



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

Stock Code: 3993

2016 Annual Report



* For identification purposes only

CONTENTS

Company Profile	2
Chairman's Letter	3
Financial Highlights	5
Market Review and Prospects	12
Business Review and Prospects	20
Management's Discussion and Analysis	23
Resources and Reserves	31
Material Events	37
Material Events	37
Honours	39
Domestic Industry Policies	39
Risks Warning	41
Corporate Governance Report	43
Report of the Directors	56
Summary of Environmental, Social and Governance Report	70
Report of the Supervisory Committee	71
Profiles of Directors, Supervisors and Senior Management	74
Corporate Information	78
Auditor's Report	80

All statements, other than statements of historical facts, that address business activities, events or developments that the Company expects or anticipates may or will occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements. The Company's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various variables and uncertainties. The Company makes the forward-looking statements in the annual report for the year referred to herein as at 30 March 2017 and undertakes no obligation or responsibility to update these statements, and do not constitute the Company's substantive undertakings to investors. Investors are advised to pay attention to investment risks.

COMPANY PROFILE

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

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

The Company has the highest production capacity in ferromolybdenum and molybdenum oxides in the PRC. The Company operates its wholly-owned Sandaozhuang molybdenum/tungsten mine (三道莊鉬鎢礦), one of the largest proved reserves of molybdenum and the second largest proved reserves of tungsten in the world, with very competitive cost for both molybdenum and tungsten. The Shangfanggou molybdenum/iron mine (上房溝鉬鐵礦), which is owned by Luoyang Fuchuan Mining Co., Ltd. (洛陽富川礦業有限公司) (“**Luoyang Fuchuan**”), a joint venture of the Company, is close to the Sandaozhuang molybdenum mine and has an abundant high-grade molybdenum reserve. The molybdenum mine located in East Gobi, Hami, Xinjiang owned by Xinjiang Luomu Mining Co., Ltd. (新疆洛鉬礦業有限公司) (“**Xinjiang Luomu**”), a subsidiary of the Company, was the first huge porphyry-type molybdenum mine discovered in Xinjiang, the PRC. The mine is large in scale, of high grade, shallow in terms of burial depth and easy for open-pit mining.

The Copebras Indústria Ltda., a wholly-owned subsidiary of the Company, is a relatively established operator of phosphate fertilizer resources and the second largest fertilizer producer with its businesses covering the whole phosphorus industry chain in Brazil. It treats approximately 6 million tonnes of ores in aggregate every year with total ore production ranking second in Brazil, and the Chapadão mine under it boasts the highest-grade phosphorus resources in Brazil. The yet-to-be-developed Coqueiros deposit possesses a high-quality ore mine similar to Chapadão mine; while the Morro Petro deposit represents one of the most promising mining projects in Brazil in recent years relying on its immense potential resources and advantageous location. The Niobras Mineração Ltda., located in Brazil and wholly owned by the Company, is among the top two niobium ore producers world wide. Niobras Mineração Ltda. expanded its niobium mine and achieved the designed production capacity in 2016, which resulted in a growth in the annual output of the niobium ores.

The Tenke Fungurume mining area in which the Company owns 56% equity interests is located in Katanga of the Congo (DRC), represents a copper and cobalt mining area with one of the largest reserve and highest grade in the world. Meanwhile, it is also the largest uni-cobalt-core producer in the world and the largest foreign-invested enterprise in the Congo (DRC).

The Northparkes copper/gold mine in Australia (“**NPM**”), in which the Company owns 80% equity interests, adopts technologically advanced and highly automated mining method of block caving, and is characterized by its high-quality products, low production cost and long term of mining.

The vision of the Company is to become a respected international resources company.

The focus of our developmental strategies will be:

- To strengthen and maintain the existing highly competitive cost advantages and reduce costs continually, improve management, enhance efficiency and dig out the potential within the Company;
- To continue to manage and optimize the balance sheet, properly arrange the financing structure and reduce cost of funds;
- To ensure the stable operation of our overseas businesses and explore and give play to the synergistic effects of businesses by virtue of the comprehensive competitive advantages of the Company in terms of the scale, industry chain, technology, funds, market and management and its diversified financing platform; Focusing on adjustment of structure and shift of the way of growth, to actively promote resource acquisitions and prioritize mergers and acquisitions on investments in quality and mature resource projects located in politically stable areas and with good cash flows, so as to speed up the Company’s development through “combination of industry and financing”.

CHAIRMAN'S LETTER

Dear shareholders:

2016 is a year of transformation for our company. If the acquisition of Northparkes copper/gold mine in Australia from Rio Tinto in 2013 marked the beginning of our overseas adventure, with the successful acquisitions in 2016 of the controlling interest in the world class Tenke Fungurume copper and cobalt facilities in the Democratic Republic of Congo ("DRC") from Freeport-McMoran Inc. and the niobium and phosphates businesses in Brazil from Anglo American plc, we have become a truly international mining group. Boasting assets operated in four continents, we are now a global leading producer of specialty metals of molybdenum, tungsten, cobalt and niobium, one of the lowest cost large-scale copper miner in the world and the second largest phosphates producer in Brazil.

REVIEW

"It was the worst of times, it was the best of times; it was the age of foolishness, it was the age of wisdom; it was the epoch of incredulity, it was the epoch of belief; it was the season of darkness, it was the season of light; it was the winter of despair, it was the spring of hope; we had nothing before us, we had everything before us ...", this famous quote from Charles Dickens written almost 160 years ago still remains relevant, of which I only changed the order. That was the opening remarks I made at the Board meeting in April 2016, at which all directors of the Board voted unanimously to approve the two major acquisitions in Brazil and DRC. Since then we have experienced this extraordinary year of 2016.

Faith is the foundation

Our vision is to become a respected international resources company. This faith is guiding our development. "Respected" is a simple word, but it really means a lot – it is very hard to become and stay "respected". Resources are the key to the success of a mining company. First-tier resources make a first-tier mining company; and world-class resources make a world-class mining company. Without world-class assets, how can a mining company earn respect? In our opinion, mining is a quasi-financial and quasi-investment industry. With the commodity market undergoing cycles every couple of years, investing in mining sector is cyclical and needs a long-term vision and unrelenting persistence. For many years, we agonized over this strategic question: how do we utilize and structure our capital so that we can acquire and control first-tier or even world-class mining assets during different cycles? Four years ago, we predicted that the winter was coming for the mining industry. While other companies were splurging money to invest or chasing the market's popularity, we were busy shedding non-core assets and disposing of inefficient assets to withdraw cash, and using financial tools and capital market to accumulate funds. Investing in the mining sector also entails tolerance to loneliness and resistance to temptations. When opportunities come, one needs to act decisively. How can we win the respect of others without such a strategic vision and a speedy execution? It is our faith that underpins everything.

Timing is everything

It is still fresh in our memory that mining industry entered cold winter in the second half of 2015, and then hit its most freezing point in early 2016; all companies in the industry were struggling. Now it might be difficult for us to imagine that at the lowest point, the market cap of the fourth largest mining company in the world dropped to US\$3.4 billion, and that of the largest listed copper producer was merely US\$4.4 billion. However, it is only against this background that we can find opportunities and make a deal – having a buyer alone doesn't make a deal, one also needs a willing seller. We can't dream to buy "cheap" – quality assets never run short of buyers, even at the bottom of the cycle. All we need was PREPARATION, COURAGE, DECISIVENESS and SPEED, keys to our success in making deals. At present, commodity prices are rebounding vigorously and the stocks of mining companies have redoubled, indicating that the window in which major disposal of quality assets is closed. Looking back, how many opportunities in quality or world-class assets could one find in the global mining industry last year? Now, I am proud to tell our dear shareholders that we seized the best two opportunities ever available on the market; those could be the opportunities of a lifetime! When we think of our Chinese peer who failed to acquire Noranda a decade ago, we are more than grateful to the exceptional era and the ever stronger motherland we live in.

CHAIRMAN'S LETTER

Speedy Execution

In terms of execution, two major transactions with sophisticated structure were carried out simultaneously amid intense western world competition. These two transactions amounted to US\$4.3 billion in total and were completed by two syndicated facilities amounting to US\$2.49 billion in aggregate. The total amount financed, including other financing instruments, exceeded RMB20 billion, and the financing activities were completed in the shortest possible period of time. Meanwhile, pursuant to the listing rules in Mainland China and Hong Kong, these two transactions constituted "major asset restructurings" in Mainland China, and respectively a "major transaction" and a "very substantial acquisition" in Hong Kong and required a large amount of disclosure and were subject to the approval procedures at the shareholders' meeting. In the meantime, we also furthered a non-public equity issuance. Finally, we accomplished many "impossible missions": we completed the closing of these two transactions within 5 months and 6 months respectively, and obtained the approval from the Issuance Examination Committee of the China Securities Regulatory Commission ("**CSRC**") in January 2017 for the non-public equity issuance.

OUTLOOK

Although the successful closing of the transactions is certainly worth celebrating, "closing" does not mean the end. On the contrary, it has just begun. A smooth transition and an integration boosting the synergy are of greater importance, and are essential for us to determine the success or the failure of the acquisitions. Corporate management is an art that you can never finish learning. The East and the West have different strengths and limits. Every company embodies distinctive features and there is no panacea. In 2017, our priority will be the construction of an organizational structure and human resources, with an aim to getting well prepared for greater ambitions in the future.

From the macroscopic point of view, the political instability will be the greatest uncertainty. Further observations are needed to determine whether the prices of commodities are experiencing just a rebound or a sustainable recovery. We will adopt a cautious approach to the overall trend of the macro economy and the industry. Nonetheless, we are fully confident in the rise of global new energy and new material industries as well as the upgrade of the domestic manufacturing industry. We believe that as a key supplier of raw materials, thanks to our unique product portfolio, we will continuously benefit from the rise of these sectors both in the domestic and international markets.

ACKNOWLEDGEMENT

I would like to express my gratitude to the shareholders, local governments and communities that we serve, clients and partners for their continued support to the Group. My special thanks go to the various financial institutions for the long-term partnership, especially for their valuable support to the transformational acquisitions of last year.

I would like to take this opportunity to extend my special appreciation to our principal shareholder, Cathay Fortune Corp for its wisdom and all-out support to the company in various aspects including the establishment of our vision, the development of strategies and the choice of timing.

I would like to express my sincere gratitude to all the Board members, our domestic and overseas management teams and all our employees for their diligence, efforts and contributions to the success of the Group. I would also like to extend my warmest greetings to all the staff of CMOC International, CMOC Brazil and CMOC DRC: Welcome to our big family!

Li Chaochun
Chairman

Beijing, the PRC
27 March 2017

FINANCIAL HIGHLIGHTS

I. MAJOR ACCOUNTING DATA

Unit: Yuan Currency: RMB

Major accounting data	2016	2015	Increase or decrease as compared to the same period last year (%)	2014
Operating revenue	6,949,571,006.97	4,196,839,621.19	65.59	6,662,382,123.45
Net profit attributable to shareholders of listed companies	998,040,580.75	761,160,070.18	31.12	1,824,255,286.97
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed companies	907,668,359.56	745,236,424.23	21.80	1,357,168,067.06
Net cash flow from operating activities	2,914,826,436.05	1,358,771,923.40	114.52	3,635,047,137.17
Net assets attributable to shareholders of listed companies	18,738,058,223.62	17,353,481,190.80	7.98	14,633,573,882.62
Total assets	88,146,838,598.46	30,880,528,485.14	185.44	28,054,876,371.91
Total share capital at the end of the year	3,377,439,739.80	3,377,439,739.80	-	1,015,234,105.00

II. MAJOR FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

Major financial indicators	2016	2015	Increase or decrease as compared to the same period last year (%)	2014
Basic EPS (Yuan per share)	0.06	0.05	20	0.12
Diluted EPS (Yuan per share)	0.06	0.05	20	0.12
Basic EPS after deduction of non-recurring profits or losses (Yuan per share)	0.05	0.05	-	0.09
Weighted average return on net assets (%)	5.52	4.77	Increase by 0.75 percentage point	14.39
Weighted average return on net assets after deduction of non-recurring profits or losses (%)	5.03	4.67	Increase by 0.36 percentage point	10.71

As the Company converted its capital reserves into share capital in 2015, pursuant to the Information Disclosure and Presentation Rules for Entities with Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised in 2010), the Accounting Standards for Business Enterprises No. 34 – Earnings per Share, and the Standards for the Contents and Formats of Information Disclosure of Entities with Public Offering Securities No. 2 – Contents and Formats of Annual Reports (Revised in 2015), EPS and basic EPS after deduction of non-recurring profits or losses for 2014 of RMB0.36 and RMB0.27 were restated as RMB0.12 and RMB0.09, respectively.

FINANCIAL HIGHLIGHTS

III. MAJOR FINANCIAL DATA FOR 2016 BY QUARTER

Unit: Yuan Currency: RMB

Items	First quarter (From January to March)	Second quarter (From April to June)	Third quarter (From July to September)	Fourth quarter (From October to December)
Operating revenue	1,157,332,634.76	1,102,518,940.56	1,236,184,842.28	3,453,534,589.37
Net profit attributable to shareholders of listed companies	141,091,827.38	370,814,410.22	71,596,166.43	414,538,176.72
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed companies	118,584,108.29	248,948,096.08	293,198,544.25	246,937,610.94
Net cash flow from operating activities	264,806,530.63	270,150,984.90	330,600,114.09	2,049,268,806.43

IV. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	Amount for 2016	Notes (if appropriate)	Amount for 2015	Amount for 2014
Profit or loss on disposal of non-current assets	5,770,618.09		-38,041,222.63	-29,385,291.20
Government grants included in profit and loss for the period, except for those closely relevant to the Company's normal business and in compliance with national policies and regulations and granted continuously according to certain standardized amounts or quotas	25,748,779.11		45,132,470.40	41,326,761.34
Gains in fair value of identifiable net assets attributable to invested units at the time of acquisition over investment costs for acquiring subsidiaries, associates and joint ventures by the enterprise			-161,890,460.16	304,092,277.30
Profit or loss on debt restructuring	-499,687.98		-28,516,476.23	-
Profit and loss of changes in fair value arising from holding of financial assets held for trading and financial liabilities held for trading, and investment gains from disposal of financial assets held for trading, financial liabilities held for trading and financial assets available for sale, except for effective hedging activities associated with normal business operations of the Company	213,392,180.67		123,674,380.43	142,087,657.25
Effect on profit and loss for the period from one-off adjustment to profit and loss for the period according to the requirements of tax and accounting laws and regulations			-	68,732,119.24
Negative goodwill generated by business combination not involving enterprises under common control	430,908,350.60			
Transaction costs arising from M&A	-236,139,790.97			
Loss on impairment of available-for-sale financial assets	-291,757,534.75			
Loss on impairment of long-term assets	-1,193,936.69			
Other non-operating income or expenses other than the above items	-22,955,378.54		-23,023,180.65	-2,071,416.32
Effects of minority interests	4,193.86		-122,300.50	-813,839.93
Income tax effects	-32,905,572.21		98,710,435.29	-56,881,047.77
Total	90,372,221.19		15,923,645.95	467,087,219.91

FINANCIAL HIGHLIGHTS

V. CONSOLIDATED FINANCIAL STATEMENTS

(I) CONSOLIDATED BALANCE SHEET

Items	As at 31 December		Increase (decrease)
	2016 RMB	2015 RMB	
Current assets:			
Cash and Bank balances	9,970,224,098.00	10,414,479,302.30	-4.27%
Financial assets measured at fair value through profit or loss	55,599,027.64	4,838,045.50	1,049.20%
Notes receivable	950,861,625.20	602,079,822.07	57.93%
Accounts receivable	1,461,807,199.82	744,253,181.48	96.41%
Prepayments	295,572,093.16	227,105,140.15	30.15%
Interests receivable	40,492,844.02	86,297,819.57	-53.08%
Other receivables	1,147,039,318.23	120,062,905.23	855.37%
Inventories	5,082,767,464.99	592,503,598.48	757.85%
Other current assets	798,592,555.76	2,940,139,813.99	-72.84%
Total current assets	19,802,956,226.82	15,731,759,628.77	25.88%
Non-current assets:			
Available-for-sale financial assets	3,000,602,505.46	2,373,165,292.11	26.44%
Long-term equity investment	1,191,499,274.81	1,260,507,394.45	-5.47%
Fixed assets	27,272,921,262.94	4,495,248,544.61	506.71%
Construction in progress	695,359,036.41	478,679,498.42	45.27%
Inventories	4,269,617,873.56	275,057,127.19	1,452.27%
Intangible assets	24,501,313,984.47	3,836,026,995.53	538.72%
Goodwill	1,114,803,648.00	-	-
Long-term deferred expenses	115,247,374.61	124,474,656.00	-7.41%
Deferred tax assets	432,121,448.24	412,936,675.15	4.65%
Other non-current assets	5,750,395,963.14	1,892,672,672.91	203.82%
Total non-current assets	68,343,882,371.64	15,148,768,856.37	351.15%
Total assets	88,146,838,598.46	30,880,528,485.14	185.44%

FINANCIAL HIGHLIGHTS

Items	As at 31 December		Increase (decrease)
	2016 RMB	2015 RMB	
Current liabilities:			
Short-term borrowings	4,372,433,477.73	2,906,199,075.88	50.45%
Financial liabilities measured at fair value through profit or loss	2,821,441,764.40	1,505,910,504.53	87.36%
Note payable	660,000,000.00	782,730,000.00	-15.68%
Accounts payable	741,508,273.30	237,376,385.26	212.38%
Receipts in advance	51,867,495.95	37,781,869.32	37.28%
Employee benefits payable	354,822,152.84	113,520,910.57	212.56%
Taxes payable	57,861,242.29	-123,612,410.35	146.81%
Interests payable	183,684,249.15	53,942,855.95	240.52%
Dividends payable	27,885,796.67	27,885,796.67	0.00%
Other payables	1,416,775,815.12	208,404,265.84	579.82%
Non-current liabilities due within one year	2,584,497,370.05	2,494,899,714.54	3.59%
Other current liabilities	2,708,897,188.46	523,896,357.63	417.07%
Total current liabilities	15,981,674,825.96	8,768,935,325.84	82.25%
Non-current liabilities:			
Long-term borrowing	23,376,879,939.49	1,941,586,400.00	1,104.01%
Bonds payable	2,000,000,000.00	2,000,000,000.00	0.00%
Provision	1,757,793,672.39	290,908,169.51	504.24%
Deferred tax liabilities	10,055,127,906.20	–	–
Other non-current liabilities	638,435,287.05	62,407,518.53	923.01%
Total non-current liabilities	37,828,236,805.13	4,294,902,088.04	780.77%
Total liabilities	53,809,911,631.09	13,063,837,413.88	311.90%
Shareholders' equity:			
Share capital	3,377,439,739.80	3,377,439,739.80	0.00%
Capital reserve	10,720,306,602.38	10,720,306,602.38	0.00%
Other comprehensive income	282,854,287.93	-632,492,717.76	144.72%
Special reserve	8,570,089.43	115,200,675.56	-92.56%
Surplus reserve	840,098,875.14	786,050,081.94	6.88%
Retained profits	3,508,788,628.94	2,986,976,808.88	17.47%
Total equity attributable to the shareholders of the parent company	18,738,058,223.62	17,353,481,190.80	7.98%
Minority interests	15,598,868,743.75	463,209,880.46	3,267.56%
Total shareholders' equity	34,336,926,967.37	17,816,691,071.26	92.72%
Total liabilities and shareholders' equity	88,146,838,598.46	30,880,528,485.14	185.44%

