397	-51,425
Ammonium molybdate		1,075	84,374	68,508	1,706	797	67,792	62,035	459	-442	-1,321	516	-1,247
Molybdenum powder		49	167,833	161,694	30	169	133,204	124,075	155	74	-586	637	125
High-purity molybdenum trioxide		20	110,135	89,658	41	68	74,565	46,399	191	98	-242	294	150
Molybdenum disulfide		10	109,865	123,077	-14	7	114,621	34,592	58	4	3	65	72
Tungsten concentrate	100%	2,281	130,068	19,751	25,159	4,706	85,496	20,245	30,704	26,751	-20,973	-233	5,545
Tungstic acid	100%	4,647	139,244	27,344	52,005	3,374	91,003	22,118	23,241	-14,250	-16,276	1,763	-28,763
APT	100%	-	94,645	84,381	-	53	94,645	84,381	54	54	-	-	54
Gold (kg)		643	231,719	181,772	3,212	-	231,719	181,772	-	-3,212	-	-	-3,212
Silver (kg)		40,868	3,062	3,837	-3,167	-	3,062	3,837	-	3,167	-	-	3,167
Electrolytic lead		18,259	11,812	13,495	-3,073	-	11,812	13,495	-	3,073	-	-	3,073
Vitriol		59,201	69	551	-2,856	32,075	150	576	-1,366	1,308	260	-78	1,490
Iron powder		-	209	202	-	3,475	209	202	3	3	-	-	3
Nickel plate		100	117,928	112,498	54	-	117,928	112,498	-	-54	-	-	-54
Processing charges of molybdenum oxide		3,648	1,790	624	425	2,155	1,748	704	225	-174	-9	-17	-200

Product name	Actual Income in 2014				Actual Income in 2015				Comparison year			Total	
	Grade	Sales		Unit Cost	Gross profit	Sales		Unit Price	Unit Cost	Gross profit	Sales		
		Volume (ton)	price			Volume (ton)	Price				Volume influence		Sales influence
Processing charges of													
ferromolybdenum		356	7,264	5,255	71	-	7,264	5,255	-	-71	-	-	-71
Others		-	-	-	-1,846	-	-	-	611	2,457			2,457
Hotel Incomes		-	-	-	1,235	-	-	-	15	-1,220			-1,220
Other business income		-	-	-	412	-	-	-	-57	-469			-469
Sub-total					-	169,992			102,662	16,613	-110,772	26,828	-67,330
<b>- Australian:</b>													
copper concentrates					-	105,778			51,154	-54,625	-	-	-54,625
Other business income					-	3,325			3,624	299	-	-	299
Sub-total					-	109,103			54,777	-54,326	-	-	-54,326
Operating revenue total						279,095			157,439	-37,712	-110,772	26,828	-121,656

In 2015, the Company achieved gross product profit of RMB1,574,390,000 representing year on year decrease of RMB1,216,560,000 specifically as follows:

- (1) The change in sales of main products led to the increase of RMB158,450,000 in total profit this year.
- (2) The year-on-year decrease in selling price of main products led to the decrease of RMB1,107,720,000 in total profit this year.
- (3) The year-on-year decrease in the unit selling price of main products led to the increase of RMB268,280,000 in total profit this year.
- (4) Other business led to the increase of RMB7,690,000 in total profit this year.
- (5) The business in Australia led to the decrease of RMB543,260,000 in total profit this year.

## 2.4.2 Comparative analysis of actual and budgetary gross profits in 2015

## Contrastive Analysis of Actual and Budgetary Gross Profits in 2015

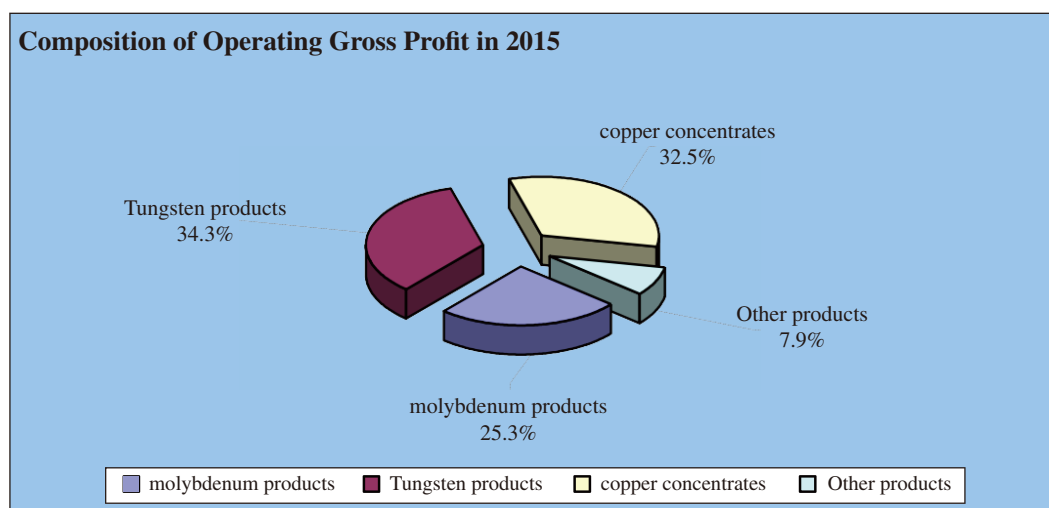
Unit: RMB0'000

Product name	Grade	Budget in 2015				Actual Income in 2015				Comparison year			Total
		Sales Volume (ton)	Sales price	Unit Cost	Gross profit	Sales Volume (ton)	Unit Price	Unit Cost	Gross profit	Sales Volume influence	Sales influence	Cost influence	
<b>- Domestic:</b>													
Molybdenum raw ore		2,078,806	78	34	9,020	2,033,000	66	19	9,659	-199	-2,304	3,142	639
Molybdenum concentrate	47%	-	51,471	51,499	-	40	51,471	51,499	-0	-0	-	-	-0
Molybdenum oxide	53%	2,717	58,348	42,732	4,243	6,870	47,107	22,984	16,571	6,484	-7,722	13,566	12,329
Molybdenum oxide granule	60%	1,200	72,650	51,244	2,569	258	50,374	36,253	364	-2,016	-575	387	-2,204
Ferromolybdenum	60%	26,370	76,867	57,140	52,021	22,653	56,587	46,975	21,773	-7,332	-45,941	23,026	-30,248
Ammonium molybdate		870	80,693	77,149	308	797	67,792	62,035	459	-26	-1,028	1,204	150
Molybdenum powder		60	163,248	153,216	60	169	133,204	124,075	155	110	-509	493	94
High-purity molybdenum trioxide		66	102,906	111,169	-55	68	74,565	46,399	191	-2	-193	440	246
Molybdenum disulfide		-	114,621	34,592	-	7	114,621	34,592	58	58	-	-	58
Tungsten concentrate	100%	3,320	106,838	17,734	29,582	4,706	85,496	20,245	30,704	12,345	-10,042	-1,181	1,122
Tungstic acid	100%	5,400	116,344	25,518	49,046	3,374	91,003	22,118	23,241	-18,402	-8,550	1,147	-25,805
APT	100%	-	94,645	84,381	-	53	94,645	84,381	54	54	-	-	54
Gold (kg)		-	231,719	0	-	-	231,719	0	-	-	-	-	-
Silver (kg)		-	3,062	0	-	-	3,062	0	-	-	-	-	-
Electrolytic lead		-	11,812	0	-	-	11,812	0	-	-	-	-	-
Vitriol		37,420	65	903	-3,133	32,075	150	576	-1,366	448	271	1,049	1,768
Iron powder		-	209	202	-	3,475	209	202	3	3	-	-	3
Nickel plate		360	91,026	90,171	31	-	117,928	112,498	-	-31	-	-	-31
Processing charges of molybdenum oxide		3,085	1,534	951	180	2,155	1,748	704	225	-54	46	53	45
Processing charges of ferromolybdenum		-	7,264	0	-	-	7,264	5,255	-	-	-	-	-
Others		-	-	-	235	-	-	-	611	376	-	-	376
Hotel Incomes		-	-	-	672	-	-	-	15	-657	-	-	-657
Other business income		-	-	-	-1,141	-	-	-	-57	1,084	-	-	1,084
Sub-total					143,638				102,662	-7,756	-76,546	43,327	-40,976
<b>- Australian:</b>													
copper concentrates					85,581				51,154	-34,427	-	-	-34,427
Other business income					-				3,624	3,624	-	-	3,624
Sub-total					85,581				54,777	-30,803	-	-	-30,803
Operating revenue total					229,218				157,439	-38,559	-76,546	43,327	-71,779

In 2015, the Company achieved gross product profit of RMB1,574,390,000 representing year on year decrease of RMB717,790,000 specifically as follows:

- (1) The change in sales of main products led to the decrease of RMB85,590,000 in total profit this year.
- (2) The budget decrease in selling price of main products led to the decrease of RMB765,460,000 in total profit this year.
- (3) The year-on-year decrease in the unit selling price of main products led to the increase of RMB433,270,000 in total profit this year.
- (4) Other business led to the increase of RMB8,020,000 in total profit this year.
- (5) The business in Australia led to the decrease of RMB308,030,000 in total profit this year.

Composition of Gross Profit in 2015:

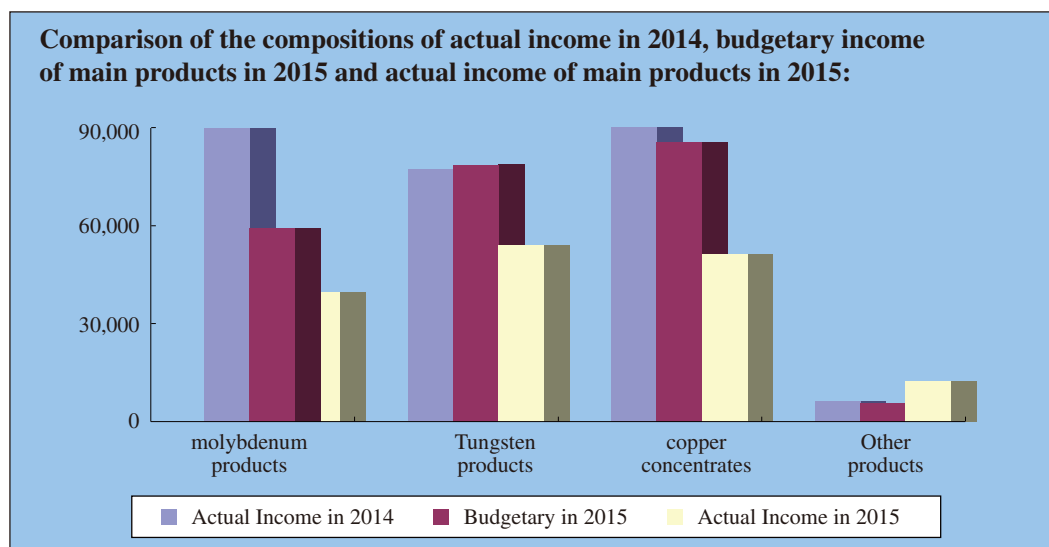


Comparison of the compositions of actual income of main products in 2015, budgetary income of main products in 2015 and actual income of main products in 2014:

**Table for Percentages of Main Products in total cost**

*Unit: RMB0'000*

Product Name	Actual		Budgetary		Actual	
	Income in 2014		in 2015		Income in 2015	
Molybdenum products	89,856	32.2%	59,326	25.9%	39,797	25.3%
Tungsten products	77,163	27.6%	78,628	34.3%	54,000	34.3%
Copper concentrates	105,778	37.9%	85,581	37.3%	51,154	32.5%
Other products	6,297	2.3%	5,683	2.5%	12,489	7.9%
Total	<u>279,095</u>	<u>100%</u>	<u>229,218</u>	<u>100%</u>	<u>157,439</u>	<u>100%</u>



## 2.5. ANALYSIS OF SALES TAX PAID

In 2015, the Group paid the sales tax and surtax of RMB242,473,400 in total, a decrease of RMB107,508,300 comparing with RMB349,981,700 for the same period of the last year. This was the result of year-on-year decrease of RMB52,899,200 in resource tax, RMB9,403,800 in urban maintenance and construction tax, RMB5,561,100 in educational surtax, RMB9,279,000 in tariff, and RMB31,286,100 in the tax paid by the subsidiary in Australia.

In 2015, there was a decrease of RMB47,726,600 in sales tax and surtax comparing with the yearly budget of RMB290,200,000. The main reasons are: the resource tax of RMB160,696,600 for the year decreased by RMB60,703,700 compared with the budget; city maintenance and construction tax of RMB13,876,400 decreased by RMB8,703,600 compared with the budget; and the educational surtax of RMB8,087,900 for the year decreased by RMB5,062,100 compared with the budget.

## 2.6. ANALYSIS OF ADMINISTRATIVE EXPENSES PAID

### Breakdown of Administrative Expenses of the Group in 2015

No.	Items	Actual income in 2014	Actual income in 2015	Budgetary income in 2015	Comparison of actual administrative expenses in 2015 and 2014	Comparison of actual and budgetary administrative expenses in 2015
	<b>Domestic expenses</b>	43,124	33,982	32,051	-9,142	1,931
1	Labor cost	11,545	10,699	9,026	-846	1,673
2	Office allowance	499	416	863	-83	-447
3	Travel expenses	436	375	250	-61	125
4	Audit and consultancy expenses	5,117	3,966	2,250	-1,151	1,716
5	Director's fees	174	216	187	42	29
6	Car expenses	348	215	215	-133	0
7	Entertainment fee	490	452	276	-38	176
8	External payment for technology development	1,375	444	1,205	-930	-761
9	Depreciation and amortization	6,972	5,382	3,958	-1,590	1,425
10	Utility fees and blow-down costs	1,408	1,370	1,471	-38	-102
11	Taxes	1,806	1,777	1,334	-29	443
12	Other expenses	1,676	1,091	1,884	-585	-793
13	Sub-total	31,846	26,403	22,919	-5,442	3,484
14	Internal transferred technology development fees	11,278	7,578	9,132	-3,700	-1,554
	<b>Overseas expenses</b>	1,711	1,736	617	25	1,119
15	Labor cost	1,188	1,180		-8	1,180
16	Audit and consultancy expenses	212	221		9	221
17	Technology development fee	1	0		-1	0
18	Other expenses	309	335	617	26	-282
	<b>Total Administrative Expenses</b>	<u>44,835</u>	<u>35,717</u>	<u>32,668</u>	<u>-9,118</u>	<u>3,049</u>

In 2015, the Company had the administrative expenses of RMB357,170,000, representing a decrease of RMB91,180,000 comparing with RMB448,350,000 for the same period of last year and an increase of RMB30,490,000 comparing with an annual budget of RMB326,680,000.

In the exception of internal transferred technology development fees, the change in administrative expenses is analyzed as follows:

The domestic administrative expenses for the year amounted to RMB264,030,000, representing a decrease of RMB54,420,000 comparing with RMB318,460,000 for the same period of last year. The reasons are mainly as follows:

1. Labor expenses for the year amounted to RMB106,690,000, representing a decrease of RMB8,460,000 comparing with RMB115,450,000 for the same period of last year. This was the result of the decrease of RMB6,330,000 in the bonus for overseas merger and acquisition projects and decrease of RMB2,430,000 in labor cost;
2. Audit and consultancy expenses for the year amounted to RMB39,660,000, representing a decrease of RMB11,510,000 comparing with RMB51,170,000 for the same period of last year. This was the result of year-on-year decrease in consultancy expenses for overseas merger and acquisition projects and for convertible bonds;
3. Technology development fee for the year amounted to RMB4,440,000, representing a decrease of RMB9,300,000 comparing with RMB13,750,000 for the same period of last year;
4. Depreciation and amortization for the year amounted to RMB53,820,000, representing a decrease of RMB15,900,000 comparing with RMB69,720,000 for the same period of last year. This was the result of disposing KUNYU and Yongning Gold & Lead;
5. Other expenses for the year amounted to RMB10,910,000, representing a decrease of RMB5,850,000 comparing with RMB16,760,000 for the same period of last year. This was the result of the decrease in relocation compensation, land occupation compensation, landscaping expenses, publicity expenses, and maintenance expenses in Majuan Village;
6. Director's fees for the year amounted to RMB2,160,000, representing an increase of RMB420,000 comparing with RMB1,740,000 for the same period of last year. This was the result of more expenses arising from the first Board meeting not convened locally in 2015.



Compared with annual budget: Domestic management expenses for the year amounted to RMB264,030,000, representing an increase of RMB34,840,000 comparing with RMB229,190,000 for the same period of last year. The main reasons of the increase are:

1. Labor expenses for the year amounted to RMB106,990,000, representing an increase of RMB16,730,000 as compared with an annual budget of RMB90,260,000. This was the result of granting the extra-budgetary year-end bonus of RMB6,550,000 in 2015 and no yearly budget for labor cost of RMB9,490,000 in Yongning Gold & Lead;
2. Travel expenses for the year amounted to RMB3,750,000, representing an increase of RMB1,250,000 as compared with an annual budget of RMB2,500,000. This was the result of the increase of RMB1,350,000 comparing with the yearly budget in Shimoke;
3. Audit and consultancy expenses for the year amounted to RMB39,660,000, representing an increase of RMB17,160,000 as compared with an annual budget of RMB22,500,000. This was the result of the audit fee of RMB1,920,000 paid to DTT, the increase of RMB12,720,000 in the subsidiary in Hong Kong comparing with the budget, and the increase of RMB3,240,000 in consultancy expenses for overseas merger and acquisition projects;
4. Director's fees for the year amounted to RMB2,160,000, representing an increase of RMB290,000 as compared with an annual budget of RMB1,870,000. The main reason for the first board of directors was held in different places by 2015, costs incurred more;
5. Entertainment fee for the year amounted to RMB4,520,000, representing an increase of RMB1,760,000 as compared with an annual budget of RMB2,760,000. This was the result of the increase of extra-budgetary and reform team related entertainment fee and no yearly budget for the entertainment fee of RMB400,000 in Mudulihao Business;
6. Depreciation and amortization for the year amounted to RMB53,820,000, representing an increase of RMB14,250,000 as compared with an annual budget of RMB39,580,000. This was the result of no yearly budget for the depreciation and amortization of RMB14,500,000 in Yongning Gold & Lead;
7. Taxes for the year amounted to RMB17,770,000, representing an increase of RMB4,430,000 as compared with an annual budget of RMB13,340,000. This was the result of the change in sales model leading to increase of stamp duty and no yearly budget for the stamp duty of RMB2,480,000 for transfer of convertible bonds, the stamp duty of RMB200,000 for loan contracts, the stamp duty of RMB1,430,000 in Yongning Gold & Lead, and the stamp duty of RMB230,000 in Shimoke;

8. Office allowance for the year amounted to RMB4,160,000, representing a decrease of RMB4,470,000 as compared with an annual budget of RMB8,630,000. This was the result of the decrease of RMB3,220,000 in technology development fee included in service fees of Langchao and office allowance in Shimoke comparing with the yearly budget;
9. Utility fees and blow-down costs for the year amounted to RMB15,200,000, representing a decrease of RMB1,020,000 as compared with an annual budget of RMB14,710,000. This was the result of the budgetary RMB1,500,000 for water resources management fee not incurred and no yearly budget for the utility fee of RMB560,000 in Yongning Gold & Lead;
10. Technology development fee for the year amounted to RMB4,440,000, representing a decrease of RMB7,610,000 as compared with an annual budget of RMB12,050,000, technology development fee are primarily the following items:

No.	Research projects	Technology development fee paid to external parties	Internal transferred technology development fee	Total
1	Research on Integrated Safety Warning System for Disasters in Exposed and Underground Rockmass Based on High-precision Microseismic Monitor	9		9
2	Research on Application of Langchao ERP System in Molybdenum Group	73		73
3	Research on the Integrated Technology for the Intensified Mining of the Open Pit and Treatment of the Open Areas in Sandaozhuang and Specification	47		47
4	Research on Integration and Boundary for Industrial Indicators for Molybdenum and Tungsten in Mining of Sandaozhuang Open Pit		3	3
5	Research on Application of Pre-factory Thickening of Tungsten Dressing Backwater	21	134	155
6	Research on Improving Tungsten Dressing Recovery Rate in Winter	66	264	330
7	Experimental Research on Processing of Chlorite Molybdenum Raw Mines	13		13
8	Research on Improvement of the Recycle Rate of Molybdenum Roughing	9	378	387
9	Research on Improvement of Homogeneity of Grinding Graded Overflow Products		68	68

No.	Research projects	Technology development fee paid to external parties	Internal transferred technology development fee	Total
10	Research on Application of Cone Crusher CH895		216	216
11	Research and Development of Technologies for Integrated Recovery and Dressing of Tungsten Flotation Tailings Fluorite	38	245	283
12	Research on Multiple-system Based Digital Intelligent Control System of Molybdenum and Tungsten Open Pit	43	10	53
13	Research on Application of 10,000 tons System in Integrated Recovery of No. 2 Dressing Company	17	779	796
14	Research on Application of Combined Processes of Cyclone Unit and Thickener in Dehydration of Scheelite Rough Concentrate		288	288
15	Research on Improvement of Recovery Rate in Scheelite Selection Process		367	367
16	Experimental Research on High Concentration Flotation Method for Scheelite Selection		765	765
17	Development and Application of Molybdenum Collector Magnetizing Device		582	582
18	Research on Application of Equipment for Recycling Steel Ball from Ores Discharged by Grinding Machine	21	517	538
19	Development of Audit Breakdown System		101	101
20	Research of Thickening Process for Integrated Copper Recovery of No. 3 Dressing Company		572	572
21	Experimental Research on Dephosphorization of Molybdenum Concentrate		21	21
22	Secondary Research and Application of 3DMINE in Sandaozhuang Open Pit		71	71
23	Research on Optimization of Transport and Crushing System in Sandaozhuang Open Pit of Mine Company	87	1,221	1,308
24	Research on Application of All-process Automation of No. 3 Dressing Company		20	20
25	Research and Application of Improvement of Scheelite Rough Concentrate Grade		69	69
26	Research on Fine Grain Molybdenite Flotation		126	126
27	Research on Treatment Technology for Deep Open Areas below 1,300 in Division D of Sandaozhuang Open Pit		40	40

No.	Research projects	Technology development fee paid to external parties	Internal transferred technology development fee	Total
28	Research on Optimization of Safe Energy Conservation of Substation in Sandaozhuang Open Pit		14	14
29	Research on Optimized Application of Carbon-Free Molybdenum Concentrate Calcination Process System		709	709
30	Australia		0	0
	Total	444	7,578	8,022

11. Other fee incurred this year was RMB10.91 million, representing a decrease of RMB7.93 million comparing with the yearly budget of RMB18.84 million. This was mainly due to the unpredictable fee of RMB10 million in the yearly budget and the unpredictable fee actually incurred included in corresponding fees. With this factor excluded, other expenses actually incurred was increased by RMB2.07 million comparing with the budget for maintenance cost and procurement cost for tea and artware of Mudulihao Business leading to other expenses more than budgeted and no budget for RMB810,000 in the subsidiary in Hong Kong and RMB120,000 in Yongning Gold & Lead.