FINANCIAL HIGHLIGHTS

(II) CONSOLIDATED INCOME STATEMENT

Items	For the year ended 31 December		
	2016 RMB	2015 RMB	Increase (decrease)
I. Total operating revenue	6,949,571,006.97	4,196,839,621.19	65.59%
Including: Operating Revenue	6,949,571,006.97	4,196,839,621.19	65.59%
Less: Operating costs	4,623,818,131.37	2,622,448,241.43	76.32%
Taxes and levies	230,309,410.01	242,473,353.45	-5.02%
Selling expenses	90,619,385.55	84,672,795.26	7.02%
Administrative expenses	714,734,732.89	357,173,860.29	100.11%
Financial expenses	407,668,376.31	46,182,116.53	782.74%
Impairment losses of assets	351,855,260.03	230,442,603.42	52.69%
Add: Gains (losses) from changes in fair values (loss is filled in column with "-")	46,420,313.67	-2,773,209.03	1,773.88%
Investment income (loss is filled in column with "-")	174,182,583.74	116,593,344.54	49.39%
Including: Income from investments in associates and joint ventures	7,210,716.74	-9,858,527.33	173.14%
II. Operating profit (loss is filled in column with "-")	751,168,608.22	727,266,786.32	3.29%
Add: Non-operating income	467,018,238.01	50,152,647.68	831.19%
Including: Income from disposal of non- current assets	6,586,429.98	4,079,367.52	61.46%
Less: Non-operating expenses	28,045,556.73	94,601,056.79	-70.35%
Including: Losses from disposal of non- current assets	815,811.89	42,120,590.15	-98.06%
III. Total profit (the total loss is filled in column with "-")	1,190,141,289.50	682,818,377.21	74.30%
Less: Income tax expenses	170,902,855.30	-20,289,977.76	942.30%
IV. Net profit (the total loss is filled in column with "-")	1,019,238,434.20	703,108,354.97	44.96%
Net profit attributable to owners of the parent company	998,040,580.75	761,160,070.18	31.12%
Profit or loss attributable to minority interests	21,197,853.45	-58,051,715.21	136.52%
V. Other comprehensive income, net of tax	1,060,633,211.86	-423,942,733.35	350.18%
Other comprehensive income attributable to owners of the parent company, net of tax	915,347,005.69	-423,942,733.35	315.91%
(1) Other comprehensive income not to be reclassified subsequently to profit or loss	-	-	
(2) Other comprehensive income to be reclassified subsequently to profit or loss	915,347,005.69	-423,942,733.35	315.91%
Including: 1. Exchange differences arising from translation of financial statements denominated in foreign currencies	650,071,081.23	-154,955,081.45	519.52%
2. Gains or losses from changes in the fair value of available-for-sale financial assets	265,275,924.46	-268,987,651.90	198.62%
Other comprehensive income attributable to minority interests, net of tax	145,286,206.17	-	
VI. Total comprehensive income	2,079,871,646.06	279,165,621.62	645.03%
Total comprehensive income attributable to owners of the parent company	1,913,387,586.44	337,217,336.83	467.40%
Total comprehensive income attributable to minority interests	166,484,059.62	-58,051,715.21	386.79%
VII. Earnings per share:			
(1) Basic earnings per share	0.06	0.05	20.00%
(2) Diluted earnings per share	0.06	0.05	20.00%

FINANCIAL HIGHLIGHTS

(III) CONSOLIDATED CASH FLOW STATEMENT

Items	For the year ended 31 December		Increase (decrease)
	2016 RMB	2015 RMB	
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services	7,644,877,598.25	4,627,214,360.67	65.22%
Other cash receipts relating to operating activities	424,655,803.23	488,703,678.64	-13.11%
Sub-total of cash inflows from operating activities	8,069,533,401.48	5,115,918,039.31	57.73%
Cash payments for goods purchased and services received	3,270,936,032.65	1,887,827,372.50	73.26%
Cash payments to and on behalf of employees	807,877,516.60	639,924,248.75	26.25%
Payments of various types of taxes	679,114,545.34	909,091,638.20	-25.30%
Other cash payments relating to operating activities	396,778,870.84	320,302,856.46	23.88%
Sub-total of cash outflows from operating activities	5,154,706,965.43	3,757,146,115.91	37.20%
Net cash flow from operating activities	2,914,826,436.05	1,358,771,923.40	114.52%
II. Cash flows from investing activities:			
Cash receipts from disposals and recovery of investments	3,335,928,536.55	12,223,309,959.59	-72.71%
Cash receipts from investment income	270,861,902.66	250,866,836.77	7.97%
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	29,299,477.76	12,518,392.27	134.05%
Cash receipts from acquisitions or disposals of subsidiaries and other business units	-	4,282.41	-
Other cash receipts relating to investing activities	-	163,708,746.00	-
Sub-total of cash inflows from investing activities	3,636,089,916.97	12,650,408,217.04	-71.26%
Cash payments for acquisitions or disposals of subsidiaries and other business units	28,104,661,705.58	86,272.98	32,576,335.53%
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	854,261,494.40	592,982,562.47	44.06%
Cash payments to acquire investments	1,416,192,938.05	12,122,847,408.83	-88.32%
Other cash payments relating to investing activities	908,964,508.15	100,000,000.00	808.96%
Sub-total of cash outflows from investing activities	31,284,080,646.18	12,815,916,244.28	144.10%
Net cash flow from investing activities	-27,647,990,729.21	-165,508,027.24	-16,604.92%

FINANCIAL HIGHLIGHTS

Items	For the year ended 31 December		Increase (decrease)
	2016 RMB	2015 RMB	
III. Cash flows from financing activities:			
Cash receipts from borrowings	29,429,208,701.12	7,289,549,745.87	303.72%
Other Cash receipts relating to financing activities	3,027,283,088.84	1,482,568,890.00	104.19%
Sub-total of cash inflows from financing activities	32,456,491,789.96	8,772,118,635.87	270.00%
Cash repayments of indebtedness	5,186,639,691.64	4,285,424,431.32	21.03%
Cash payments for distribution of dividends or profits and settlement of interests	1,108,374,156.14	1,333,347,656.71	-16.87%
Other cash payments relating to financing activities	2,170,787,930.78	1,079,148,360.53	101.16%
Including: Dividends paid to minority holders by subsidiaries	161,570,118.00	-	
Sub-total of cash outflows from financing activities	8,465,801,778.56	6,697,920,448.56	26.39%
Net cash flow from financing activities	23,990,690,011.40	2,074,198,187.31	1,056.62%
IV. Effect of foreign exchange rate changes on cash and cash equivalents	180,520,047.75	89,119,174.12	102.56%
V. Net increase(decrease) in cash and cash equivalents	-561,954,234.01	3,356,581,257.59	-116.74%
Add: Opening balance of cash and cash equivalents	8,982,162,302.30	5,625,581,044.71	59.67%
VI. Closing balance of cash and cash equivalents	8,420,208,068.29	8,982,162,302.30	-6.26%

MARKET REVIEW AND PROSPECTS

During the reporting period, the revenue of the Company primarily came from the sales of molybdenum, tungsten and copper and other related products. The Company also recorded revenue increase from niobium, phosphorus and cobalt and copper after two material overseas mergers and acquisitions carried out in 2016. Its operating results were largely subject to fluctuations in the prices of the resources mentioned above. At the same time, the NPM of the Company had the ancillary business of sales of gold. Accordingly, the price fluctuations in gold also had an impact on the results of the Company.

1. PRICES COMPARISON OF RELEVANT PRODUCTS FOR THE YEAR OF 2016 AND THE CORRESPONDING PERIOD LAST YEAR

Products		Domestic market price of the relevant products of the Company		Increase/ decrease on a year-to-year basis (%)
		2016	2015	
Molybdenum	Molybdenum concentrates (RMB/metric tonne unit)	910	960	-5.21
	Ferromolybdenum (RMB0'000/tonne)	6.71	6.79	-1.18
Tungsten	Black tungsten concentrates (RMB/metric tonne unit)	1,048	1,098	-4.55
	APT (RMB0'000/tonne)	10.61	11.91	-10.92

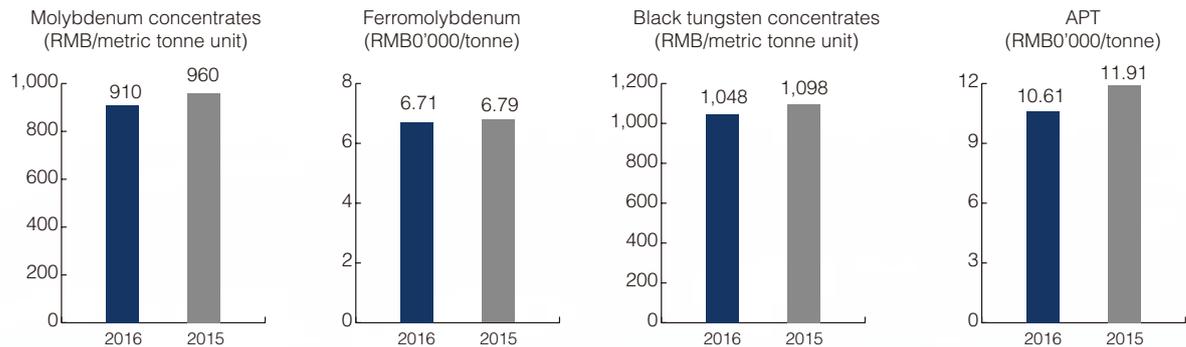
Note: The prices of relevant products above table are extracted from relevant domestic websites.

Products		International market price of the relevant products of the Company		Increase/ decrease on a year-to-year basis (%)
		2016	2015	
Molybdenum	Molybdenum oxide (US\$/pound)	6.49	6.65	-2.41
Copper	Cathode Copper (US\$/tonne)	4,869	5,504	-11.54
Cobalt	Metallic cobalt (US\$/pound)	11.55	12.91	-10.53
Phosphorus	MAP (US\$/tonne)	351	469	-25.16

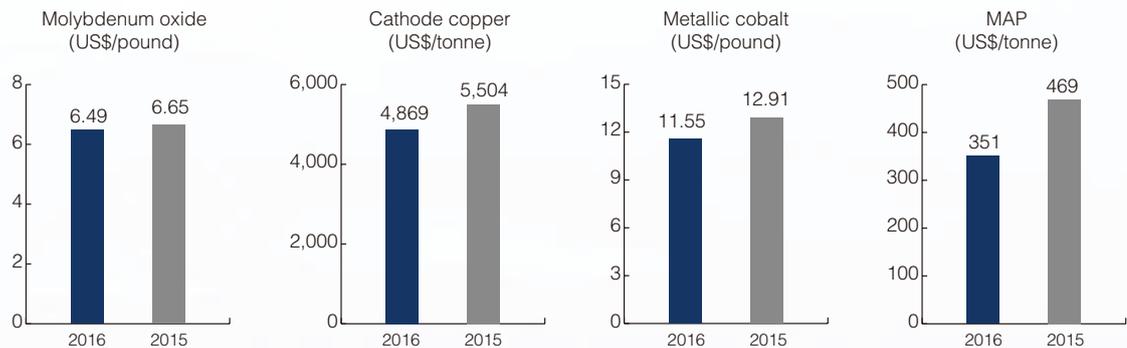
Note: The prices of molybdenum oxide are extracted from the relevant international websites. The price of copper represented the price quoted by the London Metal Exchange ("LME"). The price of phosphate fertilizer represented the CFR price of MAP quoted by the CRU.

MARKET REVIEW AND PROSPECTS

Domestic market price of relevant products of the Company



International market price of relevant products of the Company



2. MARKET REVIEW ON EACH METAL SEGMENT IN 2016

(1) Molybdenum market

Domestic market: Although the structural conflicts and risks still existed in the economic development of China in 2016, China's economy managed to achieve growth on the basis of maintaining stability. Due to the influence of the shutdown of some mines and the environmental inspections in the market, and the output reduction and quality problems of some mines in the international market throughout the year, as well as the increasing prices of steel caused by the investment growth in real estate and fixed assets, the domestic molybdenum market experienced growth with fluctuations. In the first quarter, the supply and demand of molybdenum reached a temporary balance, and the domestic molybdenum prices fluctuated within a narrow range. In the second quarter, due to the increasing price of steel, large and medium-sized steel plants and traders made active purchase, leading to a significant rise in the domestic molybdenum price. However, after mid-June, due to the act of large mining enterprises to dump goods and the continuously declining tender invitations of steel plants, the domestic molybdenum market was under a great pressure and the molybdenum price began to drop quickly. In the third quarter, thanks to the staged recovery of steel price and the staged rise of international molybdenum price, the domestic molybdenum price experienced modest rebound. In the fourth quarter, the steel market experienced strong shocks in general, and the purchase of the steel plants fluctuated in line with market conditions, as a result of which, the molybdenum market also presented a stable and growing trend.

MARKET REVIEW AND PROSPECTS

The average price of molybdenum concentrates for 2016 was RMB910/metric tonne unit (“mtu”), with a year-on-year decrease of 5.21%; the lowest price was RMB730/mtu and the highest price was RMB1,090/mtu. The average price of ferromolybdenum for 2016 was RMB67,100/tonne, with a year-on-year decrease of 1.18%; the lowest price was RMB55,000/tonne and the highest price was RMB78,000/tonne.

International market: In 2016, because some large mines shut down and some enterprises could not achieve output target due to the quality problem, the spot supplies experienced staged shortage, driving up the price. In the first quarter, the international market was short of spot supplies, the traders became more active, and some Chinese enterprises intended to seek for supplies from the international market. Therefore, the international molybdenum price experienced fluctuations within a narrow range. In the second quarter, large mines had limited spot supplies and controlled the sales rhythm, the traders also had limited inventories, and the demand in the domestic molybdenum market was strong. As a result, the international molybdenum price enjoyed a substantial rise which lasted till early June, after which, due to the approach of summer break, the market manipulation was reduced, and the price began to drop. In the third quarter which was the slack season, there was little demand from the terminal market. However, large mines had limited spot supplies and controlled the sales rhythm, and traders made staged manipulation, which, together with the influence of the market in China, caused the staged rebound of the international molybdenum price. In the fourth quarter, the international molybdenum price did not experience any significant change. During this period, the demand of the terminal market did not show a sign for improvement, and there is no any significant change in the output of the mines. The traders conducted staged operation via “buy low and sell high”, causing fluctuations of the market price.

The average MW price of molybdenum oxide for 2016 was US\$6.49/pound of molybdenum, with a year-on-year decrease of 2.41%; the lowest price was US\$5.05/pound of molybdenum and the highest price was US\$8.75/pound of molybdenum.

(2) Tungsten market

Domestic market: In 2016, the overall demand of the tungsten market did not show a sign for improvement. However, the operation rate of mines was reduced obviously compared with the previous years. Driven by the initiatives of large enterprises to control output to keep prices from dropping and the collection for national reserves by the government, the tungsten price enjoyed a staged rebound. In the first quarter, mines operated under considerably low utilization rates, and the market was short of spot supplies. Besides, there were active inquiries and purchases from players in the downstream, as a result of which, the product price rose slowly. Early in the second quarter, the government carried out two instances of collection for national reserves, and large enterprises continued to control the output and limit the sales. As a result, there were limited spot supplies in the market, and the price rose steadily till mid-May, after which, with the slack season looming on the horizon for the terminal market, the trading volume was reduced suddenly, and spot supplies were difficult to circulate. Although the mining enterprises jointly supported the price, the result fell short of expectation due to the weak demand, and the price dropped significantly. The third quarter was the low season of the industry, and the demand did not present a trend for improvement. However, the tungsten product price still did not return to the reasonable level, mines operated under considerably low utilization rates, and the environment inspections were enhanced, there was not much pressure in market supply, and the tungsten price experienced staged fluctuations. In the fourth quarter, although the government continued to carry out instances of collection for national reserves, the price did not experience significant fluctuations because of the reduced demand of the terminal market in general and the rational trading activities on the floor.

In 2016, the average price of domestic 65% black tungsten concentrates was RMB68,100/tonne, with a year-on-year decrease of 4.55%; the lowest price was RMB60,000/tonne and the highest price was RMB76,000/tonne. The average price of ammonium paratungstate (APT) was RMB106,100/tonne, with a year-on-year decrease of 10.92%; the lowest price was RMB94,000/tonne and the highest price was RMB125,000/tonne.

International market: In 2016, the international APT market price was consistent with the price trend of the tungsten raw material market in China in 2016, and presented a unilateral decline trend. Because of the weak demand for tungsten products in the world, especially the three major consumption markets of Europe, Japan and USA, as well as the sluggish situation of China market, the price dropped in the international market as a whole. Although the profit margin of the tungsten product output market in China as a whole was still very low, the domestic market has gradually begun to dominate the international price trend in general.

MARKET REVIEW AND PROSPECTS

According to data of Metal Bulletin (MB), the average price of APT in the Europe market for 2016 was US\$192/mtu, representing a year-on-year decrease of 15%; the lowest price was US\$150/mtu and the highest price was US\$225/mtu.

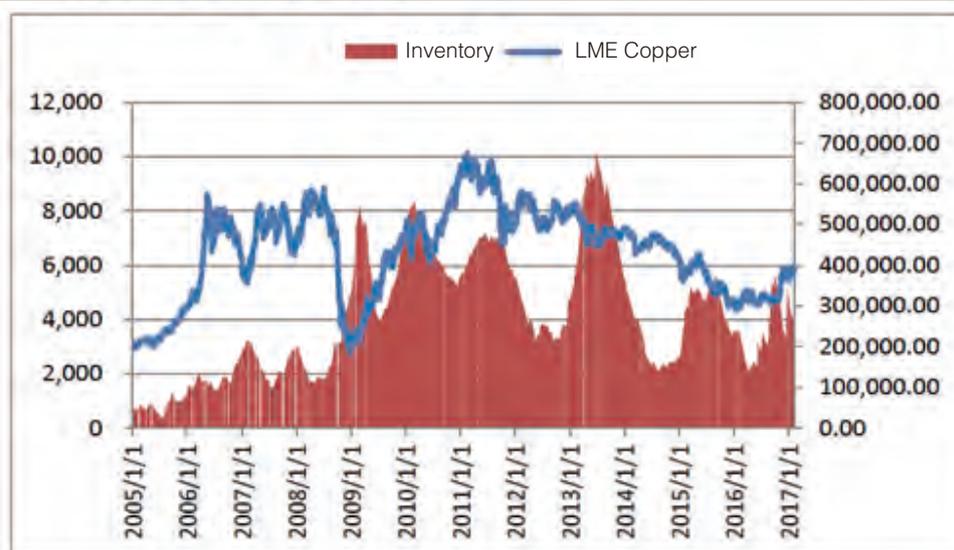
(3) Copper market

The Company is mainly engaged in copper-related overseas business, and copper segment was significantly enlarged after the completion of the copper and cobalt mine in Congo (DRC) on 17 November 2016. The business performance of this segment was subject to the greater influence as a result of fluctuations in the international copper price. According to the analysis of Wood Mackenzie, driven by emerging economies, the global demand for refined copper increased steadily year by year. The global market demand for refined copper in 2016 was 22.45 million tonnes, representing an increase of 2.5% compared to 2015; the output of refined copper was 22.80 million tonnes, representing an increase of 4.1% compared to 2015 with a momentum of oversupply in the market. In early 2016, the international copper market price fell continuously to the bottom of approximately US\$4,300/tonne in the middle of January, hitting a lowest record for the past five years. Afterwards, it recovered to US\$5,000/tonne in March and fluctuated within the above range frequently.