## 2.7. ANALYSIS OF FINANCIAL EXPENSES

The financial expenses was RMB46.18 million this year, representing a decrease of RMB135.52 million comparing with RMB181.7 million in the same period of the last year due to risk control, reduction of general wealth management products, increase of structural deposits procurement this year and remarkable year-on-year increase in interest income, and representing a decrease of RMB142.39 million comparing with the yearly budget of RMB188.57 million in 2015 for the conversion of convertible bonds of RMB4.9 billion one month in advance leading to the decrease of RMB140 million in actual convertible bonds cost comparing with the budget in 2015.

## 2.8. ANALYSIS ON ASSETS IMPAIRMENT LOSS

Unit: RMB0'000

Items	Actual loss in 2015	Actual loss in 2014	Increase/ decrease	Percentage of Increase/ decrease
Loss on bad debts	659	2,002	-1,343	-67%
Loss from impairment of inventories	6,196	6,001	194	3%
Impairment loss of fixed assets	0	2,552	-2,552	-100%
Loss from disposal of subsidiary (note)	16,189		16,189	
Total	<u>23,044</u>	<u>10,556</u>	<u>12,488</u>	<u>118%</u>

The assets impairment loss was RMB230.44 million this year, representing an increase of RMB124.88 million comparing with the RMB105.56 million in the same period last year. This was mainly due to the loss from disposal of Yongning Gold & Lead.

## 2.9. ANALYSIS ON RETURN ON INVESTMENT ACHIEVED

The Group achieved the return on investment of RMB160.26 million this year, representing a decrease of RMB371.5 million or 70% comparing with that in 2014 due to the decrease in return on disposing equity in KUNYU the last year and the return on equity in Yulu Mining and Luoyang Fuchuan this year, and representing a decrease of RMB221.07 million or 58% comparing with budget for 2015 due to the decrease in return on equity in Yulu Mining and Luoyang Fuchuan and the decrease in return on wealth management which was the result of risk control, reduction of general wealth management products and increase of structural deposits procurement this year.

## 2.10. ANALYSIS ON NON-OPERATING INCOME AND EXPENSES

## 1. Non-operating income:

Items	Actual	Actual	Budgetary	Increase/	Increase/
	income in	income in	income in	decrease	decrease
	2015	2014	2015	from actual	from
				income in	budgetary
				2014	income in
					2015
Profits from disposal of non-current assets	408	2,167		-1,759	408
Government subsidies	4,513	4,133	2,500	380	2,013
Gains from debt restructuring		182		-182	0
Merger under non-common control				0	
Others	94	184	5	-90	89
Total	<u>5,015</u>	<u>6,666</u>	<u>2,505</u>	<u>-1,651</u>	<u>2,510</u>

In 2015, the non-operating income was RMB50.15 million, representing a decrease of RMB16.51 million comparing with RMB66.66 million for the same period of last year. This was the result of the year-on year decrease of RMB17.59 million in profits from disposal of non-current assets in 2015 and year-on-year decrease of RMB1.82 million in profit from liability restructuring.

In 2015, the non-operating income was RMB50.15 million, representing an increase of RMB25.1 million comparing with the budget of RMB25.05 million. This was mainly due to the profits from disposal of non-current assets in 2015 being RMB4.08 million which was not covered in the yearly budget; in addition, there was an increase of RMB20.13 million in government subsidies as compared with the budget.

## 2. non-operating expenses:

Items	Actual	Actual	Budgetary	Increase/ decrease from actual	Increase/ decrease from budgetary
	expenses in 2015	expenses in 2014	expenses in 2015	expenses in 2014	expenses in 2015
Loss from disposal of non-current assets	4,212	5,106	7,909	-894	-3,697
Donation	1,804	415	1,711	1,389	93
Loss on arrangement	2,852			2,852	2,852
Others	592	158	446	434	146
Total	<u>9,460</u>	<u>5,679</u>	<u>10,066</u>	<u>3,781</u>	<u>-606</u>

In 2015, the non-operating expenses was RMB94.6 million, representing an increase of RMB37.81 million comparing with RMB56.79 million for the same period of last year. This was mainly due to the exemption of dividends receivable of RMB28.52 million from KUNYU and year-on-year donation of RMB13.89 million. In addition, the loss from disposal of non-current assets was decreased by RMB8.94 million for the same period last year.

The non-operating expenses was decreased by RMB6.06 million comparing with the budget in 2015 mainly due to the decrease of RMB36.97 million in loss from disposal of non-current assets comparing with the budget. In addition, the loss on liability restructuring was RMB28.52 million in 2015, and such non-operating expenses was not covered in the yearly budget.

**2.11. ANALYSIS OF NET PROFIT ACHIEVED**

Net profit achieved in the year was RMB703.11 million, representing a decrease of RMB1,097.09 million or 61% from 1,800.20 million for the same period last year, and a decrease of RMB634.85 million or 47% from RMB1,337.96 million of the budget in 2015. It was mainly due to:

1. The gross profit on sales was decreased by RMB1,216.56 million comparing with the same period last year and by RMB717.79 million comparing with the budget. This was the result of the decrease in gross profit due to decrease in product selling price. Affected by continuous decrease of market price of main products, the overall gross profit of the Group was decreased by 4.4 percentage points as compared with the same period last year. However, the gross profit of products was increased by 1% as compared with the same period last year as a result of product structure adjustment in domestic business and sale of gold, silver and electrolytic lead business with relatively low gross profit margin.
2. Business taxes and levies in the period was RMB242.47 million, representing a decrease of RMB107.51 million or 31% over the same period last year, and a decrease of RMB47.73 million or 16% comparing with the budget, which was mainly due to the change of the national resources tax policy: changing from fixed levies on amounts to levies on fixed rate ad valorem on company's resources, resulting in the decrease in tax, and also due to the price decline of products in the period.
3. Selling expenses in the period was RMB84.67 million, representing a decrease of RMB15.14 million or 15% over the same period last year, and a decrease of RMB17.45 million or 17% comparing with the budget, mainly due to the decrease in the transportation price of relevant products during this period.
4. Administrative expenses in the period was RMB357.17 million, representing a decrease of RMB91.18 million or 20% over the same period last year, which was mainly due to the decrease in research and development expenditure as compared to the same period last year and the impact of the changes of consolidation scope due to the disposal of a subsidiary in 2015, representing an increase of RMB30.50 million or 9% comparing with the budget. This was mainly due to the increase in internal transferred technology development fees.
5. Financial expenses in the period was RMB46.18 million, representing a decrease of RMB135.52 million over the same period last year, and a decrease of RMB142.39 million comparing with the budget. This was mainly due to risk control, reduction of general wealth management products, increase of structured deposits purchased, and remarkable increase of interest income this year.



6. Impairment losses of assets was RMB230.44 million, representing an increase of RMB124.88 million for the same period last year, which was mainly due to the loss from disposal of Yongning Gold & Lead this year.
7. The return on investment was RMB116.59 million in the current period, representing a decrease of RMB415.16 million over the same period last year. It was mainly due to the return on equity transfer from sale of equity in the subsidiary last year and no such return this period and the decrease of RMB264.73 million comparing with the budget, mainly due to the decrease of return on general wealth management and return on equity in Yulu Mining and Luoyang Fuchuan.
8. Non-operating income in the current period was RMB50.15 million, representing a decrease of RMB16.50 million over the same period last year. It was mainly due to the decrease in profits of disposal of non-current assets in 2015 as compared with the same period of last year, and the increase of RMB25.11 million comparing with the budget, mainly due to the increase of government subsidies.
9. Non-operating expenses in the current period was RMB94.60 million, representing an increase of RMB37.81 million over the same period last year, such increase was mainly attributable to the waiver of dividends receivable from Kunyu Mining of RMB28.52 million in the period, and the decrease of RMB6.06 million comparing with the budget, mainly due to the decrease in loss from non-current asset disposal comparing with the budget.
10. Effect of income tax expenses: the income tax expenses of the Group in the period amounted to RMB-20.29 million, representing a decrease of RMB368.15 million from RMB347.86 million for the same period last year, and a decrease of RMB372.65 million comparing with the budget. Such decrease was mainly due to the decrease in profit in this period as compared with the same period last year and the recognition of deferred income tax assets due to the loss of equity investment and debt arising from the disposal of Luomu Precious Metals and Yongning Gold & Lead.