Since the fourth quarter of 2016, the copper market showed a sign of improvement and the price of copper rose significantly. The improvement of market sentiment, on the one hand, was due to the Chinese market demand for copper over the expected; and, on the other hand, benefited from the unexpectedly frequent production reduction on the supply side from July to September in 2016, which exacerbated the short supply. In addition, the devaluation of Renminbi and Trump's policy and infrastructure stimulation plan inclined to support industrial development all made the capital flow into the copper market. Since November 2016, the price of copper has been rising at an increasingly faster speed, achieving nearly US\$6,000/tonne in early December, which marked the highest price for 17 months.

In 2016, the price of copper fluctuated between US\$4,300 to US\$6,000/tonne (US\$1.95 to US\$2.72/pound), with the annual average price of US\$4,869/tonne (US\$2.21/pound), down by approximately 11.54% as compared to US\$5,504/tonne (US\$2.5/pound) in 2015.

LME Copper Price Trend and Inventory Changes



MARKET REVIEW AND PROSPECTS

(4) Cobalt market

The Company became the second largest cobalt producer in the world after the completion of the copper and cobalt mine in Congo (DRC) on 17 November 2016. The global cobalt demand has almost doubled since 2000. The battery industry became the largest consumer of cobalt, of which the 3C lithium battery sector accounted for the largest proportion. In 2016, the relation between supply and demand of cobalt reversed thanks to the explosive growth of new energy vehicles. As the demand for cobalt has increased significantly for the production of power batteries, cobalt is in short supply. As CUR (a mineral analysis authority) data suggested, the global demand for refined cobalt in 2016 was 100,100 tonnes, representing an increase of 4.2% over 2015; and the production of refined cobalt was about 99,900 tonnes, representing an increase of 3.9% over 2015.

Since the second half of 2016, the price of cobalt began to rebound gradually as a result of the short supply in the refined cobalt market. At the end of 2016, the conclusion of American presidential election triggered the prices of various commodities to rise, which caused the price of cobalt to further rebound. Later, affected by multiple factors including increased sales of electric vehicles, mobile phones and laptops, the initiation of production of Tesla super battery factory and the cobalt speculative trading of hedge fund, the price of cobalt continued rising. At the end of 2016, the price of cobalt increased significantly. The price of cobalt quoted by LME increased by 38.4% from US\$10.73/pound at the beginning of January in 2016 to US\$14.85/pound at the end of December. The average price of cobalt quoted by LME in 2016 was US\$11.55/pound, representing a decrease of 10.53% over 2015.

The year-on-year growth of -7.67% in the global cobalt supply in 2016

	2012	2013	2014	2015	2016E	2017E	2018E
Global cobalt output (tonne)	93,000	100,000	113,000	114,000	105,258	112,873	120,739
Year-on-year growth	(5.50%)	7.53%	13.00%	0.88%	(7.67%)	7.23%	6.97%

Source: CDI, USGS, Central Bank of DRC, Daton, Roskill, Antaike and Essence Securities Research Center

The rapidly dropping year-on-year growth of the global refined cobalt supply in 2016

	2012	2013	2014	2015	2016E	2017E	2018E
Global refined cobalt output (tonne)	77,189	85,904	91,754	98,113	101,113	106,313	112,613
Year-on-year growth	(5.20%)	11.29%	6.81%	6.93%	3.06%	5.14%	5.93%

Source: CDI, USGS, Central Bank of DRC, Daton, Roskill, Antaike, announcements of companies and Essence Securities Research Center

The estimated new global refined cobalt output for 2017–2018

	2017E	2018E
New capacity of global refined cobalt (tonne)	5,200	6,300

Source: Announcements of companies and Essence Securities Research Center

MARKET REVIEW AND PROSPECTS

(5) Niobium market

The steel industry is the largest consumer of niobium mainly for high-strength and low-alloy steel (HSLA), advanced high-strength steel, stainless steel and heat resistant steel plate. Niobium market can be divided into HSLA-level ferroniobium and other non-steel making purposes. The consumption by ferroniobium accounts for 90% of the total consumption of niobium. The demand for niobium by steelmaking is relatively less elastic compared to other commodities for steel production, as niobium only accounts for a small proportion of the cost of steel production and is mainly used for steel products of high added value.

The price of ferroniobium is mainly determined by Companhia Brasileira de Metalurgia e Mineração (CBMM), the monopolist of the industry, due to the small elasticity of the demand of niobium, while other producers are price takers. In 2008, CBMM significantly lifted up the price of ferroniobium, so as to correct the structural underestimation of the niobium price. The price of ferroniobium stayed basically stable afterwards, fluctuating between US\$35 and US\$40 per kilogram. The average sales price of niobium in 2016 decreased by approximately 10% compared with that of 2015.

(6) Phosphorus market in Brazil

As most of Brazil's territory locates at tropical region, it enjoys favorable natural conditions. Brazil is one of the world's main exporters of agricultural products and the main producer of sucrose, coffee, orange, corn and soybean in the world. With high demand for chemical fertilizers, Brazil is the fifth largest chemical fertilizer consumer in the world with annual demand far more than its domestic production, so it needs to import a huge amount of chemical fertilizer products from Russia, the United States and China. Monoammonium phosphate (MAP) is the main high-concentrated phosphate fertilizer product in Brazilian market.

In 2016, farmers' purchasing power for chemical fertilizers dropped and the demand for chemical fertilizers continued to decline following 2015 due to the continuous sluggish economy of Brazil. According to the statistics of HIS, the demand for MAP of Brazil was about 1.645 million tonnes (100% P_2O_5), representing a decrease of 33.6% from 2.478 million tonnes in 2015, falling back to the level in 2011.

In terms of supply, there are only Companhia Vale do Rio Dade in Brazil and the Company possessing the production capacity of MAP and with relatively stable productivity. According to the statistics of the International Fertilizer Industry Association (IFA), the output of MAP of Brazil in 2016 was 630,000 tonnes, representing a decrease of 3.7% from 654,000 tonnes in 2015.

The price of phosphate fertilizer in Brazil is in line with the international price due to its high reliance on phosphate fertilizer import, of which, MAP CFR price is the benchmark in Brazil and its fluctuation is basically the same with that of other international benchmark prices (e.g. Monaco MAP FOB and Tampa MAP FOB). According to the statistics of CUR, the price of Brazil's phosphate fertilizer in 2016 continued fluctuating at low levels, and the average price of MAP CFR was US\$351/tonne, representing a decline of 25.16% from US\$469/tonne in 2015. Apart from the sluggish domestic demand in Brazil, other factors including China's robust export in phosphate fertilizer and the reduction of costs of raw materials and transportation also contributed to the decline.

MARKET REVIEW AND PROSPECTS

MARKET PROSPECTS FOR EACH METAL SEGMENT FOR THE YEAR OF 2017

1. Molybdenum market

Domestic market: Starting from the second half of 2016, though the molybdenum price saw periodic rebound and further rose at the end of October, it still did not reach the production cost line of small and medium enterprises. As a result, despite that some mines are eager to make their tries, it is still difficult for them to restore all operations to meet the full capacity, and the possibility that there will be no obvious increase in molybdenum supply in the domestic market in 2017 is remote. In terms of demand, China's economy stabilizes with an estimated growth of 6.5% by IMF, UN and World Bank. Motivated by a range of factors including the implementation of a new round of investment in infrastructure led by China's government, more-than-expected recovery of the downstream steel industry and the tighter domestic environmental protection, molybdenum price is expected to further rebound.

International market: It is expected that ancillary molybdenum supply of some mines will increase in 2017. However, in the current situation, some high-cost enterprises will still try to maintain their strengths by reducing or suspending production, so the supply and demand will be impacted little. In terms of demand, driven by predictions of positive turnaround of US economy and sustained recovery of global economy, the market has become much more bullish on the prices of commodities such as copper, iron and steel and oil since the fourth quarter of 2016, which may propel the molybdenum price to go up.

2. Tungsten market

In terms of supply, the global tungsten output recorded negative growth in 2016, and the tungsten price has bottomed out. As one of the major tungsten exporters, the domestic examination of environment is getting stricter, which will suppressing the growth of tungsten supplement. In terms of demand, the market will still have more supply than demand in 2017 in general, but globally, especially in the overseas market, the tungsten industry is now at the cycle of consuming stock, and the current level of stock is close to the lowest point in history caused by price drop, sluggish demand, adjustment in export tax policies and other reasons in recent years. In addition, the main downstream fields of tungsten, including construction and machinery manufacturing, are highly periodic. Galvanized by favorable policies, industries like CNC machine tools, robots, automobile manufacturing and aircraft manufacturing are expected to embrace development opportunities of industrial upgrading, and thus pushing the growth of tungsten demands.

3. Copper market

According to the forecast of ICSG, the total production capacity of global copper metal mines for 2017–2019 is estimated to be 24.94 million tonnes, 25.62 million tonnes and 26.48 million tonnes respectively and the growth rate will drop significantly after 2017. Top 10 countries in term of productivity of copper mines accounted for about 80% of global copper productivity. However, the global productivity will begin to decline due to reduced productivity of new mines and the exhaustion and closure of large global mines.

At the beginning of 2017, the price of copper continued fluctuating in the range of US\$5,500–6,100/tonne. According to the forecast of Wood Mackenzie, the productivity of copper is estimated to slow down and the demand of copper is estimated to rise continuously in near term. In 2017, global refined copper production will reach 22.64 million tonnes, while the demand of refined copper will reach 22.92 million tonnes. The supply is about to catch up with the demand, though the supply is in scarcity. As there will be 7 to 10 years for new production capacity to be fully used, the demand exceeding the supply will last after 2023, pushing the rebound of the price of copper. Meanwhile, various unexpected accidents of production reduction continued to occur in the supply of copper mines since 2006, causing an unplanned average annual reduction of production of 800,000 tonnes, representing about 5.7% of the opening estimated production.

MARKET REVIEW AND PROSPECTS

4. Cobalt market

In early 2017, as manufacturers hoarded inventory and end customers bought cobalt at high prices for the purpose of sustaining their demand for cobalt, such phenomenon exacerbated the cobalt in short supply, and the price of cobalt soared up to more than US\$20/pound in mid-February. According to the latest forecast by CRU in February 2017, power batteries will be the primary factor in stimulating the increasing demand for cobalt. It is predicted that the gap between supply and demand for cobalt will increase from about 200 tonnes in 2016 to about 2,200 tonnes in 2019 and inventory consumption of cobalt will also speed up. In the next two years, firstly, the new supply of global cobalt ore will be so limited that refined cobalt in raw materials will reach a plateau. Secondly, the global new production capacity of refined cobalt is less, which will make the output growth difficult to improve, and the demand will continue to maintain high growth, with a strong support for the price of cobalt.

5. Niobium market

Since early 2017, benefiting from the strong demand in regions such as China and Europe, niobium price showed significant rebound and such increase can basically offset the decrease in 2016. Such rebound trend is expected to continue.

6. Phosphorus market in Brazil

Global phosphorus resources are mainly concentrated in North Africa, the Middle East and East Asia. Morocco, China, the United States and Russia have concentrated 80% of the production capacity of global phosphoric acid. In recent years, the growth of production capacity of global phosphoric acid gradually slowed down, influenced by the continuously downward international market price, strengthened restrictions on resource development in the United States, regional turmoil in the Middle East and North Africa, together with accelerated industrial integration in China. In 2017, the shortage in domestic supply of phosphorus and high dependence on imports in Brazil will continue. With the improving situation of Brazil's domestic economy, the demand for phosphate fertilizer is also expected to increase, so that there may be a rising trend in the price of phosphate fertilizer.



BUSINESS REVIEW AND PROSPECTS

2016 BUSINESS REVIEW ON ALL METAL SECTORS

1. Molybdenum sector

For 2016, the Company realized production volume of molybdenum concentrates (with metal equivalents of 100% MO metal) of 16,302 tonnes and the production cost in unit cash of RMB55,279/tonne.

2. Tungsten sector

For 2016, the Company realized production volume of tungsten concentrates (with metal equivalents of 100% WO₃) of 10,118 tonnes (excluding Yulu Mining) and the production cost in unit cash of RMB12,593/tonne.

3. Copper and cobalt sector

For 2016, when calculated based on 80% of equity interests, NPM realized production volume of available-for-sale copper metal of 36,749 tonnes, and C1 cash cost of US\$0.81 per pound, and it realized production volume of 29,067 ounces for gold available for sale.

From the completion date to the end of the reporting period, when calculated based on 100% of equity interests, Tenke Copper and Cobalt Mine realized production volume of 23,049 tonnes of copper metal and C1 cash cost of US\$1.16 per pound, and it realized the production volume of 1,574 tonnes of cobalt. (Note: the completion of copper and cobalt business in DRC took place on 17 November 2016.)

4. Niobium and Phosphorus sector

From the completion date to the end of the reporting date, Brazil realized production volume of phosphate fertilizer (high analysis fertilizer and low analysis fertilizer) of 303,812 tonnes and niobium metal of 1,859 tonnes. (Note: the completion of niobium and phosphorus business in Brazil took place on 1 October 2016.)

During the reporting period, in the environment that bulk commodity price remained low and the global economy was sluggish, the Company continued to enhance cost reduction, efficiency improvement and technical innovation. While consolidating its competitive advantages in the existing business sectors, the Company took advantage of the low valuation of the overseas high-quality mining resources and made great breakthrough in the overseas development strategy, achieving great results in the strategic layout of internationalization.

1. **Completing M&As of world class high-quality mining resources during downturn, putting the development strategy of internationalization into practice.**

During the reporting period, the Company made great progress in the overseas development strategy. It smoothly completed the M&As of two overseas high-quality mining resources in about 6 months. The projects ran smoothly after completion. While ensuring the advantages in the existing business sectors, the Company managed to rapidly develop itself into a world leading copper producer, the second largest cobalt and niobium producer in the world and the second largest phosphate fertilizer producer in Brazil with various resources and more diversified portfolios of assets and products, which further improved the profitability and risk-resisting capability. The M&A of low-cost high-quality resources brings new profit growth points to the Company.

2. **Timely launch of a scheme for the non-public issuance of A shares to ensure the healthy asset and liability structure of the Company.**

During the reporting period, the Company proposed a RMB18 billion worth of non-public offering of A Shares while propelling major overseas M&As and the proposal was approved by the CSRC on 18 January 2017 and subject to obtaining the written approval from the CSRC.

BUSINESS REVIEW AND PROSPECTS

3. **Focusing on pushing forward costs reduction and efficiency enhancement to further improve the cost control and automation level.**

During the reporting period, the Company continued to enhance the material purchase management to control the material purchase and inventory costs. The centralized procurement rate was increased from 65.36% at the beginning of the year to 77.23%, representing a year-on-year growth of 11.87 percentage points. The inventory material reduced by 12.16 percentage points compared to the beginning of the year. In addition, the Company actively promoted key projects and automation construction. The APT project reached the output target and the automation modification project of the third ore dressing branch company was put into operation, so was the smart mining system of the mining branch, representing an remarkable success achieved in the automation construction. In addition, the Company actively standardized the processes and conditions for molybdenum and tungsten production, and implemented the "process card" system through pilot operation, reducing the molybdenum dressing agent cost by 19.40% and the tungsten dressing agent cost by 11.10%.

4. **Remarkable achievement of comprehensive resources recovery project.**

During the reporting period, the industrialization layout of recovery of various metal resources showed an initial progress. In the year, a total of 3,896 tonnes of copper concentrate (20% grade) was recovered, realizing a revenue of RMB20.57 million from copper sales; industrialized production of recovery of by-products of rhenium has been materialized and qualified ammonium perrhenate products were produced with the realization of external sales; recovery of ancillary fluorite is in the stage of industrialized experiment. In addition, secondary recovery of molybdenum was achieved in the APT project while reaching its designed capacity. In total, 180.3 tonnes of ammonium molybdate were recovered and produced, and a sales income of RMB8.32 million was achieved.

5. **Enhancing regulatory management, making great progress in all basic management works.**

During the reporting period, the Company furthered the integrated management and improved the relevant technical index system. It actively refined the equipment management system and standards and enhanced the analysis on the causes of and the accountability for safety and equipment accidents. In 2016, the equipment running rate of the domestic business of the Company reached 96.99%, representing a year-on-year growth of 0.31 percentage points. The Company actively accelerated the HR reform and implemented public recruitment. As a result, the quality and vitality of the management team were improved.

6. **Stable and efficient operation achieved by enhancing safety and environment protection works.**

During the reporting period, the Company implemented the policy of "party and management leaders sharing the same responsibilities, and dual responsibilities for one post", strictly carried out such safety measures as the Ten Principal Standards for Safety and "danger source identification, prevention and control in advance", and spared no effort to meet the secondary standard for safe production standardization and promote the consolidation of safety standardization and integration. In addition, it established and improved the safety organizations and safety management teams, paid safety post allowance, enhanced the safety trainings for the employees and safety staff, and made comprehensive and systematic safety supervision by strengthening the safety supervision responsibilities of the relevant organs.

BUSINESS PROSPECTS FOR 2017

Based on the future economic and market dynamics, we have confirmed the estimated targets:

1. **Molybdenum sector**

The predicated production volume from molybdenum concentrates (with metal equivalents of 100% MO metal) is 16,000 tonnes and the production cost in unit cash will be RMB55,300/tonne to RMB61,100/tonne.

2. **Tungsten sector**

The predicated production volume from tungsten concentrates (with metal equivalents of 100% WO₃) is 11,000 tonnes (excluding Yulu Mining) and the production cost in unit cash will be RMB13,800/tonne to RMB15,200/tonne.

BUSINESS REVIEW AND PROSPECTS

3. Copper and cobalt sector

When calculated based on 80% of equity interests, the predicted production volume of available-for-sale copper metal of NPM is 34,000 tonnes and C1 cash cost is US\$0.91–US\$1.01 per pound, and it will realize a production volume of 25,000 ounces for gold available for sale.

When calculated based on 100% of equity interests, the predicted production volume of copper from Tenke Copper and Cobalt Mine is 219,000 tonnes and C1 cash cost is US\$0.98–US\$1.09 per pound, and it will realize a production volume of 18,000 tonnes of cobalt metal.

4. Niobium and Phosphorus sector

The predicted production volume of phosphate fertilizer (high analysis fertilizer and low analysis fertilizer) and niobium metal is 1,182,000 tonnes and 8,000 tonnes, respectively.

The above production plans do not constitute substantive commitments to investors and investors should notice about the risk when making their investments.

The works of the Company in 2017 are generally arranged as follows: the Company will speed up management structure optimization for its overseas businesses by devoting itself into management integration and operational improvement while ensuring the stable and efficient performance of overseas businesses; accelerate the “integrated progress of standardization, informatization and automation” so as to promote standardized operation and innovative development with focus on technological innovation, management innovation and management enhancement and with main tasks around industrial layout optimization and human resources reform; and enhance the balance sheet management. With these efforts, the Company will fulfill its vision of building itself into an influential and respected international resources company.

1. To learn from the management and control experiences of NPM, improve the management and control system for overseas businesses and continuously dedicate itself to operational improvement while ensuring the stable transition and integration synergy of businesses newly merged or acquired;
2. To push forward works related to the non-public issuance of A shares by the Company step by step, refine its financing structure and exercise perpetual balance sheet management;
3. Tap into and facilitate the synergies between various business sectors in terms of operation and management, production techniques and marketing, so that each business segment can learn from and achieve collective improvement and development with other segments;
4. To focus on low-cost strategy, draw momentum from technological reform and innovation, take actions of project construction, optimize industrial layout, constantly advance the standardization, informatization and automation, and solidify the management basis, so that costs can be reduced in a broader and deeper way;
5. To vigorously promote the building of the organization and human resources, optimize the management structure and raise the efficiency and professionalism of human resources, so as to foster competitive advantages in human resources;
6. To maintain high pressure of safety and environmental protection, implement safety standards, set up environmental protection management system and boost the ability of environment protection, so as to ensure lasting stability in eco-friendly production;
7. To uphold stringent party construction, ramp up efforts in party construction and anti-corruption, so as to gather a strong driving force for development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 31 December 2016, the net profit of the Group was increased from RMB703.1084 million at 31 December 2015 to RMB1,019.2384 million, representing an increase of RMB316.13 million or 44.96%, in which the net profit attributable to the owners of the parent company was RMB998.0406 million, representing an increase of RMB236.8805 million or 31.12% from RMB761.1601 million at 31 December 2015.

OPERATING RESULTS

During the reporting period, the revenue and gross profit of the Group increased due to greater efforts in selling molybdenum and tungsten products of the Company and the completion of acquisition of overseas niobium and phosphorus businesses and copper and cobalt businesses. In 2016, the operating revenue of the Company amounted to RMB6,949.5710 million, representing an increase of RMB2,752.7314 million as compared with last year. The gross profit amounted to RMB2,325.7529 million, representing an increase of RMB751.3615 million as compared with last year.

PRINCIPAL OPERATING BUSINESSES BY INDUSTRY, PRODUCT AND REGION

Unit: Yuan Currency: RMB

Principal operating businesses by product						
By product	Operating revenue	Operating cost	Gross profit margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
Molybdenum and tungsten-related products	2,815,657,614.65	1,511,570,037.60	46.32	16.29	1.91	Increase by 7.57 percentage points
Copper and gold-related products	1,381,203,392.40	1,013,663,409.49	26.61	-4.27	8.85	Decrease by 8.84 percentage points
Niobium-related products	410,653,115.36	306,579,395.96	25.34	N/A	N/A	N/A
Phosphorus-related products	729,610,629.70	584,775,039.30	19.85	N/A	N/A	N/A
Copper and cobalt-related products	1,296,146,914.20	996,305,846.03	23.13	N/A	N/A	N/A
Others	164,017,685.08	91,401,296.84	44.27	-8.98	0.30	Decrease by 5.16 percentage points

Principal operating businesses by region						
By region	Operating revenue	Operating cost	Gross profit margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
China	2,979,675,299.73	1,602,971,334.44	46.20	14.54	1.82	Increase by 6.72 percentage points
Australia	1,381,203,392.40	1,013,663,409.49	26.61	-4.27	8.85	Decrease by 8.84 percentage points
Brazil	1,140,263,745.06	891,354,435.26	21.83	N/A	N/A	N/A
Congo	1,296,146,914.20	996,305,846.03	23.13	N/A	N/A	N/A

MANAGEMENT'S DISCUSSION AND ANALYSIS

PRODUCTION AND SALES VOLUME OF PRINCIPAL PRODUCTS

Principal products	Production volume (Tonnes)	Sales volume (Tonnes)	Inventory (Tonnes)	Increase or decrease of production volume as compared to last year (%)	Increase or decrease of sales volume as compared to last year (%)	Increase or decrease of inventory as compared to last year (%)
Molybdenum concentrates (Metal equivalents of 100% MO metal)	16,302	20,495	3,082	-4.10	13.43	-35.11
Tungsten concentrates (Metal equivalents of 100% WO ₃)	10,118	11,478	1,130	2.98	41.14	-61.82
Copper metal of NPM (Based on 80% of equity interests)	36,749	35,962	1,891	-8.04	-10.87	43.29
Copper metal of Tenke (Based on 100% of equity interests)	23,049	27,356	17,959	N/A	N/A	N/A
Cobalt (Based on 100% of equity interests)	1,574	1,825	2,216	N/A	N/A	N/A
Niobium	1,859	1,998	1,716	N/A	N/A	N/A
Phosphates fertilizer (HA+LA)	303,812	303,395	8,030	N/A	N/A	N/A

DESCRIPTION OF PRODUCTION AND SALES VOLUME

Note: the completion of niobium and phosphates businesses in Brazil and copper and cobalt businesses in DRC was completed on 1 October 2016 and 17 November 2016, respectively. The above data of niobium and phosphates fertilizer in Brazil and copper and cobalt in DRC were data from the completion date to the end of the reporting period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMPONENT OF COST OF PRINCIPAL PRODUCTS

Unit: Yuan Currency: RMB

Product	Component of cost	By Product			Percentage over total cost for the same period last year (%)	Percentage of changes in amount during the year (%)
		Amount for the current period	Percentage over total cost for the current period (%)	Amount for the same period last year		
Molybdenum and tungsten-related products	Materials	403,316,759.18	29.70	363,927,503.48	26.41	10.82
	Labor	237,424,769.46	17.48	284,267,071.00	20.63	-16.48
	Depreciation	152,910,337.76	11.26	149,600,529.75	10.86	2.21
	Energy	222,309,861.23	16.37	234,165,473.61	16.99	-5.06
	Manufacturing fees	341,954,800.67	25.18	345,888,825.59	25.10	-1.14
Copper and gold-related products	Materials	192,728,597.14	19.05	182,014,850.14	18.72	5.89
	Labor	193,110,803.82	19.09	189,096,920.33	19.45	2.12
	Depreciation	489,816,482.74	48.42	467,983,452.88	48.12	4.67
	Energy	84,446,093.80	8.35	83,890,820.35	8.63	0.66
	Manufacturing fees	51,561,431.99	5.10	49,465,112.05	5.09	4.24
Niobium-related products	Materials	57,181,564.25	19.80	N/A	N/A	N/A
	Labor	43,116,390.13	14.93	N/A	N/A	N/A
	Depreciation	73,105,393.55	25.31	N/A	N/A	N/A
	Energy	14,221,870.38	4.92	N/A	N/A	N/A
	Manufacturing fees	101,191,691.13	35.04	N/A	N/A	N/A
Phosphates-related products	Materials	277,550,931.41	50.94	N/A	N/A	N/A
	Labor	97,370,347.49	17.87	N/A	N/A	N/A
	Depreciation	33,798,104.90	6.20	N/A	N/A	N/A
	Energy	35,162,089.31	6.45	N/A	N/A	N/A
	Manufacturing fees	101,005,042.65	18.54	N/A	N/A	N/A
Copper and cobalt-related products	Materials	257,195,990.00	24.97	N/A	N/A	N/A
	Labor	196,758,290.00	19.10	N/A	N/A	N/A
	Depreciation	253,099,657.00	24.57	N/A	N/A	N/A
	Energy	46,738,488.00	4.54	N/A	N/A	N/A
	Manufacturing fees	276,267,442.00	26.82	N/A	N/A	N/A

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2016, the administrative expenses of the Group was RMB714.7 million, representing an increase of RMB357.5 million or 100.1% from RMB357.2 million for the same period in 2015. It was mainly due to the increase in audit and consulting fees for overseas mergers and acquisitions.

For the year ended 31 December 2016, the Group's administrative expenses included RMB236.14 million for overseas merger and acquisition transaction fees.

FINANCE EXPENSES

For the year ended 31 December 2016, the finance expenses of the Group amounted to RMB407.7 million, representing an increase of RMB361.5 million or 782.5% from RMB46.2 million for the same period in 2015, mainly due to the significant increase of the capital costs for the Group to complete overseas mergers and acquisitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INVESTMENT INCOME

For the year ended 31 December 2016, the investment income of the Group was RMB174.2 million, representing an increase of RMB57.6 million or 49.4% from RMB116.6 million for the same period in 2015, mainly attributable to income from the disposal of available-for-sale financial assets of the Group.

CHANGES IN FAIR VALUES

For the year ended 31 December 2016, the changes in fair values of the Group was RMB46.4 million, representing an increase of RMB49.2 million from RMB-2.8 million for the same period in 2015. The increase was mainly due to the increased gains from changes in fair values of the forward exchange contracts of the Group.

NON-OPERATING INCOME

For the year ended 31 December 2016, the non-operating income of the Group amounted to RMB467.0 million, representing an increase of RMB416.8 million or 831.19% from RMB50.2 million for the same period of 2015, mainly attributable to the negative goodwill arising from the overseas merger and acquisition of CMOC Co., Ltd. for the period.

NON-OPERATING EXPENSES

For the year ended 31 December 2016, the non-operating expenses of the Group amounted to RMB28.0 million, representing a decrease of RMB66.6 million or 70.4% from RMB94.6 million for the same period in 2015, mainly attributable to smaller losses on disposal of non-current assets over the same period of last year.

INCOME TAX EXPENSES

For the year ended 31 December 2016, the income tax expenses of the Group amounted to RMB170.9 million, representing an increase of RMB191.2 million or 942.3% from RMB-20.3 million for the same period of 2015. Such increase was mainly attributable to the increase of the profit for the year.

NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

For the year ended 31 December 2016, the net profit of the Group attributable to owners of the parent company amounted to RMB998.0 million, representing an increase of RMB236.8 million or 31.1% from RMB761.2 million for the year ended 31 December 2015. Such increase was mainly attributable to the consolidation of financial statements upon the completion of overseas M&A projects of the Company.

MINORITY INTERESTS

For the year ended 31 December 2016, the minority interests of the Group were RMB21.2 million, representing an increase of RMB79.3 million or 136.5% from RMB-58.1 million for the same period of 2015. Such increase was mainly attributable to the increase of gains of minority interests upon consolidation of financial statements after overseas M&A of copper and cobalt mine in DRC for the period.

FINANCIAL POSITION

For the year ended 31 December 2016, the total assets of the Group amounted to RMB88,146.8 million, comprising non-current assets of RMB68,343.9 million and current assets of RMB19,803.0 million. Equity attributable to shareholders of the parent company for the year ended 31 December 2016 increased by RMB1,384.6 million or 8.0% to RMB18,738.1 million from RMB17,353.5 million for the year ended 31 December 2015. Such increase was mainly due to larger scope of business combinations for the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENT ASSETS

For the year ended 31 December 2016, the current assets of the Group increased by RMB4,071.2 million or 25.9% to RMB19,803.0 million from RMB15,731.8 million for the year ended 31 December 2015. Such increase in the current assets was mainly attributable to larger scope of business combinations for the period.

NON-CURRENT ASSETS

For the year ended 31 December 2016, the non-current assets of the Group amounted to RMB68,343.9 million, representing an increase of RMB53,195.1 million or 351.2% from RMB15,148.8 million for the year ended 31 December 2015. Such increase in the non-current assets was mainly attributable to larger scope of business combinations for the period.

SCOPE OF RESTRICTED ASSETS

At the end of the reporting period, among other bank and cash balance, the structured bank deposits amounted to RMB400,000,000.00 (opening balance for the year: RMB390,000,000.00), the security deposits for bank acceptance bills amounted to RMB450,000,000.00 (opening balance for the year: RMB510,342,000.00), loan security deposits amounted to RMB630,000,000.00 (opening balance for the year: RMB531,975,000.00), the special security deposits for the mine environment restoration and rehabilitation amounted to RMB20,016,029.71 (opening balance for the year: nil) and the security deposit for the letter of credit amounted to RMB50,000,000.00 (opening balance for the year: nil). The structured deposits cannot be withdrawn in advance during the deposit period.

ENTRUSTED WEALTH MANAGEMENT

Unit: Yuan Currency: RMB

Trustee	Entrusted wealth management product types	The amount for the entrusted wealth management	Opening Date of entrusted wealth management	Closing Date of entrusted wealth management	Payment methods	Actual amount of principal collected	Actual income	Whether it is through the legal procedure	Amount of provision for impairment	Related transaction or not	Involved in appeal or not	Relationship
Shenwan Hongyuan Securities	break-even floating proceeds	200,000,000.00	6/6/2015	5/6/2018	payment quarterly	-	20,077,777.77	Y	-	N	N	
Ping An Hui Tong	break-even floating proceeds	350,000,000.00	18/5/2015	18/5/2018	payment quarterly	-	33,101,444.46	Y	-	N	N	
Ping An Hui Tong	break-even floating proceeds	250,000,000.00	29/7/2015	29/7/2018	payment quarterly	-	18,594,722.23	Y	-	N	N	
CITIC Securities	break-even floating proceeds	100,000,000.00	23/12/2016	23/2/2017	payment in due course			Y	-	N	N	
NEW CHINA ASSET MANAGEMENT	asset management plan	1,763,468,867.81	8/5/2015	7/5/2017	payment in due course			Y	-	N	N	
Total	/	2,663,468,867.81	/	/	/		71,773,944.46	/	/	/	/	/

Accumulative principal and income overdue but outstanding (RMB)
Description of entrusted wealth management

MANAGEMENT'S DISCUSSION AND ANALYSIS

MATERIAL EQUITY INVESTMENTS

Unit: 0'000 Yuan Currency: RMB

Investee	Investment cost	Shareholding ratio
Non-listed entity A (Note 1)	40,000.00	5.30%
Equity investment of partnership entity C (Note 2)	5,000.00	12.20%
Equity investment of partnership entity E (Note 2)	46,020.49	N/A
Equity investment of partnership entity F (Note 2)	4,883.97	25.39%
Non-Listed entity G (Note 1)	888.47	3.45%
Non-Listed entity H (Note 1)	418.63	2.21%
Others	0.49	N/A
Total	97,212.05	N/A

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

Note 2: Equity of limited partnership entity invested by the Group, according to the limited partnership agreements, the Company participates in the business as a limited partner. The Company does not control, holds under common control or has significant influence on the daily operation and decision of relevant partnership entity. At the end of the period, for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, thus they are subsequently measured at cost.

CURRENT LIABILITIES

For the year ended 31 December 2016, the current liabilities of the Group amounted to RMB15,981.7 million, representing an increase of RMB7,212.8 million or 82.3% from RMB8,768.9 million for the year ended 31 December 2015. The increase in the current liabilities was mainly due to larger scope of combination and the increase in the short-term financing instruments for the period.

NON-CURRENT LIABILITIES

For the year ended 31 December 2016, the non-current liabilities of the Group amounted to RMB37,828.2 million, representing an increase of RMB33,533.3 million or 780.8% from RMB4,294.9 million for the year ended 31 December 2015. The increase in the non-current liabilities was mainly due to the long-term borrowings for the material asset acquisitions for the period.

CONTINGENCY

As at 31 December 2016, the Group had the following contingent liabilities:

BUSINESSES IN THE PRC

On 30 January 2013, the Company received relevant files from the Intermediate People's Court of Luoyang City, Henan Province, stating that West Lead Mine, Yangshuao, Luanchuan County ("Yangshuao") filed a lawsuit accusing that the tailing storage built by the No. 3 Ore Processing Branch, a branch of subsidiary of the Group, was in its mining area. As the height of the dam of the tailing storage grew and the level of the groundwater rose, the mining facilities and equipment of Yangshuao were damaged and its mining needed to be aborted. The plaintiff was unable to exploit the measured lead-zinc ore and an economic loss was thus incurred. Therefore, the plaintiff contended that No. 3 Ore Processing Branch shall cease the infringement and compensate the plaintiff for a direct economic loss of approximately RMB18.0 million and loss of obtainable profits. According to the results of judiciary appraisal, the assessed value of the mining rights of Yangshuao related to this litigation is RMB1.724 million. The case is pending trial. The Group is of the opinion that, in accordance with the existing situation and the submitted evidence, the existence of tort alleged by Yangshuao cannot be confirmed and therefore it believes that currently the litigation would not have any significant impact on the financial position of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

COPPER AND COBALT BUSINESS IN CONGO (DRC)

At the end of 2015, TFM started to negotiate with SNEL to address the effectiveness, quality and volume of power supply. Pursuant to amended terms in the power agreement included in the reconciliation arrangement, TFM agreed to pay a price of US\$0.0569 per kilowatt-hour from January 2016 (the previous electricity price was US\$0.0350 per kilowatt-hour) and US\$10 million settlement compensation to get more and sustained power supply from SNEL. As of the date of this report, however, the two sides have not executed any official agreements, and the negotiation is still in progress. It is estimated by the Group that such negotiation will be concluded in 2017. In response to this contingent liability, TFM has made a provision of US\$10 million expenses (equivalent to RMB69.37 million) in previous years.

The staff of the Group for copper and cobalt business in Congo (DRC) may incur lawsuits, claims and liability appeals in the course of their daily operations. The management, based on currently available information, holds that such contingency will not impose any material adverse effect on the financial position, operating results or cash flows of the relevant businesses.

NIOBIUM AND PHOSPHORUS BUSINESS IN BRAZIL

The niobium and phosphorus business of the Group in Brazil may incur various litigations in the course of daily operations. The management will determine the probable outcome of litigations and the chance of outflows of economic benefits arising therefrom, based on all available information and professional advices from external legal experts. If the chance of outflows of economic benefits is deemed to be small, relevant litigations will be disclosed as contingencies. The amount involved in the litigations as at 31 December 2016 was RMB197.01 million regarding environmental and labor litigations faced by AAFB and AANB. No provision was made for the above contingencies.

GEARING RATIO

The gearing ratio (total liabilities divided by total assets) of the Group increased to 61.0% for the year ended 31 December 2016 from 42.3% for the year ended 31 December 2015. The increase in the gearing ratio was mainly due to bank borrowings for material asset acquisitions for the period.

CASH FLOW

For the year ended 31 December 2016, the Group had cash and cash equivalents of RMB8,420.2 million, representing an decrease of RMB562.0 million or 6.3% from RMB8,982.2 million for the year ended 31 December 2015.

Unit: Yuan Currency: RMB

Items	2016	2015	Increase or decrease (%)
Cash received from sales of goods and provision of services	7,644,877,598.25	4,627,214,360.67	65.22
Other cash receipts relating to operating activities	424,655,803.23	488,703,678.64	-13.11
Other cash payments relating to operating activities	396,778,870.84	320,302,856.46	23.88
Cash receipts from recovery of investments	3,335,928,536.55	12,223,309,959.59	-72.71
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	29,299,477.76	12,518,392.27	134.05
Cash receipts from acquisitions or disposals of subsidiaries and other business units	0.00	4,282.41	-100.00
Other cash receipts relating to investing activities	0.00	163,708,746.00	-100.00
Cash payments for acquisitions or disposals of subsidiaries and other business units	28,104,661,705.58	86,272.98	32,576,335.53
Cash payments to acquire investments	1,416,192,938.05	12,122,847,408.83	-88.32
Cash receipts from borrowings	29,429,208,701.12	7,289,549,745.87	303.72
Other cash receipts relating to financing activities	3,027,283,088.84	1,482,568,890.00	104.19
Cash repayments of indebtedness	5,186,639,691.64	4,285,424,431.32	21.03
Cash payments for distribution of dividends or profits and settlement of interests	1,108,374,156.14	1,333,347,656.71	-16.87
Other cash payments relating to financing activities	2,170,787,930.78	1,079,148,360.53	101.16

MANAGEMENT'S DISCUSSION AND ANALYSIS

- (1) Cash received from sales of goods and provision of services increased mainly due to the increase in sales revenue as a result of greater efforts in selling molybdenum and tungsten-related products and the acquisitions of overseas niobium and phosphates businesses and copper and cobalt businesses in the current period;
- (2) Cash receipts from recovery of investments decreased mainly due to the decrease of investments in wealth management recovered by the Company in the current period;
- (3) Cash receipts from disposals of fixed assets, intangible assets and other long-term assets increased mainly due to the increase of cash receipts from disposals of inefficient assets in the current period as compared to the same period last year;
- (4) Other cash receipts relating to investing activities decreased mainly due to the cash receipts from disposals of subsidiaries in the same period last year;
- (5) Cash payments for acquisitions or disposals of subsidiaries and other business units increased mainly due to the payment of considerations for overseas M&A businesses completed in the current period;
- (6) Cash payments to acquire investments decreased due to less wealth management products purchased by the Company in the current period as compared to the same period last year;
- (7) Cash receipts from borrowings increased due to the increased M&A loan to complete the overseas M&A businesses in the current period;
- (8) Other cash receipts relating to financing activities increased due to the increase of cash obtained from gold leasing business of the Company as compared with last year;
- (9) Cash repayments of indebtedness increased mainly because more funds were used by the Company to repay its borrowings in the current period as compared to that in last year;
- (10) Cash payments for distribution of dividends or profits and settlement of interests decreased mainly due to the decrease of dividends distributed in the current period as compared to last year;
- (11) Other cash payments relating to financing activities increased due to the increased cash paid for gold leasing business when it fell due in the current period as compared to the same period last year.