## CHAPTER 3 CHANGES IN BALANCE SHEET

## Contrastive Analysis of Assets and Liabilities

Unit: RMB0'000

Items	31 December 2015	31 December 2014	Increase/ Decrease	Percentage of Increase/ Decrease
<b>Current assets:</b>				
Bank Balances and Cash	1,041,448	932,558	108,890	12%
Financial assets at fair value through profit or loss	484		484	
Bills receivable	60,208	115,814	-55,606	-48%
Accounts receivable	74,425	85,136	-10,711	-13%
Prepayments	22,711	27,245	-4,535	-17%
Interests receivable	8,630	5,530	3,100	56%
Dividends receivable		6,123	-6,123	-100%
Other receivables	12,006	4,895	7,111	145%
Inventories	59,250	43,275	15,975	37%
Other current assets	294,014	255,910	38,104	15%
<b>Total current assets</b>	<b>1,573,176</b>	<b>1,476,486</b>	<b>96,690</b>	<b>7%</b>
<b>Non-current assets:</b>				
Available-for-sale financial assets	237,317	0	237,316	48,156,663%
Long-term equity investment	126,051	148,457	-22,406	-15%
Fixed assets	449,525	498,350	-48,825	-10%
Construction in progress	47,868	37,252	10,615	28%
Inventories	27,506	30,774	-3,268	-11%
Intangible assets	383,603	391,584	-7,981	-2%
Long-term deferred expenses	12,447	11,522	925	8%
Deferred income tax assets	41,294	30,783	10,511	34%
Other non-current assets	189,267	180,280	8,987	5%
<b>Total non-current assets</b>	<b>1,514,877</b>	<b>1,329,002</b>	<b>185,875</b>	<b>14%</b>
<b>Total assets</b>	<b>3,088,053</b>	<b>2,805,488</b>	<b>282,565</b>	<b>10%</b>

Items	31 December 2015	31 December 2014	Increase/ Decrease	Percentage of Increase/ Decrease
<b>Current liabilities:</b>				
Short-term borrowings	290,620	30,595	260,025	850%
Financial liabilities at fair value				
through profit or loss	150,591	99,869	50,722	51%
Notes payable	78,273	15,690	62,583	399%
Accounts payable	23,738	19,279	4,458	23%
Receipts in advance	3,778	7,678	-3,900	-51%
Payroll payable	11,352	13,778	-2,426	-18%
Taxes payable	-12,361	20,779	-33,140	-159%
Interests payable	5,394	4,706	688	15%
Dividends payable	2,789	2,789	–	0%
Other payables	20,840	25,331	-4,491	-18%
Non-current liabilities due within one				
year	249,490	57,828	191,662	331%
Other current liabilities	52,390	1,665	50,724	3,046%
<b>Total current liabilities</b>	<b>876,894</b>	<b>299,987</b>	<b>576,906</b>	<b>192%</b>
<b>Non-current liability:</b>				
Long-term borrowings	194,159	416,092	-221,933	-53%
Bonds payable	200,000	543,872	-343,872	-63%
Provision	29,091	28,095	996	4%
Other non-current liabilities	6,241	2,988	3,253	109%
<b>Total non-current liabilities</b>	<b>429,490</b>	<b>991,047</b>	<b>-561,557</b>	<b>-57%</b>
<b>Total liabilities</b>	<b>1,306,384</b>	<b>1,291,034</b>	<b>15,349</b>	<b>1%</b>

Items	31 December 2015	31 December 2014	Increase/ Decrease	Percentage of Increase/ Decrease
<b>Shareholders' equity:</b>				
Share capital	337,744	101,523	236,221	233%
Capital reserve	1,072,031	952,987	119,044	12%
Other comprehensive income	-63,249	-20,855	-42,394	203%
Special reserve	11,520	27,192	-15,672	-58%
Surplus reserve	78,605	70,490	8,115	12%
Undistributed profits	298,698	332,020	-33,322	-10%
Total equity attributable to the shareholders of the parent company	1,735,348	1,463,357	271,991	19%
Minority interests	46,321	51,096	-4,775	-9%
<b>Total shareholders' equity</b>	<b>1,781,669</b>	<b>1,514,453</b>	<b>267,216</b>	<b>18%</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,088,053</b>	<b>2,805,488</b>	<b>282,565</b>	<b>10%</b>

### 3.1. EXPLANATIONS ON CHANGES IN TOTAL ASSETS

As at 31 December 2015, total assets of the Company amounted to RMB30,880.53 million, representing an increase of RMB2,825.65 million or 10% as compared with the beginning of the year, including RMB15,731.76 million of current assets, RMB15,148.77 million of non-current assets, representing an increase of RMB966.90 million or 7% and a decrease of RMB1,858.75 million or 14% respectively as compared with the beginning of the year.

The increase in the current assets was mainly attributable to the increase in bank balances and cash resulting from production and operation and issuance of short-term financing instruments. The specific analysis is as follows:

- (1) The main reason for increase of bank balances and cash was discount of notes and normal operation;
- (2) The main reason for decrease of notes receivable was discount of notes for financing;

- (3) The main reason for inventory increase was increase of product inventory during the current period;
- (4) The main reason for increase of other current assets was recovery of due wealth management products of banks. The main reason for increase of non-current assets was increase of external equity investment and assets management plan of the Group during the current period.

### **3.2. EXPLANATIONS ON CHANGES IN TOTAL LIABILITIES**

As at 31 December 2015, total liabilities of the Company amounted to RMB13,063.84 million, representing an increase of RMB153.49 million or 1% as compared with the beginning of the year. The current liabilities amounted to RMB8,768.94 million, representing an increase of RMB5,769.06 million or 192% from RMB2,999.87 million of the beginning of the year, which was mainly due to the increase in short-term financing and long-term borrowings due within one year. The non-current liabilities amounted to RMB4,294.90 million, representing a decrease of RMB5,615.57 million or 57% as compared with the beginning of the year, which was mainly due to the decrease in long-term borrowings and bonds payable resulting from the conversion of A share convertible corporate bonds issued in 2014 and the transfer of long-term borrowings into current liabilities.

### **3.3. EXPLANATIONS ON CHANGES IN EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY**

As at 31 December 2015, the total equity attributable to the shareholders of parent company was RMB17,816.69 million, representing an increase of RMB2,672.16 million or 18% as compared with RMB15,144.53 million at the beginning of the year, which was mainly due to the conversion of convertible corporate bonds in the year.

## CHAPTER 4 MAIN FINANCIAL INDICATORS

## Comparison of Main Financial Indicators

Items	2015	2014	Increase/ Decrease	Percentage of Increase/ Decrease
<b>Indicators for solvency</b>				
Assets liability ratio	42%	46%	-0.04	-8%
Current ratio	179%	492%	-3.13	-64%
Quick ratio	173%	478%	-3.05	-64%
<b>Indicators for assets liability management capability</b>				
Total asset turnover ratio	14%	27%	-0.12	-47%
Current asset turnover ratio	28%	61%	-0.33	-55%
Inventory turnover ratio	5.12	6.18	-1.06	-17%
Accounts receivable turnover ratio	5.26	8.04	-2.78	-35%
<b>Indicators for profitability</b>				
Net profit ratio on sales	17%	27%	-0.10	-38%
Total return on assets	2.3%	7.2%	-0.049	-68%
Net return on assets	4.1%	13%	-0.09	-68%
Earnings per share ( <i>RMB/share</i> )	0.05	0.12	-0.07	-58%
Net asset per share ( <i>RMB/share</i> )	1.06	2.98	-1.93	-65%

#### 4.1. SOLVENCY INDICATORS

##### 4.1.1 Assets liability ratio

Assets liability ratio in 2015 was 42%, representing a decrease of 4 percentage points from 46% last year, which was mainly due to the conversion of A share convertible corporate bonds of 2014.

##### 4.1.2 Current ratio and quick ratio

Current ratio in the year was 179%, representing a decrease of 64% from 492% last year; quick ratio was 173%, representing a decrease of 64% from 478% last year, which was mainly due to the due long-term borrowings of USD306 million adjusted to short-term borrowings.

#### 4.2 VARIOUS FINANCIAL INDICATORS REFLECTING CAPABILITY OF ASSET AND LIABILITY MANAGEMENT

The total asset turnover ratio and current asset turnover ratio for the period were 14% and 28%, representing a year-on-year decrease of 47% and 55% respectively, the accounts receivable turnover ratio was 5.26 times, representing year-on-year decrease of 2.78 times due to the year-on-year decrease of market price of molybdenum and tungsten products. In the context of downturn of molybdenum and tungsten product market, the inventory turnover ratio was 5.12 times, representing a year-on-year decrease of 1.06 times, reflecting an increase in pressure from destocking compared with the same period last year.

#### 4.3 VARIOUS FINANCIAL INDICATORS REFLECTING PROFITABILITY

Among the financial indicators reflecting profitability this year, year-on-year decreases occurred in net return on sales, total return on assets, net return on assets, net asset per share and earnings per share, mainly due to year-on-year decrease in market price of main products of the Company.

## CHAPTER 5 CHANGES IN CASH FLOW

Net increase in cash and cash equivalents in the year was RMB3,356.58 million, representing a decrease of RMB464.42 million from RMB3,821.00 million last year, including a decrease of RMB2,276.28 million in net cash flow from operating activities, an increase of RMB3,913.75 million in net cash flow from investing activities, a decrease of RMB2,215.05 million in net cash flow from financing activities, an increase of RMB113.16 million in effect of foreign exchange rate changes on cash and cash equivalents.

In this year, net cash flow from operating activities was RMB1,358.77 million, net cash flow from investing activities was RMB-165.51 million, net cash flow from financing activities was RMB2,074.20 million, and effect of foreign exchange rate changes on cash and cash equivalents was RMB89.12 million.

## Comparison of Cash Flow Statement

Unit: RMB0'000

Items	2014	2015	Increase/ Decrease	Percentage of Increase/ Decrease
<b>I. Cash flow from operating activities:</b>				
Cash received from sales of goods and provision of services	785,962	462,721	-323,240	-41.13%
Refunds of taxes				
Cash inflows from other operating activities	11,959	48,870	36,912	308.66%
<b>Sub-total of cash inflows from operating activities</b>	<b>797,921</b>	<b>511,592</b>	<b>-286,329</b>	<b>-35.88%</b>
Cash payments for goods purchased and services received	237,222	188,783	-48,439	-20.42%
Cash payments to and on behalf of employees	69,188	63,992	-5,196	-7.51%
Payments of various types of taxes	109,280	90,909	-18,371	-16.81%
Cash outflows from other operating activities	18,726	32,030	13,304	71.05%
<b>Sub-total of cash outflows from operating activities</b>	<b>434,416</b>	<b>375,715</b>	<b>-58,701</b>	<b>-13.51%</b>
<b>Net cash flow from operating activities</b>	<b>363,505</b>	<b>135,877</b>	<b>-227,628</b>	<b>-62.62%</b>



Items	2014	2015	Increase/ Decrease	Percentage of Increase/ Decrease
<b>II. Cash flows from investing activities:</b>				
Cash receipts from disposals and recovery of investments	466,836	1,222,331	755,495	161.83%
Cash receipts from investment income	29,230	25,087	-4,143	-14.18%
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets	7,323	1,252	-6,072	-82.91%
Net cash receipts from disposals of subsidiaries and other business units	81,437	0	-81,437	-100.00%
Cash inflows from other investing activities	3,420	16,371	12,951	378.68%
<b>Sub-total of cash inflows from investing activities</b>	<u>588,247</u>	<u>1,265,041</u>	<u>676,794</u>	<u>115.05%</u>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	60,157	59,298	-858	-1.43%
Cash payments to acquire investments	922,900	1,212,285	289,385	31.36%
Net cash payments for acquisitions of subsidiaries and other business units		9	9	100.00%
Other cash payment relating investing activities	13,116	10,000	-3,116	-23.76%
<b>Sub-total of cash outflows from investing activities</b>	<u>996,172</u>	<u>1,281,592</u>	<u>285,419</u>	<u>28.65%</u>
<b>Net cash flow from investing activities</b>	<u><u>-407,926</u></u>	<u><u>-16,551</u></u>	<u><u>391,375</u></u>	<u><u>-95.94%</u></u>