RESOURCES AND RESERVES

EMPLOYEES

As at 31 December 2016, the Group had approximately 11,566 full-time employees, classified as follows by function and department:

Department	Employees	Proportion
Management & administration	790	6.8%
Research and development	1,153	10.0%
Production	7,688	66.5%
Finance, sales and other support	1,935	16.7%
Total	11,566	100%

Note: As of the end of 2016, the Company recorded a significant increase in the number of employees compared with the same period in 2015, which is mainly attributable to the expanded scope of consolidation at the end of year after the Company successfully acquired, copper and cobalt businesses in the Congo (DRC) and niobium and phosphorus businesses in Brazil.

The remuneration policy for the employees of the Company principally consists of a salary point and performance remuneration system, based on employees' positions and responsibilities and their quantified assessment results. The employees' remuneration is evaluated in line with the Company's operating results and personal performance in order to provide a consistent, fair and equitable remuneration system for all employees. The companies of Group domiciled in China have participated in the social insurance contribution plans introduced by China's local governments. In accordance with the laws and regulations regarding the national and local labor and social welfares in China, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, health insurance, unemployment insurance and housing provident fund. Pursuant to the current applicable local regulations in China, the percentages of certain insurances are as follows: the pension insurance, health insurance, unemployment insurance and the contribution to housing provident fund of our Chinese employees represent 20%, 6%, 1.5% and 5% to 12% of his or her total basic monthly salary respectively. The overseas employees are enrolled in the requisite pension and healthcare plans under the requirement of the laws in the countries where they reside.

ANALYSIS OF MAJOR SUBSIDIARIES

(1) Major Subsidiaries

Company name	Principal products	Registered capital	Total assets (RMB0'000)	Net assets (RMB0'000)	Operating income (RMB0'000)	Net profit (RMB0'000)
CMOC Mining Pty Limited	Copper and gold related products	US\$346 million	621,769.88	244,713.93	141,077.55	14,880.90
CMOC DRC Limited.	Copper and cobalt related products	HKD1	4,452,655.55	2,304,546.48	132,734.91	44,104.47
Luxembourg SPV	Niobium and phosphates related products	US\$20,000	1,522,645.38	420,383.40	114,347.46	4,493.56

RESOURCES AND RESERVES

(2) Newly-established subsidiaries

- (1) In February 2016, the Company established Luoyang Yuehe Real Estate Company Limited as its wholly-owned subsidiary in Luanchuan, Henan with the registered capital of RMB3 million.
- (2) In April 2016, Upnorth Investment Limited, a wholly-owned subsidiary of China Molybdenum (Hong Kong) Company Limited (a subsidiary of the Company), established Long March No. 1 Investment Limited as its wholly-owned subsidiary in the British Virgin Islands with the registered capital of US\$1.
- (3) In July 2016, CMOCC Limited, a wholly-owned subsidiary of the Company, established CMOCC DRC Limited as its wholly-owned subsidiary in Hong Kong with the registered capital of HKD1.
- (4) In July 2016, CMOCC Limited, a wholly-owned subsidiary of the Company, established CMOCC Luxembourg S.a.r.l. ("**Luxembourg SPV**") as its wholly-owned subsidiary in Luxembourg with the registered capital of US\$20,000.
- (5) In September 2016, CMOCC Limited, a wholly-owned subsidiary of the Company, and Luxembourg SPV jointly established CMOCC Brasil Servicos Administrativos E Participacoes Ltda. ("**Brazil SPV**") with the registered capital of BRL10,000.
- (6) In October 2016, Upnorth Investment Limited, a wholly-owned subsidiary of the Company, established Banda Investment Limited in BVI as its wholly-owned subsidiary with the registered capital of US\$50,000.

I. RESOURCES AND RESERVES

As at 31 December 2016, the ore resources and reserves of the Company were as follows:

(1) Ore resources and reserves at domestic molybdenum and tungsten mines operated by the Company

Molybdenum and tungsten ore resources and reserves of Sandaozhuang Mine under JORC Code

Resources			Reserves		
Total (million tonnes)	Mo %	WO ₃ %	Total (million tonnes)	Mo %	WO ₃ %
522.01	0.10	0.09	284.05	0.10	0.12

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

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

RESOURCES AND RESERVES

Molybdenum ore resources and reserves of Shangfanggou Mine under JORC Code

Resources		Reserves	
Total	Molybdenum grade	Total	Molybdenum grade
(million tonnes)	%	(million tonnes)	%
463	0.139	41.22	0.181

- Notes:
- The molybdenum resources and reserves of Shangfanggou Mine were estimated based on the independent technical report on Shangfanggou Mine issued by Wardrop Engineering Inc appointed by the Company in 2010. The data of such resources and reserves of the molybdenum mine had been confirmed by our own experts. The molybdenum mine did not operate after 2014.
 - The Shangfanggou molybdenum mine is owned by Luoyang Fuchuan, a joint venture of the Company. Its shareholding structure as at the date of this report is as follows: 10% equity interest of which is owned by Luanchuan Fukai Business and Trading Company Limited (樂川縣富凱商貿有限公司), a wholly-owned subsidiary of the Company and 90% equity interest of which is owned by Xuzhou Huanyu, a joint venture of the Company (the Company holds 50% equity interest of Xuzhou Huanyu and Luoyang Guo'an Trade Co., Ltd. (洛陽國安商貿有限公司) holds 50% equity interests of Xuzhou Huanyu).

Molybdenum ore resources and reserves of Xinjiang Mine under the PRC standards

Reserves		Reserves	
Total	Average grade	Total	Average grade
(million tonnes)	(%)	(million tonnes)	%
441	0.106	141.58	0.139

- Note: The molybdenum mine resources and reserves at the Xinjiang Mine were estimated based on the Opinions on the Examination of Mineral Resources and Reserves in the Molybdenum Exploration Report in East Gobi, Hami, Xinjiang (《新疆哈密市東戈壁鉬礦勘探報告 礦產資源儲量評審意見書》) (Xin Guo Tu Zi Chu Ping [2011] No. 016) issued by Xinjiang Uygur Autonomous Region Mineral Resources Evaluation Center (新疆維吾爾自治區礦產資源儲量評審中心) in January 2011. The data of such resources and reserves of the molybdenum mine had been confirmed by our own experts in compliance with the PRC Solid Resources/Reserves Category (1999). The molybdenum mine did not operate.

(2) Summary of copper and gold ore resources and reserves at Northparkes copper/gold mine (“NPM”) operated by the Company in Australia

Copper and gold ore resources and reserves under the JORC Code

Resources			Reserves		
Total	Cu grade	Au grade	Total	Cu grade	Au grade
(million tonnes)	(%)	g/t	(million tonnes)	(%)	(g/ton)
481.52	0.56	0.18	121.17	0.58	0.22

- Notes:
- NPM mineral resources and ore reserves as at 31 December 2016 were calculated by the NPM technical team based on the experiences and knowledge in the operation of NPM, and had been confirmed by the qualified experts on the NPM mines.
 - Mineral resources and reserves in the above table are 100% equity of the mineral resources and reserves of the NPM.

RESOURCES AND RESERVES

(3) Ore resources and reserves at Tenke copper/cobalt mine operated by the Company in Congo (DRC)

Copper and cobalt ore resources and reserves under the JORC Code

Resources			Reserves		
Total (million tonnes)	Cu grade (%)	Co grade (%)	Total (million tonnes)	Cu grade (%)	Co grade (%)
836	2.89	0.27	181.6	2.51	0.31

(4) Summary of ore resources and reserves at the niobium and phosphates mine operated by the Company in Brazil

Niobium and phosphates ore resources and reserves under the JORC Code

Mining area I

Total (million tonnes)	Resources Nb grade (Nb ₂ O ₅) (%)	P grade (P ₂ O ₅) (%)
107.6	1.07	–

Mining area II

Total (million tonnes)	Resources Nb grade (Nb ₂ O ₅) (%)	P grade (P ₂ O ₅) (%)
457.5	0.26	11.40

Mining area I

Total (million tonnes)	Reserves Nb grade (Nb ₂ O ₅) (%)	P grade (P ₂ O ₅) (%)
34.1	0.90	–

Mining area II

Total (million tonnes)	Reserves Nb grade (Nb ₂ O ₅) (%)	P grade (P ₂ O ₅) (%)
231.8	0.36	11.9

RESOURCES AND RESERVES

II. EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

(I) Exploration

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

NPM exploration activities

Finished 12,792 meters of drilling in 2016, of which, core drilling (DD) 11,459 meters and reverse circulation drilling (RC) 1,333 meters.

Exploration results: the laboratory results of resource exploration received indicate that multiple exploration sites have a prospect of prospecting; the laboratory results of mining exploration received indicate that potential mining projects are more feasible.

Exploration activities of Boa Vista mine in Brazil

Boa Vista mine drilling campaign in Brazil during the last quarter of 2016 realized 6,000 meters of grade control drilling (aimed at converting indicated and inferred resources to measured resources using a gridding pattern of 5x5m) and a further 150 meters of infill drilling.

(II) Development

1. *Sandaozhuang Mine*

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

2. *Shangfanggou Mine*

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

3. *Xinjiang Mine*

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

4. *NPM Copper Mine*

E26 L2 sublevel caving mining was under smooth development and construction in 2016. E26 L2 sublevel caving mining was divided into 3 layers, and development and construction of the first layer was completed and commenced production of ore in August 2016.

5. *Brazil Niobium and Phosphates Mine and Congo Tenke Mine*

During the reporting period after the completion, the Company did not have significant development in Brazil niobium and phosphates mine and Congo Tenke mine.

RESOURCES AND RESERVES

(III) Mining

	2016
Domestic mining activities	
Sandaozhuang Molybdenum Mine Production volume of open-pit mining (<i>kilotonnes</i>)	18,014.6
Overseas mining activities	
NPM Copper Mine Production volume of underground mining (<i>kilotonnes</i>)	6,170
Brazil Niobium Mine Production volume of oxidized mine and raw mine (<i>kilotonnes</i>)	625
Brazil Phosphates Mine Production volume of oxidized mine (<i>tonnes</i>)	1,407
Tenke Copper and Cobalt Mine Production volume of underground mining (<i>kilotonnes</i>)	1,101

Remarks:

- The mining production volume above were calculated on basis of the statistics prepared by the Company and had been confirmed by our own experts.
- During the year, no mining activities were conducted in Xinjiang Mine and Shangfanggou Mine.

Note: The mining activity range mentioned above referred to the indicative range after the successful completion of acquisition, data for mining activity of Niobium and Phosphates Mine was from 1 October 2016 to 31 December 2016, and data for mining activity of Tenke Copper and Cobalt Mine was from 17 November 2016 to 31 December 2016.

III. EXPLORATION, DEVELOPMENT AND MINING EXPENSES OF THE COMPANY

For the year ended 31 December 2016, the summary of the expenditures of exploration, development and mining activities of the Company are as follows:

1. Domestic mining expenses

(1) *The mining expenses of Sandaozhuang Mine amounted to RMB496.68 million;*

(Note: The above expenses exclude ore processing, same for below)

2. Overseas mining expenses (Unit: US\$ Million)

	Exploration	Development	Mining
Niobium Mine	0.1	–	5.7
Phosphates Mine	–	–	3.9
Tenke Copper and Cobalt mine	0.5	–	20.1
NPM	3.14	12.90	29.99

Note: (1) NPM development expenses were mainly due to the costs of E26 project completed in the second quarter of 2016.

(2) The expenses of mining of Niobium and Phosphates Mine and Tenke Copper and Cobalt Mine abroad are calculated from the completion up to the end of the reporting period.

A. MATERIAL EVENTS

1. Acquisition of overseas niobium and phosphates businesses

In April 2016, the Company entered into an agreement with Anglo American plc, one of top five largest mining companies in the world, pursuant to which, the Company acquired its niobium and phosphates businesses in Brazil for a consideration of US\$1.5 billion. This transaction was completed on 1 October 2016. According to the completion report, the Company paid the transaction consideration and adjusted amount of operating capital of US\$1.676 billion in aggregate. Financial statements were consolidated upon completion.

The Company maintained its control over the niobium and phosphates businesses in Brazil through Luxembourg SPV, a wholly-owned subsidiary located in Luxembourg indirectly controlled by the Company. As at 31 December 2016, the total assets of Luxembourg SPV amounted to RMB15.226 billion, accounting for 17.27% of the audited total assets of the Company as at the end of 2016. After completion in 2016, net profit attributable to shareholders of the parent company recorded a total of RMB45 million (including PPA amortization), accounting for 4.5% of the Company's net profit attributable to shareholders of the parent company for the year.

2. Acquisition of overseas copper and cobalt businesses

In May 2016, the Company entered into an agreement with Freeport-McMoRan Inc., the globally largest listed copper mining company and largest molybdenum producer in the world, pursuant to which, the Company acquired its copper and cobalt businesses in DRC for a consideration of US\$2.65 billion. This transaction was completed on 17 November 2016. According to the completion report, the Company paid the transaction consideration and adjusted amount of operating capital of US\$2.665 billion in aggregate. Financial statements were consolidated upon completion.

The Company maintained its control over the copper and cobalt businesses in DRC through CMOC DRC Limited, a wholly-owned subsidiary located in Hong Kong indirectly controlled by the Company. As at 31 December 2016, the total assets of CMOC DRC Limited amounted to RMB44.527 billion, accounting for 50.51% of the audited total assets of the Company as at the end of 2016. After completion in 2016, net profit attributable to shareholders of the parent company recorded a total of RMB441 million (including negative goodwill and PPA amortization), accounting for 44.2% of the Company's net profit attributable to shareholders of the parent company for the year.

3. Non-public issuance of A Shares

On 20 May 2016, the Proposal on the Non-public Issuance of Shares by the Company was considered and approved at the eighth extraordinary meeting of the fourth session of the Board of the Company, pursuant to which, the Company proposed to raise no more than RMB18 billion through the issuance of no more than 5,714,285,714 (inclusive) A Shares at the minimum price of RMB3.15 per share. The proceeds raised will be used to replenish the self-raised capital investment spent on the acquisitions of niobium and phosphates mine in Brazil and the copper and cobalt mine in Congo (DRC) in the early period, so as to maintain a reasonable gearing ratio of the Company. The Company's non-public issuance of A Shares was approved by the CSRC on 18 January 2017. As at the date of this report, no document certifying the approval of issuance has been received by the Company.

4. Cooperation with BHR for investment in Tenke copper/cobalt mine and cooperation with its shareholders or upper-level investors for investment in Tenke Fungurume mining area

On 15 November 2016, BHR Newwood Investment Management Limited ("**BHR**"), Tenke Holdings Ltd ("**THL**") and Lundin entered into a stock purchase agreement (the "**Ludion Shell Company SPA**") on the acquisition of 100% equity held by THL in Lundin DRC Holdings Ltd. (the "**Ludion Shell Company**") from THL by BHR or its wholly-owned subsidiary. Upon completion of the equity purchase, BHR will hold 24% equities in Tenke Fungurume Mining S.A ("**TFM**") indirectly. The Company intends to cooperate with BHR and its existing and newly introduced shareholders or upper-level investors regarding the introduction of ultimate investor in BHR, the indirect investment of BHR in 24% equities of TFM and the subsequent exit of such investment (such cooperation includes but not limited to introduction of new shareholder and upper-level investor in BHR, assistance for BHR to obtain loans and provision of corresponding guarantees, grant of exclusive purchase right to the Company and the enforceable right to exit of BHR (or related BHR shareholders or upper-tier investors)).

MATERIAL EVENTS

On 20 January 2017 and 3 March 2017, the Company entered into the cooperation arrangement (the “**Cooperation Arrangement**”) among BHR, KAIFEI Investment (Hong Kong) Limited, the Shanghai branch of China Merchants Bank Co., Ltd., Dingyuan (Shanghai) Investment Management Center, Bohai Huamei Ruiqi (Shenzhen) Investment Management Co. Limited, Hantang Iron Ore Investment Limited, Design Time Limited, CNBC (Hong Kong) Investment Limited (collectively the “**Investors**”). Under the Cooperation Arrangement, the Company will assist BHR to effect the completion of the Lundin Shell Company SPA. The Company will i) be granted the right to purchase shares in BHR, the subsidiary of BHR or the holding company of BHR, which will hold a 24% indirect interest in TFM (the “**Call Option**”) and ii) grant a put option to BHR and the Investors pursuant to which the Company will be required to purchase the 24% indirect interests in TFM that will be held by BHR, shareholders of BHR or BHR subsidiaries (the “**Put Option**”).

In the event that the Company decides to exercise the Call Option, or is required by BHR and/or the Investors to purchase the 24% indirect interest in TFM, as the case may be, the Company will own an 80% indirect interest in aggregate in the Tenke Fungurume mining complex. Upon the exercise of the Call Option or the Put Option, Lundin Shell Company will become a wholly owned subsidiary of the Company, and the Company will own a further 24% indirect interest, and a total of 80% indirect interest in TFM, which owns the Tenke Fungurume mining complex.

To facilitate the implementation of the Cooperation Arrangement, on 21 March 2017, the Company (as guarantor) entered into a “Contract of Guarantee” with the Henan Branch of China Construction Bank Corporation (as loan agent) to secure a total of less than US\$700 million loans under the syndicated loan agreement (the “**Syndicated Loans**”).

It is contemplated that the Investors will made payments in the maximum amount of RMB470 million directly or indirectly for the subscription of the share capital of BHR (the “**Subscription Money**”). Under the Cooperation Arrangement, the Syndicated Loans and the Subscription Money will be applied to the consideration payable under the Lundin Shell Company SPA.

As of the date of this report, the Subscription Money were contributed by the following investors:

1. KAIFEI Investment (Hong Kong) Limited contributes US\$150 million in cash to BHR;
2. Hantang Iron Ore Investment Limited contributes US\$170 million in cash to BHR;
3. Design Time Limited US\$50 million in cash to BHR;
4. CNBC (Hong Kong) Investment Limited contributes US\$100 million in cash to BHR.

On 20 April 2017 (Beijing time), the acquisition of 100% equity held by THL in Ludin Shell Company SPA from THL by BHR through its wholly-owned subsidiary was delivered. BHR directly owns 100% equity in Ludin Shell Company through its wholly-owned subsidiary, and indirectly owns 24% interest in TFM.

BHR has entered into the Lundin Shell Company SPA to acquire all the issued share capital in Lundin DRC, which holds 30% interest in TF Holdings Limited (“**TFHL**”) (an indirect non-wholly owned subsidiary of the Company). As at the date of this report, BHR has also completed the Lundin Shell Company SPA and BHR indirectly owns 30% shares in TFHL, BHR is therefore become a connected person (as defined in the Listing Rules) of the Company. As such, the provision of assistance in securing the Syndicated Loans (including a guarantee), the grant of the Put Option by the Company to (i) BHR and (ii) the Investors, and the acceptance of the Call Option by the Company from (i) BHR and (ii) the Investors would constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Please also refer to relevant announcements and/or circulars published by the Company at the websites of SSE (www.sse.com.cn), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinamol.com) for details thereof.

B. HONOURS

1. The Company won the “1st Prize for Science and Technology Achievement in China’s Non-Ferrous Metal Industry”

In June 2016, the Company won the “1st Prize for Science and Technology Achievement in China’s Non-Ferrous Metal Industry” granted by the Nonferrous Metals Society of China and China Non-Ferrous Metals Industry Association.

2. The Company was honoured as the “Enterprise of Honouring Contracts and Credit Worthiness”

In June 2016, the Company was honoured as the “Enterprise of Honouring Contracts and Credit worthiness for 2014 and 2015” by the State Administration for Industry & Commerce of the People’s Republic of China.

3. The Company won the “Nomination Award under China Grand Awards for Industry”

In December 2016, the Company won the “Nomination Award under China Grand Awards for Industry” granted by China Federation of Industrial Economics.

C. DOMESTIC INDUSTRY POLICIES

Norms for tungsten industry

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

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

MATERIAL EVENTS

Indicators for control over the aggregate mining volume of tungsten mines

In order to protect and reasonably develop the advantageous mining resources, pursuant to the relevant requirements regarding mining activities of certain protective mines, the aggregate mining volume of rare earth mines and tungsten mines continued to be under control in 2016. For practical demands, indicators for control over the aggregate mining volume of rare earth mines and tungsten mines were issued in two batches in 2016. On 27 January 2016, the Ministry of Land and Resources issued the first batch of notice, "Notice on Indicators for Controlling the Aggregate Mining Volume of Rare Earth Mines and Tungsten Mines for the Year 2016 (First Batch) Issued by the Ministry of Land and Resources" (《國土資源部關於下達2016年度稀土礦鎢礦開採總量控制指標(第一批)的通知》), stating that the indicator for controlling the aggregate mining volume of the first batch of tungsten concentrates (containing 65% tungsten trioxide) was 45,650 tonnes, among which the main mining indicator was 36,650 tonnes and comprehensive utilization indicator was 9,000 tonnes. The notice for the whole year, "Notice on Indicators for Controlling the Aggregate Mining Volume of Rare Earth Mines and Tungsten Mines for the Year 2016 Issued by the Ministry of Land and Resources", was issued on 22 June 2016, stating that the indicator for controlling the aggregate mining volume for the whole year of 2016 (including the volume in the first batch of notice) of tungsten concentrates (containing 65% tungsten trioxide) was 91,300 tonnes.

Environmental tax

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

The current basis of environmental tax is set in accordance with the prevailing calculation method for pollutant discharge fees. (1) Tax items of environmental protection tax: four major categories of air pollutants, water pollutants, solid wastes and excessive noise. The environmental protection tax will only be levied on such pollutants specified in the Environmental Protection Tax Law, and the first three air pollutants, the first five water pollutants under the first category (mainly heavy metals) and the first three water pollutants under other categories of each discharge outlet; meanwhile, each provincial government can add taxable items in accordance with the special demands for pollutant reduction in their local regions. (2) Tax calculation and charging methods: The current Schedule of Pollutant Equivalent Values and current calculation methods are followed for air pollutants and water pollutants, meaning that the tax bases would be pollution equivalent amount converted from discharge volume. Taxable air pollutants will be taxed at RMB1.2 per pollution equivalent; taxable water pollutants will be taxed at RMB1.4 per pollution equivalent; taxable solid waste will be taxed by type at RMB5 to RMB1,000 per tonne; taxable noise will be taxed at RMB350 to RMB11,200 per month based on the noise level. (3) Local governments are encouraged to increase the taxes with regards to the actual local situations, and upper limits are set on the basis of the lower limit prevailing for pollutant discharge fees, which shall not be more than ten times of the lower limit. (4) Tax reduction and exemption levels for emission reductions of the enterprises are further divided through environmental protection tax. The prevailing measures for levying pollutant discharge fees stipulate that where the concentration value of the taxable atmospheric or water pollutants emitted by taxpayers is lower than the nationally and locally stipulated pollutant emission standard by 50%, only 50% of the environmental protection tax will be levied. Another level of tax reduction and exemption was added for environmental protection tax, namely where the concentration value of the taxable atmospheric or water pollutants emitted by taxpayers is lower than the nationally and locally stipulated pollutant emission standard by 30%, only 75% of the environmental protection tax will be levied.

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

The revenue of the Company primarily comes from the sales of metals and phosphorus products, mainly including ferromolybdenum, tungsten concentrates, copper concentrates, electrolytic copper, cobalt hydroxide, ferroniobium, phosphate fertilizer and other related products, and its operating results are largely subject to fluctuations in the market prices thereof. At the same time, the NPM copper/gold mine of the Company has certain ancillary business of sales of gold. Accordingly, the price fluctuations in gold will also have an impact on the Company. Since the fluctuations in the costs of mining and smelting relevant resources are relatively insignificant, the Company's profit and profit margin in the reporting period are closely related to the price trend of the commodities. If there is a significant fluctuation in the prices of non-ferrous metals and gold in the future, the operating results of the Company will become unstable. In particular, if the mineral products prices record sharp decreases, the operating results of the Company will fluctuate significantly.

2. EXPOSURE TO RISKS RELATED TO RELIANCE ON MINERAL RESOURCES

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

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

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

4. EXPOSURE TO RISKS RELATED TO INTEREST RATE

The exposure to interest rate risk of the Company mainly comes from fixed-rate bank loans. As the exposure related to interest rate risk of the Company is rare, we currently have no hedging policy for such risk. The risk of changes in cash flows of financial instruments arising from fluctuations in interest rate is mainly related to floating-rate bank borrowings. The Company closely monitors the impact of risk of fluctuations in interest rate on changes in cash flows.

RISKS WARNING

5. EXPOSURE TO RISKS RELATED TO EXCHANGE RATE

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

The exchange risks arising from assets and liabilities with balances denominated in foreign currencies may affect the operating results of the Group. The Company has paid close attention to the effect of the changes in exchange rates on the exchange risks of the Group, and has purchased appropriate forward exchange contracts to avoid exchange risks.

6. EXPOSURE TO RISKS RELATED TO POLICIES

The Tenke mining area operated by the Company is located in the Congo (DRC) which is one of the underdeveloped countries in the world, and if the politics and security circumstances of the DRC deteriorate, it will cause adverse effects on the production and operation of the Company. The foreign assets operational philosophy of the Company underlies the cultivation of positive relations with local government, communities and social organizations. As the political ties between China and the Congo (DRC) stabilizes and draw ever closer, there is a trend that the government of China encourages outbound investments in the DRC. In order to further reduce economic losses of the Company incurred by relevant risks in the course of operation, the Company will study whether it is essential to buy overseas investment insurance.

7. EXPOSURE TO RISKS RELATED TO OPERATION OF OVERSEAS ASSETS

Through operating the NPM copper/gold mine in Australia, the Company has accumulated certain experience in the operation and management of overseas mineral resources, which offers certain take-away for the successful conduction of mineral operation in Brazil and the DRC. But significant differences of operational environment and the variation of business attributes in different countries are likely to pose material challenges to asset operation and management in Brazil and the DRC. In addition, as the Company quickens its pace of internationalization, the expansion of its scale as a whole also increases the difficulty in corporate management and operation, including higher requirements of organizational structure, competence of the management and professionalism of the staff. As such, the company may be affected by the shortage of talents to a certain degree.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Group's report for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

In the opinion of the Board, the Company has complied with the code provisions as set out in the Corporate Governance Code throughout the period from 1 January 2016 to 31 December 2016, save as the deviation from the code provision E.1.2 of the Corporate Governance Code.

Pursuant to the code provision E.1.2, the chairman of the Board should invite the chairmen of its Board committees to attend the annual general meeting. In their absence, the chairman of the Board should invite another committee member (or failing this his duly appointed delegate), to attend. All members of the Remuneration Committee and the Audit Committee were unable to attend the annual general meeting of the Company held on 29 June 2016 due to other business commitments. The attendance of the vice chairman of the Nomination Committee, the chairmen of the Strategic Committee and the Supervisory Committee and the chief financial officer at such annual general meeting was sufficient for (i) answering the questions raised by the shareholders who attended the annual general meeting and (ii) effectively communicating with shareholders who attended the annual general meeting. The Company will strive to optimize the planning and procedures of annual general meetings, give adequate time to all Directors to accommodate their work arrangement and provide all necessary support for their presence and participation at general meetings such that all Directors will be able to attend future annual general meetings of the Company.

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

THE BOARD

For the year ended 31 December 2016, the Board held 18 Board meetings in total for reviewing and approving the financial affairs and usual course of business, considering and approving the annual budgets and the overall strategies and policies of the Company, and considering and approving relevant matters in relation to the acquisition of overseas businesses and non-public issuance of A Shares by the Company.

RESPONSIBILITIES

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

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

The list of all Directors is set out under “Corporate Information” on page 78 and the independent non-executive Directors are expressly identified in all corporate communications pursuant to the Hong Kong Listing Rules.

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

Executive Directors

Li Chaochun, Chairman

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

Non-Executive Directors

Ma Hui, Vice Chairman

Yuan Honglin

Cheng Yunlei

Independent Non-Executive Directors

Bai Yanchun

Xu Shan

Cheng Gordon

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

For the year ended 31 December 2016, the Board, at all times, met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors, and at least one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND GENERAL MANAGER

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

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

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

The Company encourages all Directors to participate in continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains fully informed and relevant. For the year ended 31 December 2016, all Directors attended the training courses organized by the Company on corporate governance and regulatory development, and obtained and read relevant materials presented to them by the Office of the Board of the Company, including updates of laws and regulations.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Practices and Conduct of Board Meetings

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

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

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

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

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

DIRECTORS' ATTENDANCE RECORDS

The attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee, Strategic Committee and the general meetings for the year ended 31 December 2016 are set out below:

Number of Attendance in person/Number of Meetings

Name of Directors	Number of Attendance in person/Number of Meetings						Extraordinary and Class General Meeting	
	Board Meeting	Remuneration Committee Meeting	Audit Committee Meeting	Nomination Committee Meeting	Strategic Committee Meeting	Annual General Meeting ⁽¹⁾	Extraordinary and Class General Meeting ⁽²⁾	
Mr. Li Chaochun	18/18	N/A	N/A	1/1	1/1	1/1	2/7	
Mr. Li Faben	18/18	N/A	N/A	N/A	1/1	1/1	7/7	
Mr. Ma Hui	18/18	N/A	N/A	N/A	N/A	1/1	7/7	
Mr. Yuan Honglin	18/18	1/1	4/4	N/A	1/1	0/1	5/7	
Mr. Cheng Yunlei	18/18	N/A	N/A	N/A	N/A	1/1	7/7	
Mr. Bai Yanchun	18/18	1/1	N/A	1/1	1/1	0/1	0/7	
Mr. Xu Shan	18/18	N/A	4/4	1/1	N/A	0/1	0/7	
Mr. Cheng Gordon	18/18	1/1	4/4	1/1	N/A	0/1	0/7	

Notes:

- (1) The annual general meeting was held on 29 June 2016.
- (2) For the year ended 31 December 2016, the Company convened the 2016 first class meeting of A Shareholders and the H Shareholders on 29 June 2016, and convened the first, the second and the third extraordinary general meetings, as well as the 2016 second class meeting of A Shareholders and the H Shareholders on 23 September 2016.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Zhang Xinhui resigned as a joint company secretary on 11 April 2016. Before his resignation, he acted jointly with Ms. Ho Siu Pik as joint company secretaries of the Company and reported to the Company's Chairman, Mr. Li Chaochun. Ms. Ho of Tricor Services Limited is an external service provider. Her primary contact person in the Company was Mr. Zhang Xinhui (and now Mr. Li Chaochun).

Ms. Ho has confirmed that she has undertaken no less than 15 hours of relevant professional training during the year.

Mr. Zhang Xinhui also resigned as the secretary to the Board on 11 April 2016. Pursuant to the relevant requirements of the Rules Governing the Listing of Stocks on SSE, the Administrative Measures for the Secretary to the Board of Listed Companies of the SSE and the relevant rules, Mr. Li Chaochun, the Chairman of the Board, assumed the duties of the secretary to the Board until the appointment of a new secretary to the Board. On 3 March 2017, the Company convened the nineteenth extraordinary meeting of the fourth session of the Board and approved to appoint Mr. Yue Yuanbin as the secretary to the Board with effect from the day on which such appointment was considered and approved by the Board until the end of the term of office of the current Board.

MODEL CODE FOR SECURITIES TRANSACTIONS MADE BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Hong Kong Listing Rules in respect of dealings in the Company's securities by the Directors. Specific enquiry has been made on all Directors and they have confirmed that the required standards set out in the Model Code have been complied with throughout the year ended 31 December 2016. The Company has also formulated written guidelines equally stringent as the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees of the Company who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance against the Employees Written Guidelines by the employees has been noted by the Company after making reasonable enquiry.

DELEGATION BY THE BOARD

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

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

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

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

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies regarding remuneration of Directors and senior management of the Group. Details of the remuneration of the Directors and senior management of the Company for the year ended 31 December 2016 are set out in note (X)7 to the consolidated financial statements.

REMUNERATION COMMITTEE

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

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

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

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

The Remuneration Committee held one meeting for the year ended 31 December 2016, and the matters considered therein included proposed to adjust remuneration of the several directors and proposed to determine remuneration of senior management. The attendance records are set out under "Directors' Attendance Records" on page 46.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the effectiveness of the external audit and internal controls, evaluated risks, and provided comments and advice to the Board. As at the date of this report, the Audit Committee comprises two independent non-executive Directors of the Company, namely Mr. Xu Shan and Mr. Cheng Gordon, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Xu Shan as the chairman of the Committee. The Audit Committee has reviewed with the management and external auditors, the audited consolidated results of the Group for the year ended 31 December 2016, according to the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters.

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

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors submitted to the Board;
- To be acquainted with the work performed by the external auditor, their fees and terms of engagement, in order to review the relationship between the Company and the external auditor, and to make recommendations to the Board on the appointment, re-appointment and removal of external auditors;
- To review the adequacy and effectiveness of the Company’s financial reporting system, internal control system and risk management system and associated procedures;
- To review the drafts of annual report, including reports submitted by the general manager and the management;
- To supervise Directors to ensure that they perform annual review in respect of adequacy of resources, qualifications and experience of staff of the Company’s accounting and financial reporting function, the training programmes of the staff and the budget;
- To review the audit activities with external auditors and internal auditors, the internal auditor shall specify the important issues and results which the Committee shall know or pay attention to. To prepare such review, the internal auditor will provide internal audit reports or report summaries of the Group to members of the Committee through the secretary of the Committee when necessary. Report on the activities of the Committee in each financial year will also be submitted to the Board;
- To communicate with executive Directors, other executives or employees, external auditors and internal auditors without any restrictions. External auditors and internal auditors are entitled to consult the Committee without notifying the management. The Committee is also entitled to consult the external auditors and internal auditors without notifying the management or to consult the management without notifying the external auditors and internal auditors;
- To review arrangements for employees to raise concerns about possible improprieties in financial reporting; and
- To perform corporate governance functions set out in the code provision D.3.1 of the Corporate Governance Code.

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

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2016, the Audit Committee reviewed the annual results for the year ended 31 December 2015, the results for the first quarter ended 31 March 2016, the results for the interim period ended 30 June 2016 and the quarter results for the third quarter ended 30 September 2016. The Audit Committee also considered the financial reporting and compliance procedures, the report from the management on the review and processes of Company's internal control and risk management systems and the re-appointment of the external auditors. In addition, the Audit Committee actively performed corporate governance functions, and reviewed the content under the code provision D.3.1 of the Corporate Governance Code.

The Audit Committee held four meetings for the year ended 31 December 2016 and the attendance records are set out under "Directors' Attendance Records" on page 46. For the year ended 31 December 2016, the Audit Committee also met the external auditors twice without the presence of the executive Directors.

NOMINATION COMMITTEE

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

The nomination committee held one meeting for the year ended 31 December 2016, considering and approving the resolutions in relation to, among other things, the nomination of deputy general manager of the Company at the fourth session of the Board of the Company. The attendance records are set out under "Directors' Attendance Records" on page 46.

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

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

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

For the year ended 31 December 2016, the Nomination Committee had evaluated and reviewed the composition and effectiveness of the Board and no material matter was identified by the Nomination Committee during the period under review.

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

CORPORATE GOVERNANCE REPORT

STRATEGIC COMMITTEE

The Strategic Committee is responsible for formulating the overall development plans and investment decision-making procedures of the Group. The current members of Strategic Committee comprise two executive Directors, namely Mr. Li Chaochun and Mr. Li Faben, and one independent non-executive Director, namely Mr. Bai Yanchun, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Li Chaochun as the chairman of the Committee. For the year ended 31 December 2016, the Strategic Committee held one meeting. The attendance records are set out under "Directors' Attendance Records" on page 46.

CORPORATE GOVERNANCE FUNCTIONS

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

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

SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company comprises three members, namely Ms. Kou Youmin (chairperson), Mr. Zhang Zhenhao and Ms. Wang Zhengyan. The Supervisory Committee is responsible for exercising supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. For the year ended 31 December 2016, the Supervisory Committee held ten meetings to review the financial positions and the internal control of the Company and adhered to the principle of good faith and proactively carried out various work.

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

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2016.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Hong Kong Listing Rules and other regulatory requirements.

The senior management provides explanations and information to the Board for approval so as to enable the Board to make an informed assessment and to consider and approve the financial information and position of the Company.

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Auditor's Report on page 80.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining the soundness and effectiveness of the internal control system and risk management procedures of the Group, including setting up a management structure and its terms of reference to ensure efficient and effective use of the Group's resources to assist the Group in achieving its operation objectives, safeguarding the Group's assets against any unauthorized use or disposal and ensuring an appropriate maintenance of relevant records.

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

The Board maintains on-going supervision over the risk management and internal control systems of the Company through the Audit Committee, and has reviewed the effectiveness of such systems during 2016. The said review covered all material controls, including financial, operational and compliance controls.

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

In 2016, the Audit Committee has reviewed the following matters:

- the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and the internal control systems, and the work of its internal audit function and other assurance providers;
- significant control failings or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and
- the effectiveness of the Company's processes for financial reporting and compliance of the Hong Kong Listing Rules.

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) has been appointed to conduct an audit on the effectiveness of internal control in relation to the financial report of the Company for the year ended 31 December 2016 in accordance with relevant requirements under the Corporate Internal Control Audit Guidelines and the China Code of Ethics for Certified Public Accountants. Its responsibilities are to express an audit opinion on the effectiveness of internal control over the financial report after conducting an audit, and to disclose the material defects that have come to its attention in the internal control over non-financial reports. Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) is of the view that the Company has maintained effective internal control over the financial report in all material aspects as of 31 December 2016 in accordance with the Basic Rules for Corporate Internal Control and relevant requirements.

The Board evaluates the effectiveness of internal control system once a year. During the reporting period, the Company completed internal control self-assessment report for 2016. The Board has evaluated and validated the risk management and internal control system of the Group and has not found any violation of laws, regulations and rules or any significant deficiency in compliance monitoring and risk management or any major mistake. The Board considers the risk management and internal control system of the Group is effective.

Details of the Audit Report on Internal Control issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and the Internal Control Self-Assessment Report for 2016 of the Company had been published on the websites of the SSE, the Stock Exchange and the Company on 30 March 2017.

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

CORPORATE GOVERNANCE REPORT

The Company has formulated a disclosure policy thereupon, which provides general guidance for Directors, senior management and related employees to handle confidential information, supervise information disclosure and response to inquiries.

During the year ended 31 December 2016, the Board has conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board has not identified any major issues during their course of review.