Items	2014	2015	Increase/ Decrease	Percentage of Increase/ Decrease
<b>III. Cash flows from financing activities:</b>				
Cash receipts from investments				
Cash receipts from borrowings	532,640	728,955	196,315	36.86%
Other cash receipts relating to financing activities	<u>99,209</u>	<u>148,257</u>	<u>49,048</u>	<u>49.44%</u>
<b>Sub-total of cash inflows from financing activities</b>	<u>631,849</u>	<u>877,212</u>	<u>245,363</u>	<u>38.83%</u>
Cash repayments of borrowings	62,882	428,542	365,660	581.50%
Cash payments for distribution of dividends or profits and settlement of interests	97,426	133,335	35,909	36.86%
Other cash payments relating to financing activities	<u>42,616</u>	<u>107,915</u>	<u>65,299</u>	<u>153.22%</u>
<b>Sub-total of cash outflows from financing activities</b>	<u>202,924</u>	<u>669,792</u>	<u>466,868</u>	<u>230.07%</u>
<b>Net cash flow from financing activities</b>	<u><u>428,925</u></u>	<u><u>207,420</u></u>	<u><u>-221,505</u></u>	<u><u>-51.64%</u></u>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>				
	<u><u>-2,404</u></u>	<u><u>8,912</u></u>	<u><u>11,316</u></u>	<u><u>-470.69%</u></u>
<b>V. Net increase in cash and cash equivalents</b>				
Add: Opening balance of cash and cash equivalents	<u><u>180,458</u></u>	<u><u>562,558</u></u>	<u><u>382,100</u></u>	<u><u>211.74%</u></u>
<b>VI. Closing balance of cash and cash equivalents</b>				
	<u><u>562,558</u></u>	<u><u>898,216</u></u>	<u><u>335,658</u></u>	<u><u>59.67%</u></u>

**5.1. NET CASH FLOW FROM OPERATING ACTIVITIES**

In this year, net cash flow from operating activities was RMB1,358.77 million, representing a decrease of RMB2,276.28 million or 62.62% as compared with the same period last year, mainly due to significant decrease in revenue as a result of the substantial decrease in major products' prices, resulting in the decrease in net cash flow from operating activities.

**5.2. NET CASH FLOW FROM INVESTING ACTIVITIES**

1. In this year, net cash flow from investing activities was RMB-165.51 million, representing an increase of RMB3,913.75 or 95.94%. The reasons for the change are mainly due to:
  - (1) In this year, cash receipt from recovery of investments was RMB12,223.31 million, representing an increase of RMB7,554.95 million, mainly due to the increase in cash receipt from wealth management in this year as compared with that of last year.
  - (2) In this year, cash receipt from investment income was RMB250.87 million, representing a decrease of RMB41.43 million as compared with the same period last year, mainly due to the decrease in dividend receipt from Yulu Company in this year as compared with the same period last year.
  - (3) In this year, cash receipt from disposal of fixed assets, intangible assets and other long-term assets was RMB12.52 million, representing a decrease of RMB60.72 million, mainly due to cash receipt from disposal of the office in Luoyang in the same period last year while no such cash received this year.
  - (4) In this year, cash receipt from disposal of subsidiaries and other business units decreased by RMB814.37 million as compared with the same period last year, mainly due to cash receipt from disposal of Kunyu Company in the same period last year while no such cash received this year.
  - (5) In this year, other cash inflow relating to investing activities was RMB163.71 million, representing an increase of RMB129.51 million, mainly due to cash receipt from disposal of subsidiaries in this year.
  - (6) In this year, cash payment to acquire or construct fixed assets, intangible assets and other long-term assets of the Company remained flat as compared to that of last year.
  - (7) In this year, cash payment to acquire investments was RMB12,122.85 million, representing an increase of RMB2,893.85 million as compared with the same period last year, mainly due to the increase in size of purchase of wealth management products this year as compared with that of last year.

### 5.3. NET CASH FLOW FROM FINANCING ACTIVITIES

In this year, net cash flow from financing activities was RMB2,074.2 million, representing a decrease of RMB2,215.05 million or 51.64% as compared with RMB4,289.25 million of the same period last year. The reasons for the change are mainly due to:

- (1) In this year, cash receipt from borrowings was RMB7,289.55 million, representing an increase of RMB1,963.15 million, mainly due to the significant amount of low-cost funds borrowed by the Company in this year.
- (2) In this year, other cash receipt relating to financing activities was RMB1,482.57 million, representing an increase of RMB490.48 million, mainly due to cash receipt from gold leasing business of RMB1,040 million and RMB443 million conducted with Industrial and Commercial Bank of China and China Construction Bank, respectively, by the Company this year, totaling RMB1,483 million, while cash receipt from gold leasing business of RMB888 million and RMB103 million conducted with Industrial and Commercial Bank of China and HSBC, respectively, by the Company last year, totaling RMB992 million.
- (3) In this year, cash repayment of borrowings was RMB4,285.42 million, representing an increase of RMB3,656.6 million as compared with the same period last year, mainly due to significant amount of low-cost funds borrowed by the Company in this year and the repayment of all discounted commercial paper of RMB1,400 million at banks due this year.
- (4) In this year, cash payments for distribution of dividends or profits or settlement of interest expenses were RMB1,333.35 million, representing an increase of RMB359.09 million as compared with the same period last year, mainly due to the increase in dividends of RMB303 million paid by the Company as compared with the same period last year.
- (5) In this year, other cash payment relating to financing activities was RMB1,079.15 million, representing an increase of RMB652.99 million as compared with the same period last year, mainly due to the increase in repayment of funds in relation to the gold leasing business as compared with the same period last year.

Please consider the above report.

**China Molybdenum Co., Ltd.\***

23 March 2016

**China Molybdenum Co., Ltd.**  
**2015 Work Report of Independent Directors**

As the independent Directors of China Molybdenum Co. , Ltd. \* (hereinafter referred to as the “**Company**”), we have honestly, diligently, responsibly and independently performed the duties of independent Directors in strict compliance with the Company Law, the Provisions on Strengthening the Protection of Rights and Interests of Public Shareholders, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Guidelines on the Establishment of Independent Directorship of Listed Companies and other relevant laws, regulations, regulatory documents, and the stipulations and requirements of the Articles of Association of China Molybdenum Co. , Ltd. \*, the Working Rules for Independent Directors and relevant rules. We have actively attended the relevant meetings, issued our independent opinions in an objective and fair manner on significant matters of the Company, played an important role as the independent Directors and safeguarded the legal interest of the Company and Shareholders and, in particular, the minority Shareholders. The performance description for the year 2015 is set out as follows:

**I. BASIC INFORMATION OF THE INDEPENDENT DIRECTORS**

**(i) Personal working experience, professional background and part-time situation**

1. Bai Yanchun: has been an independent non-executive Director of the Company, chairman of both of 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.
2. Xu Shan: has been an independent non-executive Director of the Company since August 2012. He is also the chairman of the audit committee and a member of the nomination committee of the Company. 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 doctorate 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.

3. Cheng Gordon: has been an independent non-executive Director of the Company since August 2012 and he is also a member of the audit committee, nomination committee and remuneration committee. Mr. Cheng graduated from the University of Sydney (Australia) with a bachelor degree in commerce in 1996 and a bachelor degree in law in 1998. He is the founder and partner of GD China Clean Energy Capital Partners. He also served as the senior advisor of Deutsche Bank Global Climate Change Advisors and United Nations Industrial Development Organization (UNIDO) in China. From 2010 to 2011, Mr. Cheng had been the China Chief Representative of LaSalle Fund. Prior to 2010, he served as the Chief Financial Officer and Chief Investment Officer of Sunshine 100 Real Estate Development Group (“**Sunshine 100**”). Before joining Sunshine 100, he served as the Executive Vice President of Vimicro International Corporation (“**Vimicro**”), which was successfully listed on NASDAQ in the United States in 2005 under his leadership. Before joining Vimicro, he has worked at the investment banking department of globally 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.

(ii) **Statement on whether the independence is affected**

We are qualified as the independent Directors. As the independent Directors of the Company, none of us holds any duties other than that of the independent Directors, or holds any duties in major Shareholders’ units of the Company. There is no relationship between us and the Company and its major Shareholders that may have impact on our independent and objective judgments.

## II. OVERVIEW OF THE PERFORMANCE OF DUTIES BY THE INDEPENDENT DIRECTORS FOR THE YEAR

Since we were appointed as independent Directors of the Company, we were diligent and responsible to actively attend the Board meetings and meetings of specialized committees convened by the Company, carefully reviewed meeting materials, participated in the discussion of various proposals, and gave our clear opinions on the meeting agendas, thus contributing to sound decision-making of the Board.

### (i) Attendance at the general meetings, Board meetings and the meetings of specialized committees for the year of 2015

	Attendance in person/Required attendance						Extraordinary
	Board Meeting	Meeting of the Remuneration Committee	Meeting of the Audit Committee	Meeting of the Nomination Committee	Meeting of the Strategic Committee	Annual General Meeting	General Meeting/Class Meeting of Shareholders
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	15/15	1/1	5/5	2/2	N/A	0/1	0/3
Mr. Xu Xu	8/8	1/1	N/A	1/1	1/1	1/1	2/2

*Note:* Mr. Xu Xu resigned at the conclusion of the annual general meeting held on 26 June 2015.

### (ii) Voting at the meetings

Since we were appointed as the independent Directors of the Company, the Board meetings and general meetings of the Company have been convened in compliance with statutory requirements, and all significant matters have passed relevant approval procedures. We have carefully reviewed various proposals at the Board meetings, and considered that these proposals do not impair the interest of Shareholders and, in particular, the minority Shareholders. All of us voted in favor of the relevant proposals, without against and abstentions.