AUDITORS' REMUNERATION

During the year ended 31 December 2016, the remuneration paid to the auditors of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) are set out below:

Current engagement		
Name of domestic accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)	
Remuneration for domestic accounting firm		RMB2.30 million
	Name	Remuneration
Accounting firm for internal control and audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)	RMB1.00 million

Notes:

- (1) In addition to fees for preparation of financial statements and internal control and audit paid to Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) showed in the above table, in 2016, the Company also engaged it as an audit firm for the two major overseas M&A businesses and paid RMB3.40 million for its auditing services.
- (2) To avoid ambiguity, the auditors' remuneration stated above represents the remuneration paid to Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) providing annual auditing service to the Company only. Fees paid to other accounting services firms by the Group are not included.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

During the year under review, the Company formulated the Shareholders' Return Plan in the Next Three Years (2016–2018) (《關於未來三年股東回報規劃(2016–2018)》) pursuant to relative laws, regulations and regulatory documents, such as the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (Zheng Jian Fa [2012] No.37) (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)) by the China Securities Regulatory Commission ("CSRC") (中國證券監督管理委員會) and the Articles of Association; set out the Rules of Postponement or Exemption of Information Disclosure of CMOC (《洛陽鉬業信息披露暫緩與豁免事務管理制度》) according to the Guidelines for the Listed Companies' Postponement and Exemption of Information Disclosure (《上市公司信息披露暫緩與豁免業務指引》) formulated by SSE; and worked out and amended some internal control systems, including Regulation of Fire Safety Management (《消防安全管理規定》), Management Methods for Supplier Access (《供應商準入管理辦法》), Management Methods for the Valuation of Qualified Supplier (《合格供應商評價管理辦法》) and Management Methods for the Blacklist of Suppliers (《供應商黑名單管理辦法》), according to the Company's situation so as to enhance the level of internal control and management.

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

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

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

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

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

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' ENQUIRIES

Enquiries about Shareholdings

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

Dear Shareholders,

The Directors of the Company are pleased to present their 2016 annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2016.

ESTABLISHMENT OF THE COMPANY

The Company was incorporated in the PRC on 25 August 2006 as a joint stock limited company in preparation for the listing of the Company's shares on the Stock Exchange. Details are set out in the H share prospectus of the Company dated 13 April 2007.

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

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

PRINCIPAL ACTIVITIES

(I) Principal Businesses

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

(II) BUSINESS MODEL

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

1. *Procurement model*

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

2. *Production model*

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

REPORT OF THE DIRECTORS

3. *Sales model*

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

- (1) The direct sales model of “manufacturer – consumer” has been mainly adopted in molybdenum, tungsten and related products, with the indirect sales model of “manufacturer – third party dealer – consumer” as the auxiliary;
- (2) The principal copper and cobalt products are electrolytic copper, copper concentrate and cobalt hydroxide. Electrolytic copper is mainly sold to commodity traders including Trafigura Group and copper smelting plants, while cobalt hydroxide is mainly sold to the Freeport Cobalt in Finland and cobalt smelting plants in China.
- (3) The niobium product is ferroniobium. The Company has established a marketing strategy of direct selling towards end customers aiming at different client bases from Europe, Asia and the North America.
- (4) The major clients of its phosphorus products are fertilizer mixers who mix the Company’s phosphate fertilizer with other auxiliary materials according to different formulas to produce mixed fertilizers and sell them to the end customers.

(III) INDUSTRY OVERVIEW

1. *Molybdenum industry*

The Company is one of the top five molybdenum producers in the world. The price trend of molybdenum products is generally subject to the following factors: economic developments, supply and demand relations, speculations and emergencies. Since molybdenum is mostly consumed by the iron and steel industry, the fluctuations in the price of molybdenum are closely tied to the steel market. Hit by the global financial crisis in 2008, the steel output that underpins molybdenum demand plunges, causing the already sluggish stainless steel market to further shrink. Moreover, due to the commencement of production of new domestic and overseas molybdenum mines, the supply in molybdenum industry kept ramping up and the overcapacity in the industry worsened. As a result, transactions in the molybdenum market were lukewarm, and the molybdenum price in the international market suffered continuous tumbles. Since 2009, the molybdenum price has been weak and in the down-going channel, waving and oscillating within a narrow band. In 2016, amid the supply-side reform introduced by China, domestic mining enterprises with high cost and low efficiency capacities were shut down or urged to cut production to phase out overcapacity on the supply side from the market. Meanwhile, downstream steel market registered recovery. As such, the molybdenum price picked up to the level of mid-2015.

2. *Tungsten industry*

As the Company is the largest scheelite resources integrated recycle enterprise in the world, the Sandaozhuang Mine which is currently under mining is the largest uni-tungsten mine under operation in the PRC. In recent years, the tungsten industry, in which the Company operates, faces the overcapacity with greater supply than demand and destocking, and the tungsten market remains a downturn under the pressure of the weak demand and difficulties in stock clearance. With sluggish domestic tungsten concentrate market where the price dived below the cost line, some mining enterprises stopped or downsized output one after another, leading to a decline in the total capacity supplying the market. Besides, China boosted environmental supervision and supply-side reform in 2016. As such, the overcapacity of tungsten will be mitigated in the future to a certain degree.

REPORT OF THE DIRECTORS

3. *Copper industry*

In 2016, the Company successfully acquired and took over the operation of Tenke copper/cobalt mine, becoming a leading copper producer in the world. Copper represents an international commodity of raw materials. With both industrial and financial traits, copper is indispensable for industrial production and people's daily lives. After 2010, the global copper price continued to drop, and in 2015, it hit the lowest point in the past seven years. The lasting low copper price weakened the copper enterprises' enthusiasm in investment, and slowed down the discovery of new proved reserve of copper concentrates, and the rapid growth of copper smelting was also ended. However, as China advanced the supply-side reform, strengthened the enforcement of environmental protection and America increased investments in infrastructure at the same time, a policy resonance between China and America took effect, and a positive trend of effective control on the supply side and steady growth on the consumption side was formed. As a result, the copper price began to go up steadily and stabilize since the mid-2016. In the next few years, although there will be release of new copper production capacity, the increment will be small and unable to significantly affect the overall supply and demand relations. With the rise of a new round of demand, the amount of copper surplus will be continued to shrink and the market will keep be at a relatively tight balance.

4. *Cobalt industry*

In 2016, the Company successfully acquired and took over the operation of Tenke copper/cobalt mine, becoming the second largest cobalt producer in the world. In terms of the downstream application areas, currently cobalt chemicals are mainly used in battery materials, high temperature alloys and hard alloys. The cobalt consumption structure varies in different economies around the globe. In the PRC, over 70% of cobalt is consumed by the battery industry, significantly higher than the relevant consumption level in the world. In America, 70% of Cobalt is consumed by the alloy industry, also significantly higher than the relevant consumption level in the world, and this figure in the PRC is 10% at present. The PRC boasts the largest capacity of cobalt refining in the world, and it purchases the majority of cobalt materials sold in the overseas market. Therefore, as domestic supply of cobalt increases, the country has a long way to realize its goal of destocking. However, benefited from the increasing demand arising from ternary batteries to meet the rapid development of new energy vehicles and the effect of China's policy of cobalt purchase and storage, the inventory of cobalt on the market reduced gradually. In 2016, the cobalt prices at home and abroad steadily increased and even presented an explosive growth stimulated by the consumption in the early 2017.

5. *Niobium industry*

In 2016, the Company successfully acquired and took over the operation of niobium business in Brazil, becoming the second largest niobium producer in the world. The price of niobium is mainly affected by the supply of the raw materials of niobium ore, being kept at a stable level in the history. The market of niobium is highly concentrated in the world, as Brazil's CBMM, the top company in this industry, occupies 80% to 85% of the global output, dominating the market. With the absolutely dominant position in the industry, it can strongly affect the price trend of niobium and set the pace of global output expansion for niobium products. The niobium business of Anglo American plc, acquired by the Company, accounted for 8% to 10% of output in the global market. In addition to CBMM's strong control of market, other factors including the indispensability of niobium as one of the raw materials for high-quality steel with few alternatives and its low proportion in the costs of iron and steel production given the small amount of niobium used therein contribute to the low price elasticity of ferroniobium supply and its relatively stable price.

In 2016, the sluggish market demand for niobium, weaker demand for stainless steel and above all the economic slowdown in the PRC exerted negative impact on the price of niobium products. But in the fourth quarter of 2016, the demand for niobium rebounded.

REPORT OF THE DIRECTORS

6. *Phosphorus industry in Brazil*

In 2016, the Company successfully acquired and took over the operation of phosphates business in Brazil, becoming the second largest fertilizer producer in Brazil. All of its phosphorus businesses and market demands are found in Brazil. As one of the world's major agricultural product exporters, the Brazil is fifth largest fertilizer consumer in the world with strong demand for fertilizers, though its phosphorus ore reserves are not rich and such ores have relatively low contents of P_2O_5 . Therefore, it needs to import a large amount of fertilizer products from Russia, the United States, China and other countries. To encourage the development of agriculture and related industries, the federal government and state governments of Brazil introduce favorable tax policies to fertilizer producers. Considering the rapid development of Brazil's agriculture, there will be a steady growth in the demand for phosphate fertilizer in the next few years. The Company owns two phosphate plants located in the agricultural center of Brazil, with obvious geographical advantages, making the company one of the producers with lowest production costs in the this important areas. Besides, Brazilian fertilizer market performed better than expected in 2016, as the output increased by 13% year on year compared with 2015 to 5 million tonnes.

BUSINESS REVIEW

The business review and prospects of the Group for the year ended 31 December 2016 are described on page 20 to page 22 of this annual report. Description of principal risks and uncertainties facing the Group can be found in different part of this annual report, including the description in "Risks Warning" on page 41 and page 42. Analysis using financial key performance indicators is described in the chapter of "Management's Discussion and Analysis" on page 23 to page 30 of this annual report.

Regarding the collective environmental protection policy and performance, the Company adheres to the philosophy of "environmental protection goes first with green development", in building itself into a resource-saving and eco-friendly company. It takes the harmonious development of energy business and environment as a critical responsibility of the Company and a priority in production and operation, and follows through the green mining concepts of resource saving, eco-friendliness and harmonious mining field in establishing its cultural system. It conscientiously implements the guidelines and policies of environmental protection, comprehensively builds up safe and eco-friendly environmental protection engineering and supporting facilities that are beneficial to water and soil conservation as well as recovery and management of mine ecosystem, tracks and supervises the construction of "simultaneous design, simultaneous construction and simultaneous commencement of usage" in environmental protection engineering, maintain strict control over construction, and ensures "not to commence operation without satisfactory acceptance". Production and operation projects are comprehensively implemented with energy saving and emission reduction and pollution prevention measures to ensure long-term and stable operation in compliance with relevant standards. The Company insists on the development principle of "ecological development, scientific usage and cyclic economy", actively adopts advanced technology, advanced process, advanced equipment, and endeavors to improve efficient use of resources and the level of discharge recycling and reuse. It promotes clean production, improves the system of energy saving and emission reduction, and practically steps up the reduction of pollutant emissions. It endeavors to promote its ability of environment management, and strives for the sustainable development of environmental protection. In 2016, the Company did not experience any incidents of environmental protection and pollution, nor recorded any incidents that were publicly denounced or listed in compliance supervision by the environmental authority.

In addition, compliance with relevant laws and regulations which have significant impacts on the Group has been disclosed in various part of this annual report (especially in the corporate governance report). Description of key relationships between employees of the Company, major customers and suppliers are set out on page 23 of "Management's Discussion and Analysis" and page 56 of the Directors' Report in the annual report.

CORE COMPETITIVENESS

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

REPORT OF THE DIRECTORS

2. The Company is able to boost its resistance to risks comprehensively with a portfolio of resources. Currently, the Company boasts a portfolio of copper, molybdenum, tungsten, cobalt, niobium, phosphorus and gold by-products and silver, covering the basic, rare and precious metals, and enters into the market of agricultural applications with phosphorus resources. Copper represents an important metal for consumption purpose, enjoying a broad prospect of application. Cobalt represents a highly scarce metal resource and a strategically significant resource, with small reserves on land. Lithium batteries and power lithium-ion batteries for consumption purpose take up a large proportion in the total demands for Cobalt. In addition, with the boom of electric vehicles, cobalt used in lithium battery will further soar up. The price of niobium has smaller periodical fluctuations than other non-ferrous metals and is therefore relatively stable, so niobium is capable of effectively reducing the risks arising from volatilities in the industry for the Company. Phosphorus is mainly applied in agriculture field. Brazil, where our business is operated, is bestowed with the vastest potential cultivable land in the world and represents the third largest consumer of phosphates worldwide. Even if it is short in resources of phosphates ores, Brazil has its own geographical advantages and its phosphates business develops steadily, which is conducive to the diversification and decentralization of the Company's business. In terms of molybdenum and tungsten sector, the Company enjoys prominent competitive edge in cost.
3. The Company has advanced production technology and strong cost competitiveness. All of the mines (except for NPM) operated by the Company have adopted modern and safe open-pit mining. The Company strengthens the efficiency of ore mining and transport through automation procedures and achieves lower mining costs. The Company's mine processing construction adopted advanced technology and equipment, and implemented automated control over the entire procedures, resulting in lower cost of mine processing. In addition, the Company made use of by-products with value from recycling associated and beneficial resources, strengthening the profitability of the mines operated and expanding the competitive edge in costs. The NPM copper/gold mine operated by the Company in Australia adopted advanced mining technology of segmenting block caving, and the automation level of its downhole mining has reached 100%. Besides, the cash costs of all business sectors engaged by the Company stand at an internationally leading position in the industry, and enjoy relatively strong competitive edge in the international market.
4. The Company possesses a relatively complete and integrated industry chain. The Company has world-class integrated exploration and processing facilities and the supporting capacity of roasting and smelting and chemical engineering, which enables it to ensure the output and quality of such products as molybdenum concentrate, tungsten concentrate, ferromolybdenum, ammonium paratungstate, electrolytic copper, copper concentrate, ferroniobium, phosphate fertilizer for direct sales or as the raw materials for downstream deep processing. The Company possesses the largest production capacity of ferromolybdenum and molybdenum oxides in China. The phosphorus business operated by the Company in Brazil covers the entire industry chain of production, and after years of operation and continuous perfection, a distinctive and efficient operation model thereof has taken shape, fully unleashing the synergies to reduce production costs to the largest extent while ensuring product quality. The integrated industry chain based on market demand enables the Company to adapt its product mix to the demands of the market and customers swiftly and provide customers with products in consistent quality and stable supply.
5. The Company processes competitive edge and prospect of leading technology of comprehensive utilization of resources to implements the highly efficient resources recycling. Most mines exploited and operated by the Company are the mines with a portfolio of recyclable resources, so the Company proactively pushes forward the comprehensive utilization of resources. At home, the Sandaozhuang molybdenum/tungsten mine, a major mine exploited and operated by the Company, recycles the ancillary scheelite out of the processed molybdenum tailings from the first scratch, making the Company the largest tungsten producer in the country. The successful industrialized recycling of ancillary copper and rhenium has created a new profit growth point for the Company. The comprehensive recycling of ancillary fluorite is being steadily promoted, and upon industrialized production, the scale may reach the capacity of domestic medium to large fluorite mines. Abroad, the Tenke copper/cobalt mine operated by the Company in the Congo (DRC) recycles cobalt from copper tailings, with the second-largest output of cobalt in the world. Besides, the niobium output of the niobium business (with second-largest niobium output in the world) operated by the Company in Brazil are from the comprehensive recycling of the tailings of processed phosphorus ore. In the future, the comprehensive recycling operations at home and abroad can learn from each other in production techniques and technology research and development, so as to broaden the prospects of development.

REPORT OF THE DIRECTORS

6. The Company possesses strong research and development capacity. The Company employs 1,153 technological research and development personnel, and established provincial technology centers, which was evaluated by China National Accreditation Service for Conformity Assessment (CNAS) as nationally recognized laboratories in 2008. The Company owns post-doctoral scientific research stations, and its research and development environment holds a leading position among its counterparts in China. The Company successfully implemented industrialization of its various scientific research results, becoming the engine of industrial technology improvement. The Company was recognized as high-tech enterprise in 2012, and successfully passed the re-examination of high-tech enterprises. The Company was also the first company in the national molybdenum industry to recycle all the sulfur dioxide, generated from the process of roasting, into producing sulfuric acid. The Company worked with Central South University, and collaboratively research and developed a technology of producing ammonium paratungstate from low-quality scheelite, significantly reducing the emission of wastewater and solving the difficult problem of “three wastes” in the smelting process of tungsten. In 2006, the Company was awarded the title of “Advanced Mining Enterprise Rationally Exploring and Utilizing the National Mining Resources” by the Ministry of Land and Resources. In September 2011, the Company was collectively assigned by the Ministry of Land and Resources and the Ministry of Finance as one of the demonstration sites of the first batch of mines comprehensively utilizing the mining resources. In 2016, the Company won the “1st Prize for Science and Technology Achievement in China’s Non-Ferrous Metal Industry” granted by the Nonferrous Metals Society of China and China Non-Ferrous Metals Industry Association., the “Nomination for China Grand Award for Industry” granted by China Federation of Industrial Economics.
7. The Company possesses an experienced management team with international experience in business operation and management. The senior management team of the Company has considerable working experience in various fields including exploration, floating, smelting and downstream business. The core management of the Company has managed H share and A share listed companies for many year and accumulated extensive management experience of capital market and overseas project operation. It also possess relatively deep knowledge and understanding of the domestic and foreign development trends and, thus, is capable to timely adjust the Company’s development strategies in accordance with the market movement, taking the advanced advantage in the intensified-competitive international market.
8. The Company possesses a sound structure of assets and liabilities, a unique and precise strategic vision, and a seasoned overseas team, developing a clear development strategy and efficient execution, all of which will effectively support the Company in building itself into an internationalized resources company with global vision and in-depth industrial consolidation capability.

DIVIDEND

I. Dividend policy

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

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

REPORT OF THE DIRECTORS

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

- ① The profits distributed by the Company in the form of cash each year shall not be less than 30% of distributable profits recorded in the year, in accordance with laws, regulations and regulatory requirements in the period.
- ② Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits; where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits; where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits.

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

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

II. Implementation of cash dividend distribution policy

On 29 June 2016, the proposal of profit distribution for the 2015 was considered and approved at the 2016 AGM of the Company. According to the proposal, the Company distributed a final cash dividend of RMB0.025 per share (tax inclusive), totaling RMB422,179,967.49 (tax inclusive) for the year ended 31 December 2015, accounting for 55.47% of the net profits attributable to shareholders of the parent company for the year. The dividend distribution was completed.

III. Implementation of dividend policy in recent years

Dividend distribution year	Bonus issue per 10 shares (share)	Dividend per 10 shares (RMB) (tax inclusive)	Increased amount per 10 shares (share)	The amount of cash dividend (RMB) (tax inclusive)	Net profit attributable to ordinary shareholders of listed companies in consolidated statement during dividend year (RMB)	Percentage of net profit attributable to ordinary shareholders of listed companies in consolidated statement (%)
2016	0	0.35	0	591,051,954.47	998,040,580.75	59.22
2015	0	0.25	20	422,179,967.49	761,160,070.18	55.47
2014	0	1.8	0	1,013,231,921.94	1,824,255,286.97	55.54

REPORT OF THE DIRECTORS

IV. Proposal of dividend distribution

The board of directors recommended to distribute a final cash dividend of RMB0.35 (tax inclusive) for the year ended 31 December 2016 for each 10 shares to all shareholders on the basis of a total number of shares of 16,887,198,699 shares as at 31 December 2016, totaling RMB591,051,954.47 (tax inclusive), accounting for 59.22% of the net profit attributable to the listed shareholder for the year. The proposal has been considered and approved at the 2017 first extraordinary general meeting. For details, please refer to the announcement of the Company dated 14 April 2017.