**(iii) Issuance of independent opinions**

Since we were appointed as the independent Directors of the Company, we have earnestly reviewed the proposals submitted to the Board and each specialized committee prior to the meetings, and honestly, diligently and independently performed the duties as independent Directors, in accordance with the provisions and requirements under the Articles of Association and the Rules of Procedure for the Board of Directors. We have actively attended relevant meetings and issued independent opinions on significant matters of the Company, thereby safeguarding the legal interest of the Company and Shareholders and, in particular, the minority Shareholders. The detailed independent opinions are set out as follows:

<b>No.</b>	<b>Date of opinions given</b>	<b>Issues involved in independent opinions</b>
1	23 March 2015	Matters in relation to re-appointment of the external auditors institution for 2015 and the remuneration arrangement thereof, matters in relation to report on the 2014 internal control assessment, matters in relation to candidates for the Directors of the fourth session of the Board, matters in relation to determination of the basic remuneration of the candidates of the fourth session of the Board and the supervisory committee of the Company, matters in relation to the amendments to Articles of Association of the Company, matters in relation to the mandate to the Board to issue short-term financing bonds, matters in relation to the mandate to the Board to issue medium-term notes, matters in relation to the mandate to the Board to issue bonds in overseas market and provide related guarantees
2	2 April 2015	Matters in relation to the purchase of financing product
3	14 May 2015	Matters in relation to the adjustment of the provision for production maintenance fee and use of remaining balance
4	26 May 2015	Matters in relation to the use of not more than RMB2 billion self-owned fund for subscription of new shares and securities investment
5	29 May 2015	Matters in relation to the purchase of not more than RMB2.5 billion wealth management products
6	27 June 2015	Matters in relation to the appointment of general manager, deputy general manager, chief financial officer, secretary to the Board and joint company secretary of the Company; matters in relation to the determination of basic remuneration of other senior management



**(iv) On-site inspection and listed company's cooperation in the work with independent Directors**

During the reporting period, the Company has provided us with the necessary conditions to perform the duties of independent Directors according to the regulatory requirements where the Company is listed. Firstly, the office of the Board regularly provided us with summary reports on the Company's operation and information on changes in laws and regulations. Secondly, when we visited the Company and attended the meetings, the Company could provide relevant materials and information in a timely manner and reported its operating performance, thus protecting our rights to know. Prior to giving our independent opinions, the Company was able to provide the intermediaries' opinions on related matters as well as special instructions and other materials issued by the responsible department of the Company, thus providing the supporting basis for our independent opinions. Thirdly, the Company delivered to us the resolutions and records of general meetings, Board meetings and meetings of specialized committees and the status of implementation thereof for our review and inspection in a timely manner. In addition, the Company promptly notified us on significant events and material information via telephone, emails, WeChat and other various manners, which helped us to keep abreast of the Company's condition and provided us with important reference for decision-making.

**III. KEY CONCERNS ON THE PERFORMANCE OF DUTIES OF INDEPENDENT DIRECTORS FOR THE YEAR**

**(i) Connected transactions**

In 2015, the Company did not enter into any connected transactions as defined in the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## (ii) External guarantee and funds occupation

## 1. External Guarantee of the Company

Unit: RMB0'000

Guarantor	Relationship between guarantor and listed company	External Guarantee of the Company (excluding those provided to subsidiaries)					The guarantee is fully performed	Overdue	Overdue amount	Is counter guarantee available	Guarantee provided to the related parties	Connected relationship
		Guarantee amount	Date of signing agreement	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee						
The Company	Major office of the Fuchuan Company	Luoyang	14,850.00	23 May 2014	23 May 2014	22 May 2017	Suretyship of joint and several liability	No	No	No	Yes	Joint venture

Total guarantee incurred during the reporting period  
(excluding those provided to subsidiaries) -8,250.00

Total balance of guarantee as at the end of the reporting period (A)  
(excluding those provided to subsidiaries) 14,850.00

**Guarantees given by the Company for its subsidiaries**

Total guaranteed amount for subsidiaries during  
the reporting period 58,442.40

Total balance of the guaranteed amount for subsidiaries at the end  
of the reporting period (B) 610,877.42

**Total guarantee given by the Company (including the guarantees for subsidiaries)**

Total guaranteed amount (A+B) 625,727.42

Percentage of the total guaranteed amount to absolute net assets of  
the Company (%) 35.12

Including:

Guaranteed amount provided to shareholders, de facto controlling  
parties and their connected parties (C) 0

Guaranteed amount provided directly or indirectly to the  
guaranteed party with gearing ratio over 70% (D) 0

Total guaranteed amount over 50% of the net asset (E) 0

Sum of the above three guarantees (C+D+E) 0

*Note:* The Company was involved in the guarantee denominated in foreign currencies, the amount of which have been presented in RMB based on the standard exchange rate announced by the State Administration of Foreign Exchange on 31 December 2015.

2. *Fund Occupancy of the Company*

There was no occupation of fund of the Company in 2015.

(iii) **Nomination and remuneration of senior management**

1. *Nomination of senior management*

During the reporting period, the Company has elected Mr. Li Chaochun as the chairman of the fourth session of the Board of the Company, Mr. Ma Hui as the vice chairman of the fourth session of the Board of the Company, appointed Mr. Li Faben as the general manager of the Company, Mr. Wang Qinxin as standing deputy general manager, Mr. Yang Jianbo, Mr. Wang Bin and Mr. Jiang Zhongqiang as the deputy general manager of the Company, Ms. Gu Meifeng as the chief financial officer of the Company and Mr. Zhang Xinhui as the secretary to the Board of the Company. After examining the information provided by the nomination committee, we consider that the qualifications of the candidates are legitimate and in compliance with the provisions of the Company Law and the Articles of Association; the nomination eligibility of the nominators complies with the provisions of the Company Law and the Articles of Association; the nomination and consideration procedures are also in compliance with the provisions of the Company Law and the Articles of Association.

2. *Remuneration of senior management*

During the reporting period, the remuneration committee of the fourth session of the Board considered and passed the Resolution in Relation to Determination of Basic Remuneration of Other Senior Management, adjusted and determined the basic remuneration for certain senior management. We considered that the remuneration packages of the Directors and senior management disclosed in 2015 Annual Report of the Company were in compliance with the administrative provisions on the performance evaluation and remuneration system of the Company and the actual payment was in accordance with the disclosure in 2015 Annual Report of the Company. Adjustments to the basic remuneration of some Directors and senior management are in compliance with the requirements on management of the Company's remuneration system, which did not impair the interests of the Company and Shareholders.

**(iv) Preliminary results announcement and results updates**

During the reporting period, the Company published one preliminary result announcement, i. e. Announcement on Expected Profit Decreases for the Year 2015 of CMOC. For details, please refer to the announcement dated 30 January 2016 published by the Company on the websites of the Shanghai Stock Exchange and the Company.

There were no adjustments made on forecasted figures upon the release of the preliminary results announcement by the Company.

**(v) Appointment or change of auditors**

During the reporting period, the Company continued to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) as its external auditor, with the terms of office until the conclusion of the forthcoming annual general meeting of the Company; the Company did not change its accounting firm.

**(vi) Cash dividends and other returns to investors**

On 26 June 2015, the 2014 profit distribution plan was considered and approved at the 2014 annual general meeting of the Company. The particulars of the profit distribution were as follows: the Company distributed a total cash dividend to all Shareholders of the Company of RMB1,013,231,921.94 (RMB0.18 per Share (tax inclusive) ) based on the total share capital of 5,629,066,233 Shares. The said profit distribution plan had been completely implemented;

On 30 October 2015, the proposal in respect of the issue of bonus shares by way of capitalisation of the capital reserve for the 2015 interim period of the Company was considered and approved at the 2015 first extraordinary general meeting of the Company. The particulars of the distribution were as follows: As of 30 June 2015, the capital reserve of the Company was RMB9,956,670,829.38. A total of 11,258,132,466 bonus shares were issued by way of capitalisation of the capital reserve of the Company on the basis of 20 bonus shares for every 10 existing shares of the Company, based on its total share capital of 5,629,066,233 Shares of the Company as of 31 July 2015. The total share capital after completion of bonus issue was 16,887,198,699 Shares. The said distribution has been completely implemented.

We are of the view that the above mentioned profit distribution of the Company complied with the provisions of the Company Law, the Articles of Association and the relevant laws and regulations.

**(vii) Performance of undertakings of the Company and its Shareholders**

During the reporting period, the Company, the Controlling Shareholder, substantial Shareholders and the related parties of the Company strictly performed their undertakings made during the reporting period and the previous periods.

**(viii) Execution of information disclosures**

During the reporting period, in order to comprehensively, accurately, and fairly handle information disclosures of the Company in a timely manner, the Company formulated the Registration and Filing System of Insiders of Inside Information to strengthen the management of the insiders of inside information and promote the Company and related parties to fulfill the information disclosure obligation in compliance with laws. The examination indicated that during the reporting period, the Company published 130 announcements and documents on the SSE; 162 announcements and documents on the Hong Kong Stock Exchange; and 39 announcements and documents on the interbank market. The contents of information disclosures included periodic reports and other temporary announcements, basically covering all significant matters of the Company, thereby to enable investors to be aware of the recent development of the Company more rapidly through these announcements and protect the interests of investors.

**(ix) Execution of internal control**

During the reporting period, we have carefully verified the internal control system of the Company, and reviewed the 2015 Self-Evaluation Report on Internal Control issued by the Company. We considered that the Company had basically established a relatively comprehensive internal control system, which could be effectively executed. The 2015 Self-Evaluation Report on Internal Control objectively and truly reflected the establishment and operation of the internal control system of the Company.

(x) **Matters regarding the review of Company's compliance with the corporate governance responsibilities**

After reviewing, we are of the view that all Directors have actively attended relevant meetings and participated in the Company's affairs, and have allocated sufficient time to perform their duties; all Directors received and read the relevant materials including updates of laws and regulations provided by the office of the Board of the Company. During the year 2015, the Directors, Supervisors and senior management in accordance with their duties attended various trainings and warning educations organized by the SSE, China Securities Regulatory Committee, Henan Branch and Association of Listed Companies in Henan. The Company encouraged all Directors and seniors management to participate in continuous professional development in order to develop and update their knowledge and skills, so as to ensure their continuous contributions to the Board with comprehensive and required information; the corporate governance policies and practice of the Company are relatively completed, and the detailed policies and practice are set out in the Corporate Governance Report. In addition, pursuant to amendments and requirements regarding internal control and risk management under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules, the Company revised the Terms of Reference and Operation Rules of the Audit Committee on 28 August 2015 and formulated completed internal rules and regulations to ensure the compliance with applicable laws and regulatory requirements. During the year 2015, the Directors and employees of the Company have all complied with the requirements in the Corporate Governance Code and internal system. Save for the absence of all of the members of the audit committee from the annual general meeting of the Company held on 26 June 2015 due to other work commitment and the absence of Mr. Xu Shan and Mr. Cheng Gordon from the extraordinary general meeting held on 30 October 2015 due to other work commitment, the Company has complied with the Corporate Governance Code, the Listing Rules and all of the laws and regulations applicable to the Company, and the Company did not receive any report on the deviation of the above codes, the Corporate Governance Code, the Listing Rules and all of the applicable laws and regulatory requirements. Relevant information on the compliance with the Corporate Governance Code has been fully disclosed in the Corporate Governance Report; the Company has strictly executed Shareholders Communication Policy, encouraging Shareholders to actively develop a close relationship with the Company, thereby improving effective communications with Shareholders and other stakeholders and facilitating Shareholders to effectively exercise their rights as Shareholders. During the reporting period, the Company has reviewed the effectiveness of internal control system, including the sufficiency of resources, qualifications and experience of employees from accounting and financial reporting department and their training courses and budgets. During the review period, we did not discover any material problems, and we are satisfied with the results of the review of all of the above matters.

(xi) **Operation of the Board and its specialized committee**

During the reporting period, the Board of the Company functioned in an orderly manner in accordance with relevant provisions and requirements of the Articles of Association and the Rules for Board Meeting. The specialized committees of the Board faithfully performed their duties in an earnest, responsible, diligent and honest manner and functioned in an orderly manner in accordance with the respective Terms of Reference and Operation Rules.

**IV. OVERALL EVALUATION AND RECOMMENDATIONS**

In 2015, in the spirit of integrity and diligence, we performed the duties of independent Directors in an objective, fair and independent manner, made use of our professional knowledge and experience to provide independent, objective and reasonable opinions and recommendations on the production, operation and relevant matters of the Company, and earnestly safeguarded the legal interest of all Shareholders especially of the minority Shareholders. Our independent performance of duties was not influenced by the substantial Shareholders, the de facto controller and other companies or individuals that are interested parties of the Company. We would hereby express our heartfelt gratitude to the full cooperation and substantial support extended by all Shareholders, the Board, the Supervisory Committee and the management when the independent Directors were performing their duties.

In 2016, we will further enhance the learning of laws, regulations and relevant systems. By integrating with our professional advantages, we will continue to be committed to our duties, and faithfully and diligently perform the duties as independent Directors to boost the function of the Company in an orderly manner. We will also further strengthen communication with the Board, the Supervisory Committee and the management, closely monitor the corporate governance, production and operation of the Company, utilize the role as independent Directors, enhance the decision-making ability and leadership of the Board, make use of our professional knowledge and experience to provide more positive and effective opinions and recommendations, thereby promoting the stable operation and the orderly function of the Company, improving the decision-making ability and operating performance, so as to keep the Company developing in a continuous, stable and sound way. We will give satisfactory returns to substantial investors and safeguard the legal interests of all Shareholders and, in particular, the minority Shareholders.

*Signatures of independent Directors:*

**Bai Yanchun**

**Xu Shan**

**Cheng Gordon**



This explanatory statement contains the information required under Rule 10.06(1)(b) of the Hong Kong Listing Rules. Its purpose is to provide Shareholders with information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution in relation to granting of the Repurchase Mandate.

## 1. HONG KONG LISTING RULES

The Hong Kong Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities subject to certain restrictions. Repurchases must be funded out of funds legally available for the purpose and in accordance with the company's constitutional documents and the applicable laws of the jurisdiction in which the company is incorporated or otherwise established. Any repurchase must be made out of funds which are legally available for the purpose and in accordance with the laws of the PRC and the memorandum and articles of association of the company. Any premium payable on a repurchase over the par value of the shares may only be deducted from the balance of distributable profits and the proceeds from issuance of new shares for the purpose of repurchase of the existing shares.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the registered share capital of the Company was RMB3,377,439,739.8 comprising 3,933,468,000 H Shares of RMB0.20 each and 12,953,730,699 A Shares of RMB0.20 each.

Subject to the passing of the proposed resolutions in respect of the granting of the Repurchase Mandate and the approval of the regulatory authorities as required by the laws, rules and regulations of the PRC being obtained and the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure under Article 27 of the Articles of Association, on the basis that no further Shares are issued prior to the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 393,346,800 H Shares (representing 10% of the number of the H Shares in issue as at the date of granting of the Repurchase Mandate) during the proposed repurchase period.

**3. REASONS FOR REPURCHASE OF H SHARES**

The Board believes that the repurchase of H Shares is in the best interests of the Shareholders as a whole and the Company. It can strengthen the investors' confidence on the Company and promote a positive effect for maintaining the Company's image in the capital market. The repurchase of Shares will only be exercised when the Directors believe such repurchase will benefit the Company and the Shareholders.

**4. EXERCISE OF THE REPURCHASE MANDATE**

Subject to the passing of the special resolutions approving the granting of the Repurchase Mandate to the Board proposed at the forthcoming AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, the Board will be granted the Repurchase Mandate until the conclusion of the Relevant Period (as defined in the special resolutions set out in the notices of AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, respectively). In addition, the exercise of the Repurchase Mandate shall be subject to: (1) the approval of the relevant PRC regulatory authorities as required by the laws, rules and regulations of the PRC being obtained; and (2) the Company not being required by its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to relevant requirements in respect of reducing the registered capital under the Articles of Association.

**5. FUNDING OF REPURCHASES**

In repurchasing its H Shares, the Company intends to apply funds from the Company's internal resources (which include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to repurchase its H Shares. Under the PRC laws, H Shares so repurchased shall be treated as cancelled and the Company's registered capital shall be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled. The Company may not repurchase securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange as amended from time to time.

There might be an adverse impact on the working capital or gearing ratio of the Company as compared with the position disclosed in the audited consolidated accounts contained in the annual report of the Company for the year ended 31 December 2015 in the event that the repurchase of H Shares were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the repurchase of H Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company.

## 6. H SHARES PRICES

The highest and lowest traded prices for the H Shares on the Hong Kong Stock Exchange during each of the previous 12 months preceding the Latest Practicable Date were as follows:

	<b>H Share prices</b>	
	<i>(per share)</i>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2015</b>		
May	2.67	2.30
June	2.41	1.76
July	2.00	1.26
August	1.80	1.28
September	1.48	1.24
October	1.49	1.26
November	1.85	1.41
December	1.61	1.37
<b>2016</b>		
January	1.49	1.06
February	1.25	0.99
March	1.42	1.20
April	1.35	1.20
May (up to the Latest Practicable Date)	1.55	1.30

**7. GENERAL INFORMATION**

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Hong Kong Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC.

None of the Directors, to the best of their knowledge upon having made all reasonable enquiries, nor their close associates, has any present intention to sell any H Shares to the Company or its subsidiaries under the Repurchase Mandate if such resolutions are approved by the Shareholders.

No other core connected persons (as defined in the Hong Kong Listing Rules) have notified the Company that they have a present intention to sell H Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

**8. TAKEOVERS CODE**

If on the exercise of the powers to repurchase H Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Cathay Fortune Corporation and Luoyang Mining Group Co., Ltd. held approximately 31.58% and 31.56% of the total registered capital of the Company, respectively. In the event that the Directors should exercise the proposed Repurchase Mandate in full, the shareholding of Cathay Fortune Corporation and Luoyang Mining Group Co., Ltd. would be increased to approximately 32.33% and 32.31% of the total registered capital of the Company, respectively (if both parties do not participate in such repurchase). The Directors are not aware of any consequences which will arise under the Takeovers Code and/or other relevant applicable law, as a result of any repurchases to be made under the Repurchase Mandate. Moreover, the Directors will not repurchase Shares on the Hong Kong Stock Exchange if such repurchase would violate the requirements under Rule 8.08 of the Hong Kong Listing Rules.

**9. H SHARES REPURCHASED BY THE COMPANY**

The Company had not repurchased any H Shares (whether on the Hong Kong Stock Exchange or otherwise) during the six months immediately prior to the Latest Practicable Date.

**10. OTHER MATTERS IN RELATION TO THE REPURCHASE OF H SHARES****(I) The Price Range for Repurchase**

Pursuant to the Hong Kong Listing Rules, the repurchase price shall not be higher than 5% of the average closing price for the five trading days prior to the actual repurchase. The repurchase price shall be determined according to the actual condition of the market and the Company when the repurchase is made.

**(II) Disposal of Shares Repurchased**

Pursuant to requirements of applicable laws and regulations, H Shares repurchased under this general mandate can only be cancelled and the registered capital of the Company shall be reduced accordingly.

**(III) Time Constraint for Repurchase**

In accordance with the requirements of regulatory authorities, a listed company shall not repurchase its shares prior to convening meetings of board of directors for periodic reports and publishing periodic reports (i.e. within 60 days prior to the annual results announcement and 30 days prior to other periodic results announcement), or during the period of the existence of inside information (including, but not limited to, the major asset acquisitions, asset restructuring, disposal of assets), during the period from formal negotiations to the release of inside information.

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## NOTICE OF ANNUAL GENERAL MEETING

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洛陽欒川鉬業集團股份有限公司

**China Molybdenum Co., Ltd.\***

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

(Stock Code: 03993)

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting (“**AGM**”) of China Molybdenum Co., Ltd.\* (the “**Company**”) will be held at 1:00 p.m. on Wednesday, 29 June 2016 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People's Republic of China (the “**PRC**”) for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions. Unless otherwise indicated, capitalised terms used herein have the same meanings as those defined in the circular of the Company dated 13 May 2016 (the “**Circular**”).

#### ORDINARY RESOLUTIONS

1. “To receive and consider the proposal in respect of the financial report of China Molybdenum Co., Ltd.\* for the year 2015.”
2. “To receive and consider the proposal in respect of the financial statements of China Molybdenum Co., Ltd.\* for the year 2015.”
3. “To consider and approve the proposal in respect of the budget report of China Molybdenum Co., Ltd.\* for the year 2016.”
4. “To consider and approve the proposal in respect of the profit distribution plan of China Molybdenum Co., Ltd.\* for the year 2015.”
5. “To receive and consider the proposal in respect of the report of the Board of China Molybdenum Co., Ltd.\* for the year 2015.”

\* *For identification purposes only*

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## NOTICE OF ANNUAL GENERAL MEETING

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6. “To receive and consider the proposal in respect of the report of the supervisory committee of China Molybdenum Co., Ltd.\* for the year 2015.”
7. “To receive and consider the proposal in respect of the annual report of China Molybdenum Co., Ltd.\* for the year 2015.”
8. “To consider and approve the proposal in respect of the re-appointment of the external auditors for the year 2016 and its remuneration arrangement.”
9. “To consider and approve the proposal in respect of the renewal of liability insurance for the Directors, Supervisors, senior management.”
10. “To consider and approve the proposal in respect of the authorisation to the Board to deal with all matters in relation to the distribution of interim dividend and quarterly dividend for the year 2016.”

### SPECIAL RESOLUTIONS

11. “To consider and approve the proposed granting of a general mandate to the Board to repurchase H Shares as follows:
  - (a) subject to paragraphs (b) and (c) below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to repurchase H Shares in issue on the Hong Kong Stock Exchange, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Hong Kong Stock Exchange or of any other governmental or regulatory body;
  - (b) the number of H Shares authorised to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the number of H Shares in issue as at the date of the passing of this resolution;
  - (c) the approval in paragraph (a) above shall be conditional upon:
    - (i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at the A Shareholders’ Class Meeting (or on such adjourned date as may be applicable) and the H Shareholders’ Class Meeting (or on such adjourned date as may be applicable);

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the approval of all the competent regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
  - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 27 of the Articles of Association;
- (d) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earlier of:
- (i) the conclusion of the 2016 annual general meeting of the Company; or
  - (ii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the shareholders of the Company in any general meeting; and
- (e) Subject to the approval of all relevant government authorities in the PRC for the repurchase of such H Shares being granted, to authorise the directors of the Company to:
- (i) formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to be repurchased, timing of repurchase and period of repurchase etc.;
  - (ii) notify creditors and make announcement in accordance with the requirements of relevant laws, regulations and normative documents as well as the Articles of Association;
  - (iii) open overseas share accounts and to carry out related change of foreign exchange registration procedures;
  - (iv) carry out relevant approval and filing procedures as required by regulatory authorities and the stock exchanges where the Shares of the Company are listed;
  - (v) carry out cancellation procedures for repurchased shares, reduce the registered capital of the Company, and make corresponding amendments to the Articles of Association relating to total share capital and shareholding structure etc., and to carry out statutory registrations and filings within and outside China; and



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## NOTICE OF ANNUAL GENERAL MEETING

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(vi) execute and handle other documents and matters relating to share repurchase.”

12. For the purpose of increasing the flexibility and efficiency in operation of the Company, to give a general mandate to the Board to issue, allot and deal with additional A Shares not exceeding 20% of the number of A Shares in issue on the date of passing of this special resolution and additional H Shares not exceeding 20% of the number of H Shares in issue on the date of passing of this special resolution and authorise the Board to make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new share capital structure upon the allotment or issuance of Shares:

**“THAT**

- (a) To authorise the Board a general mandate to allot, issue and deal with, or agree conditionally or unconditionally to allot, issue and deal with additional H Shares and A Shares with the number of Shares not exceeding 20% of the number of the same class of shares in issue on the date of passing of this special resolution, and subject to paragraph (b) below to determine the number of Shares to be allotted and issued;
- (b) To authorise the Board to exercise the general mandate in accordance with the applicable laws (including but not limited to the Company Law of the PRC, the Hong Kong Listing Rules and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange) and obtain approvals from all governmental and/or regulatory institutions (if any);
- (c) The general mandate shall remain effective from the passing of this resolution until the earlier of the following:
  - (i) the conclusion of the 2016 annual general meeting of the Company; or
  - (ii) the date on which the general mandate under this resolution is revoked by an ordinary resolution approved by shareholders of the Company at a general meeting;
- (d) To authorise the Board to approve, execute and act, or to procure the execution and acts for, all such documents, deeds and things as it may consider necessary in connection with the allotment and issue of any new Shares pursuant to the exercise of the general mandate referred to in the above paragraphs; and

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## NOTICE OF ANNUAL GENERAL MEETING

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- (e) To authorise the Board to make appropriate amendments to the Articles of Association after completion of the allotment and issuance of new Shares in accordance with the method, type and number of new Shares to be allotted and issued by the Company and the actual share capital structure of the Company upon completion of the allotment and issuance of new Shares.”

By Order of the Board  
**China Molybdenum Co., Ltd.\***  
**Li Chaochun**  
*Chairman*

Luoyang City, Henan Province, the PRC, 13 May 2016

*Notes:*

- (1) Pursuant to the requirements under the Rules of Shareholders' Meeting of Listed Companies of the China Securities Regulatory Commission, independent directors shall issue a work report at the annual general meeting. Such report will be submitted to shareholders for consideration but not for shareholders' approval. The 2015 Work Report of Independent Directors of the Company is set out in Appendix II to the Circular for shareholders' information.
- (2) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Hong Kong Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Hong Kong Listing Rules.
- (3) H Shareholders who intend to attend the AGM in person or by proxy should return the reply slip to the office of the Board at the Company's principal place of business in the PRC 20 days before the meeting, i.e. before Thursday, 9 June 2016 by hand, by post or by facsimile. The contact details of the Company's office of the Board are set out in note (10) below.
- (4) Each H Shareholder who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the AGM. The instrument appointing a proxy must be in writing under the hand of the appointor or his/her attorney duly authorised in writing. In case that an appointor is a body corporate, the instrument must be either under the common seal of the body corporate or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be certified by a notary public. For H Shareholders, the form of proxy and the notarially certified power of attorney or other documents of authorisation must be delivered to the Company's H Share registrar at the address stated in note (9) below by post or facsimile (for H Shareholders only), not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting at the AGM or any adjournment should he/she so wish.

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## NOTICE OF ANNUAL GENERAL MEETING

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- (5) In order to determine the list of H Shareholders who will be entitled to attend and vote at the AGM, the Company's register of members of H Shares will be closed from Monday, 30 May 2016 to Wednesday, 29 June 2016 (both days inclusive), during which period no transfer of shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Friday, 27 May 2016 shall be entitled to attend and vote at the AGM. In order for the H Shareholders to qualify for attending and voting at the AGM, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 27 May 2016.
- (6) In order to determine the list of H Shareholders who are entitled to receive the Final Dividend, the Company's register of members of H Shares will be closed from Friday, 8 July 2016 to Wednesday, 13 July 2016 (both days inclusive), during which period no transfer of shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company on Wednesday, 13 July 2016 shall be entitled to receive the Final Dividend. In order for the H Shareholders to qualify for receiving the Final Dividend, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Thursday, 7 July 2016.
- (7) Shareholders or their proxies must present proof of their identities upon attending the AGM. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.
- (8) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the AGM.
- (9) 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
- (10) The address and contact details of the Company's office of the Board at its 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  
People's Republic of China  
Postal code: 471500  
Telephone No.: (+86) 379 6865 8017  
Facsimile No.: (+86) 379 6865 8030
- (11) The AGM is expected to last not more than one day. Shareholders or proxies attending the AGM are responsible for their own transportation and accommodation expenses.

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## NOTICE OF THE 2016 FIRST CLASS MEETING OF H SHAREHOLDERS

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

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

(Stock Code: 03993)

## NOTICE OF THE 2016 FIRST CLASS MEETING OF H SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the 2016 first class meeting of H Shareholders of China Molybdenum Co., Ltd.\* (the “**Company**”) will be held immediately after the AGM and the 2016 first class meeting of A Shareholders and any adjournments thereof, on Wednesday, 29 June 2016 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People's Republic of China (the “**PRC**”) for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution. Unless otherwise indicated, capitalised terms used herein have the same meanings as those defined in the circular of the Company dated 13 May 2016 (the “**Circular**”).

### SPECIAL RESOLUTION

“To consider and approve the proposed granting of a general mandate to the Board to repurchase H Shares as follows:

- (a) subject to paragraphs (b) and (c) below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to repurchase H Shares in issue on the Hong Kong Stock Exchange, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Hong Kong Stock Exchange or of any other governmental or regulatory body;
- (b) the number of H Shares authorised to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the number of H Shares in issue as at the date of the passing of this resolution;

\* *For identification purposes only*

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## NOTICE OF THE 2016 FIRST CLASS MEETING OF H SHAREHOLDERS

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- (c) the approval in paragraph (a) above shall be conditional upon:
- (i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at the AGM (or on such adjourned date as may be applicable) and the A Shareholders' Class Meeting (or on such adjourned date as may be applicable);
  - (ii) the approval of all the competent regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
  - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 27 of the Articles of Association;
- (d) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:
- (i) the conclusion of the 2016 annual general meeting of the Company; or
  - (ii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the shareholders of the Company in any general meeting; and
- (e) Subject to the approval of all relevant government authorities in the PRC for the repurchase of such H Shares being granted, to authorise the directors of the Company to:
- (i) formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to be repurchased, timing of repurchase and period of repurchase etc.;
  - (ii) notify creditors and make announcement in accordance with the requirements of relevant laws, regulations and normative documents as well as the Articles of Association;
  - (iii) open overseas share accounts and to carry out related change of foreign exchange registration procedures;
  - (iv) carry out relevant approval and filing procedures as required by regulatory authorities and the stock exchanges where the Shares of the Company are listed;

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## NOTICE OF THE 2016 FIRST CLASS MEETING OF H SHAREHOLDERS

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- (v) carry out cancellation procedures for repurchased shares, reduce the registered capital of the Company, and make corresponding amendments to the Articles of Association relating to total share capital and shareholding structure etc., and to carry out statutory registrations and filings within and outside China; and
- (vi) execute and handle other documents and matters relating to share repurchase.”

By Order of the Board  
**China Molybdenum Co., Ltd.\***  
**Li Chaochun**  
*Chairman*

Luoyang City, Henan Province, the PRC, 13 May 2016

*Notes:*

- (1) Resolution at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Hong Kong Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Hong Kong Listing Rules.
- (2) H Shareholders who intend to attend the Class Meeting of H Shareholders in person or by proxy should return the reply slip to the office of the Board at the Company’s principal place of business in the PRC 20 days before the meeting, i.e. before Thursday, 9 June 2016 by hand, by post or by facsimile. The contact details of the Company’s office of the Board are set out in note (8) below.
- (3) Each H Shareholder of the Company who has the right to attend and vote at the Class Meeting of H Shareholders is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the Class Meeting of H Shareholders. The instrument appointing a proxy must be in writing under the hand of the appointor or his/her attorney duly authorised in writing. In case that an appointor is a body corporate, the instrument must be either under the common seal of the body corporate or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be certified by a notary public. The form of proxy and the notarially certified power of attorney or other documents of authorisation must be delivered to the Company’s H Share registrar at the address stated in note (7) below by post or facsimile, not less than 24 hours before the time appointed for holding the Class Meeting of H Shareholders or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting at the Class Meeting of H Shareholders or any adjournment should he/she so wish.
- (4) In order to determine the list of H Shareholders who will be entitled to attend and vote at the Class Meeting of H Shareholders, the Company’s register of members of H Shares will be closed from Monday, 30 May 2016 to Wednesday, 29 June 2016 (both days inclusive), during which period no transfer of shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Friday, 27 May 2016 shall be entitled to attend and vote at the Class Meeting of H Shareholders. In order for the H Shareholders to qualify for attending and voting at the Class Meeting of H Shareholders, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company’s H Share registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Friday, 27 May 2016.

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## NOTICE OF THE 2016 FIRST CLASS MEETING OF H SHAREHOLDERS

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- (5) Shareholders or their proxies must present proof of their identities upon attending the Class Meeting of H Shareholders. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.
- (6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the Class Meeting of H Shareholders.
- (7) 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
- (8) The address and contact details of the Company's office of the Board at its 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  
People's Republic of China  
Postal code: 471500  
Telephone No.: (+86) 379 6865 8017  
Facsimile No.: (+86) 379 6865 8030
- (9) The Class Meeting of H Shareholders is expected to last not more than one day. Shareholders or proxies attending the Class Meeting of H Shareholders are responsible for their own transportation and accommodation expenses.

The Circular (“**Circular**”) in Chinese and English version has been published on the Company’s website (<http://www.chinamoly.com>). Shareholders who choose to receive the corporate communications of the Company (including but not limited to annual reports, summary financial reports (if applicable), interim reports, interim summary reports (if applicable), notice of meeting, listing documents, circulars and proxy forms) and have difficulties in receiving corporate communications published on the Company’s website for any reason can request for the free printed Circular sent by post. Shareholders can change the way of receiving the corporate communications of the Company and the selection of language version at any time.

Shareholders can request for the printed Circular or to change the way of receiving the corporate communications of the Company and the selection of language version by giving a written notice to the Company within a reasonable period of time. Such written notice should be given to the share registrar for H shares of the Company, i.e. Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), or e-mail to [chinamoly@computershare.com.hk](mailto:chinamoly@computershare.com.hk).