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

FINANCIAL INFORMATION SUMMARY

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements for the year ended 31 December 2016, is set out on page 239. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes to the property, plant and equipment of the Company and the Group during the year are set out in note (XIV) 9 and note (V) 11 to the consolidated financial statements.

SHARE CAPITAL AND SHAREHOLDERS

1. Shareholding structure of substantial shareholders

As at 31 December 2016, the shareholders of the Company amounted to 247,182, of which holders of H shares amounted to 10,658, and holders of A shares amounted to 236,524. By approximate percentage of shareholding in the registered capital, the shareholdings of the Company's top ten shareholders are as follows:

Name of shareholders (Full name)	Class of Share	Changes during the reporting period	Closing number of shares held	Proportion (%)
Luoyang Mining Group Co., Ltd. ("LMG")	A Share	0	5,329,780,425	31.56
Cathay Fortune Corporation ("CFC")	A Share	0	5,030,220,000	29.79
HKSCC NOMINEES LIMITED (Note 2)	H Share	517,000	3,867,529,440	22.90
China Securities Finance Corporation Ltd.	A Share	49	396,363,583	2.35
Central Huijing Asset Management Ltd.	A Share	0	64,242,900	0.38
Abu Dhabi Investment Authority	A Share	42,358,322	42,358,322	0.25
National Social Security Fund Package No. 110 (全國社保基金一零組合)	A Share	29,547,456	29,547,456	0.17
Hong Kong Securities Clearing Company Ltd.	A Share	24,665,488	27,868,528	0.17
National Social Security Fund Package No. 414 (全國社保基金四一四組合)	A Share	24,999,966	24,999,966	0.15
China Life Insurance Company Limited – dividend – personal dividend – 005L – FH002 Shanghai	A Share	12,364,300	12,364,300	0.07

Notes:

1. Percentage calculation is based on the Company's total share capital of 16,887,198,699 shares.
2. HKSCC NOMINEES LIMITED held 3,867,529,440 H shares in the Company as a nominee, representing 22.90% of the Company's shares in issue. HKSCC NOMINEES LIMITED is a member of the Central Clearing and Settlement System, which carries out securities registration and custodian business for customers.

Save as disclosed above, for the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company.

REPORT OF THE DIRECTORS

2. Substantial Shareholders' interests in shares

To the best knowledge of all Directors and supervisors, as at 31 December 2016, the persons or companies (other than Directors, the chief executives or supervisors of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Capacity	Class of Share	Approximate percentage of shareholding in relevant class of shares
LMG	5,329,780,425	Beneficial owner	A share	41.14%
Luoyang Guohong Investment Group Co., Ltd.	5,329,780,425	Interest in controlled corporation	A share	41.14%
CFC	5,030,220,000	Beneficial owner	A share	38.83%
	303,000,000 (L)	Interest in controlled corporation	H share	7.70%
Cathay Fortune Investment Limited ("Cathay Hong Kong") ⁽¹⁾	303,000,000 (L)	Beneficial owner	H share	7.70%
Yu Yong ⁽²⁾	5,030,220,000	Interest in controlled corporation	A share	38.83%
	303,000,000 (L)	Interest in controlled corporation	H share	7.70%

(L) – Long position

Notes:

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

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

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other persons (other than a Director, chief executive or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Changes of the shares of the Company during the year are set out in note (V)34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

BORROWINGS

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

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2016.

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution as at 31 December 2016, calculated in accordance with PRC rules and regulation, was RMB3,508.79 million.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling RMB21.91 million (2015: RMB18.04 million).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the proportions of purchase and sales from the major suppliers and major customers of the Company to our total purchase and sales were as follows:

PURCHASES

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

The total purchases from our five largest suppliers was approximately 21.52% of our total purchase value.

SALES

The total sales to our largest customer was approximately 5.54% of our total sales value.

The total sales to our five largest customers was approximately 23.53% of our total sales value.

During the year, to the Directors' knowledge, none of the Directors or supervisors or their respective close associates or any shareholder who holds more than 5% of our shares, held any material interest or rights in our five largest customers and our five largest suppliers.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Directors

Mr. Li Chaochun
Mr. Li Faben

Non-Executive Directors

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

REPORT OF THE DIRECTORS

Independent Non-Executive Directors

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

Supervisors

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

Senior Management

Ms. Gu Meifeng
Mr. Jing Shigun
Mr. Wang Yonghong
Mr. Jiang Zhongqiang
Mr. Yue Yuanbin (appointed as secretary of the Board on 3 March 2017)

Pursuant to the Articles of Association, the term of office of all Directors and supervisors is three years and shall expire at the annual general meeting to be held in 2018 (the term of office of Ms. Wang Zhengyan, the staff representative supervisor, shall expire on 18 January 2018), and may stand for re-election upon expiry of the term. Among the above Directors and supervisors, Mr. Bai Yanchun, Mr. Xu Shan and Mr. Cheng Gordon shall not be reappointed at the annual general meeting to be held in 2018.

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

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S PROFILES

Profile details of the Directors and supervisors of the Company and the senior management of the Group are set out on pages 74 to 77 of the annual report.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

The remuneration of the senior management for the year ended 31 December 2016 fell within the following bands (*Note*):

Remuneration bands	Number of Individual(s) Year 2016
Below RMB1,800,000	4

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

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' MANAGEMENT CONTRACTS

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

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY

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

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

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

As at 31 December 2016, the shareholding of A Shares by current members of the Directors, supervisors and management of the Company is as follows:

Name	Number of shares held (Share)	Percentage in total share capital (%)
Li Chaochun	1,587,692	0.009
Li Faben	1,064,400	0.006
Yuan Honglin	1,050,600	0.006
Zhang Zhenhao	1,063,500	0.006
Gu Meifeng	531,600	0.003
Jiang Zhongqiang	532,500	0.003
Total	5,830,292	0.033

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

For the year ended 31 December 2016, certain related party transactions set out in notes (X) and (XIV) 29 to the consolidated financial statements constituted connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules and fell under the de minimis threshold under the Hong Kong Listing Rules which exempted from reporting, announcement and independent shareholders' approval requirements. The Group had complied with the disclosure obligations, where applicable, in accordance with Chapter 14A of the Hong Kong Listing Rules.

NON-COMPETITION AGREEMENTS

On 6 September 2006, non-compete agreements were entered into between the Company and each of CFC and LMG, respectively. CFC and LMG agreed not to compete with us in our businesses and granted us certain options and right of first refusal pursuant to the non-compete agreements. Details of the non-compete agreements had been disclosed in the prospectus of the Company dated 13 April 2007, under the section headed "Relationship with Controlling Shareholders – Non-Compete Agreements". Each CFC and LMG had executed a Non-competition Undertaking Letter with the Company on 30 January 2011 and 18 May 2011 respectively, pursuant to which each of them had undertaken not to compete with the Company in the businesses it operated or businesses to be further expanded. Details of the Non-competition Undertaking letters had been disclosed in "Peer Competition and Connected Transactions (同業競爭與關聯交易)" set out in Section VII to the prospectus of A Shares dated 8 October 2012. CFC (together with its parties acting in concert, Cathay Hong Kong) and Luoyang Guohong Investment Group Co., Ltd. had executed the Acquisition Report of China Molybdenum Co., Ltd.* on 23 January 2014 and 29 November 2013 respectively, pursuant to which each of them undertook not to compete with the Company in the businesses we operated. Details of the Acquisition Reports were disclosed in the announcements, dated 23 January 2014 and 27 January 2014.

On 18 April 2017, the Company received from LMG the Notice on Gratuitous Transfer of State-Owned Shares by Luoyang Non-ferrous Mining Group Co., Ltd. (洛陽有色礦業集團有限公司), to transfer the 100% equity in Luoyang Guo'an Trade Co., Ltd. held by Luoyang Non-ferrous Mining Group Co., Ltd. (洛陽有色礦業集團有限公司) to LMG free of charge, as from which, LMG will perform the duty as the shareholder. Upon LMG's acceptance of the transfer, in accordance with the Non-Competition Undertakings and to avoid actual competition between LMG and the Company upon actual commencement of production operation activities by Luoyang Fuchuan Mining Co., Ltd., LMG made an undertaking to the Company on 18 April 2017, pursuant to which, LMG undertakes to the Company that, after LMG obtains the Luoyang Guo'an Interests (and indirectly holds the interests of Luoyang Fuchuan Mining Co., Ltd.) and before Luoyang Fuchuan Mining Co., Ltd. commences production operations, LMG will procure the sale of the Luoyang Guo'an Interests, and the Company shall have the pre-emptive right to purchase Luoyang Guo'an Interests (the "Pre-Emptive Right"), or according to 《關於推動國有股東與所控股上市公司解決同業競爭規範關聯交易的指導意見》(the Guiding Opinions on Promoting the Resolution of Horizontal Competition and the Regulation of Affiliated Transactions by the State-owned Shareholders and the Listed Companies under Their Control*) jointly issued by 國務院國有資產監督管理委員會(the State-owned Assets Supervision and Administration Commission of the State Council*) and the China Securities Regulatory Commission, which indicated the comprehensive use of asset restructuring, equity replacement, business adjustment and other similar methods to resolve the issue of competing business.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance had been entered into between the Company or any of its subsidiaries and any controlling Shareholders or any of its subsidiaries during the reporting period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on public information and to the knowledge of the Directors, at least 36.86% of the Company's total issued share capital was held by the public for the year ended 31 December 2016. The Company has been maintaining the public float required by the Hong Kong Listing Rules.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2016 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership). The financial report for the year 2016 prepared in accordance with the PRC Accounting Standards by the Company has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and an auditor's report with unqualified opinions has been issued.

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

By order of the Board
Li Chaochun
Chairman

Luoyang City, Henan Province, the PRC
30 March 2017

SUMMARY OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company prepared the 2016 Environmental, Social and Governance Report of China Molybdenum Co., Ltd, i.e. the 2016 Social Responsibility Report (the “**Report**”), pursuant to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange in December 2015, and the Environmental Information Disclosure Guide for Listed Companies issued by the SSE in May 2008, and disclosed it separately. The Report gives true information of the CMOC in terms of environmental, social and governance activities. All information and data in the Report are derived from the official documents and statistics reports of CMOC and the summary and statistics of its affiliated companies. The Report gives full disclosure of concerns of the major interested parties (including shareholders, customers, employees, suppliers and partners) of the Company:

- Environmental protection
- Guarantee of rights and interests
- Career development and trainings
- Health and safety
- Green supply chain
- Product responsibilities
- Anti-corruption
- Give-back to society

Please refer to the 2016 Environmental, Social and Governance Report of China Molybdenum Co., Ltd., i.e. the 2016 Social Responsibility Report disclosed at the websites of the SSE (www.sse.com.cn), Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinamol.com) for details.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

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

I. MEETINGS CONVENED DURING THE REPORTING PERIOD

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

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

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

During the reporting period, the current session of the supervisory committee mainly carried out the efforts as follows:

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

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

REPORT OF THE SUPERVISORY COMMITTEE

2. Inspection of lawfulness of the Company's operations

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

3. Inspection of the Company's financial status

During the reporting period, the supervisory committee conducted effective supervision and inspection over the performance of the Company's financial system. Upon inspection, the supervisory committee is of the view that the financial operation of the Company was conducted in strict compliance with the financial management and the internal control system of the Company. Through the inspection over each auditing material (including the financial information) provided by the Company, the Company has built a sound financial internal control system, which could effectively guarantee the efficient operation of corporate funding and the safety and integrity of the Company's properties. The Company has neither acted against the wishes of the shareholders nor violated the internal control system of the Company during the course of operation. The utilization of funds was in the interests of the shareholders and fit in the principle of maximizing the Company's benefits. The financial position of the Company is solid with true financial data, and there is no false record, misrepresentations, or major omissions. There exists neither guarantee for violation of rules nor any guaranteed items which should be disclosed but have not been disclosed yet. Deloitte Touche Tohmatsu Certified Public Accountants LLP audited the annual financial report and issued a standard and unqualified audit report.

4. Inspection of the implementation of the information disclosure systems

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

5. Participation in trainings

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

REPORT OF THE SUPERVISORY COMMITTEE

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

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

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

IV. WORKING PLAN

In 2017, the supervisory committee will continue to strictly comply with the laws and regulations of the State and such power and authority as granted by the Articles of Association and will firmly adhere to the strategies of the Company, focus on the Company's operating goals, take financial supervision as the core and diligently perform our responsibilities. Firstly, we shall organize and convene work meeting of the supervisory committee on a regular basis and conduct supervision and investigation over the Company's financial situation according to laws; we shall urge the Company to standardize its operation and enhance the level of corporate governance. Secondly, we shall continue to strengthen the supervision functions, sit in the Board meetings and general meetings according to laws, and timely grasp the lawfulness of the items under major decision-making process and of the decision-making procedures of the Company, for better protection of the shareholders' rights and interests. Thirdly, we shall strengthen self-learning, enhance the level of business, and actively participate in the relevant training organized by the regulatory authorities and the Company. Meanwhile, we could enhance the level of professional knowledge and business level through self-study and to better bring out the monitoring functions of the supervisory committee.

By order of the Supervisory Committee

Kou Youmin
Chairperson

Luoyang City, Henan Province, the PRC
30 March 2017

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Li Chaochun, aged 40, is an executive Director since January 2007 and chairman of the Board since January 2014. He is also the vice chairman of the nomination committee of the Company since 17 August 2012 and the chairman of our strategic committee since 14 January 2014. Mr. Li graduated from Shanghai Jiaotong University with a bachelor's degree in law in July 1999. From July 1999 to December 1999, he was a staff accountant of the tax division of Arthur Andersen (Shanghai) Business Consulting Co., Ltd.. He was with Arthur Andersen Hua Qiang CPA from January 2000 to March 2002, where his last position was a senior consultant of the tax division. From April 2002 to February 2003, he was a deputy manager of planning and strategy implementation of the general representative office of The Hong Kong and Shanghai Banking Corporation Limited. From July 2003 to January 2007, Mr. Li was an executive director of the investment department of Cathay Fortune Corporation, one of the founders of the Company. Mr. Li has been a director of China Molybdenum (Hong Kong) Company Limited, Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd., CMOG Mining Pty Limited, CMOG Limited, CMOG Mining Services Pty Limited, Schmocker (Shanghai) International Trading Co., Ltd. and CMOG Mining USA Ltd. since 16 August 2007, 27 May 2010, 25 July 2013, 27 August 2013, 9 September 2013, 20 April 2014, and 29 May 2014, respectively. From January 2007 to 14 January 2014, Mr. Li was the vice chairman of the Board.

Mr. Li Faben, aged 53, professor-level senior engineer, has been the executive Director of the Company since August 2006. He is also the general manager and a member of the strategic committee of the Company since October 2012. Mr. Li graduated from the Central South Mining & Metallurgical College (subsequently renamed as the Central South University of Technology, now known as the Central South University) with a bachelor's degree in engineering in 1983 (major in mining engineering) and the Xi'an University of Architecture and Technology with a master's degree in engineering in 2004 (specialized in mining engineering) and a doctor's degree in Management Science and Engineering in January 2014. From August 1988 to January 1999, Mr. Li held various positions at Luoyang Luanchuan Molybdenum Company, in which he served as the deputy head and head of the technical division, quarry supervisor, head of the open-pit mining construction department and deputy manager of Luoyang Luanchuan Molybdenum Company. Mr. Li served as deputy general manager of Luoyang Luanchuan Molybdenum Group Co., Ltd. between January 1999 and November 2002. From November 2002 to August 2006, Mr. Li was the deputy general manager and vice chairman of Luoyang Luanchuan Molybdenum Group Co., Ltd. as well as a director of Luoyang Mining Group Co., Ltd. from July 2006 to November 2009. Mr. Li was the standing deputy general manager of the Company from August 2006 to October 2012. Mr. Li was a director of China Molybdenum (Hong Kong) Company Limited from 16 August 2007 to May 2015.

Non-Executive Directors

Mr. Ma Hui, aged 45, is a senior accountant, certified accountant and certified asset valuer. Mr. Ma has been our non-executive Director since 26 June 2015 and vice chairman of the Board since 27 June 2015. Mr. Ma graduated from Central Institute of Finance and Economics and obtained a Bachelor's degree in economics in 1994. From September 1994 to March 2008, he worked in Luoyang Zhong Hua Certified Public Accountants Company Limited (洛陽中華會計師事務所有限責任公司) (formerly known as Luoyang Certified Public Accounting Firm (洛陽會計師事務所)) engaging in work such as audit, evaluation and financial consultancy, and had served as the department manager of evaluation department, a director and an assistant to the president. He served as the chief financial officer of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) since April 2008; and the deputy general manager of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) since July 2013. He currently serves as the director of Luoyang Mining Co., Ltd., the director of Henan Guoxin Investment Guarantee Co., Ltd. (河南國鑫投資擔保有限公司), the director of Luoyang Hongke Innovation Venture Capital Co., Ltd. (洛陽宏科創新創業投資有限公司) and the supervisor of Luoyang Petrochemical Products Management Co., Ltd. (洛陽中石化油品經營有限責任公司).

Mr. Yuan Honglin, aged 49, has been our non-executive Director and a member of the audit committee, remuneration committee and strategic committee of the Company since November 2013. He has over 20 years of experience in the banking industry. Mr. Yuan graduated from Nanjing University in July 1990 with a bachelor's degree in economics. In July 2004, Mr. Yuan obtained a MBA degree from Shanghai Jiaotong University. From August 1990 to May 2000, Mr. Yuan worked at Bank of China Limited, Nantong Branch where he held various positions including vice president of the Rudong sub-branch and manager of the credit management department of Nantong Branch. Between June 2000 and August 2007, Mr. Yuan worked at China Merchants Bank Limited, Shanghai Branch where he held various positions including president of Jiang Wan sub-branch and general manager of corporate banking department. From September 2007 to September 2012, Mr. Yuan worked at Ping An Bank Co., Ltd. where he held various positions including assistant to the president of the Shanghai Branch, vice president (responsible for the overall business operations) of the Shanghai Branch and general manager of the corporate banking department responsible for the northern region of China. From October 2012 to the present, Mr. Yuan has been the deputy general manager of Cathay Fortune Capital Limited, a wholly-owned subsidiary of Cathay Fortune Corporation, a controlling shareholder of the Company.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cheng Yunlei, aged 34, is an accountant and certified accountant. Mr. Cheng has been our non-executive Director since 26 June 2015. Mr. Cheng graduated from Henan University of Science and Technology and obtained a Bachelor's degree in management in 2006. From July 2006 to October 2007, he worked in the No. 2 Audit Department of Luoyang Zhong Hua Certified Public Accountants Company Limited engaging in audit and financial consultancy work. He has served as the chief accountant and the person in charge of the finance and audit department of Luoyang Mining Group Co., Ltd. since November 2007. He served as the person in charge of the finance department of Luoyang Non-ferrous Mining Group Co., Ltd. (洛陽有色礦業集團有限公司) from September 2011 to June 2014, during which, he concurrently served as a supervisor of Luoyang Non-ferrous Mining Group Co., Ltd., Luoyang Jinqiao Mining Co., Ltd. (洛陽錦橋礦業有限公司) and Luoning Jinlong Mining Co., Ltd. (洛寧金龍礦業有限公司). Since January 2015, Mr. Cheng has served as the general manager of the planning and finance department of Luoyang Guohong Investment Group Co., Ltd. and the general manager of finance department of Luoyang Mining Group Co., Ltd. He currently serves as the director of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) and Luoyang Huaze Microcredit Co., Ltd. (洛陽華澤小額貸款有限公司), and the supervisor of Henan Guoxin Investment Guarantee Co., Ltd. (河南國鑫投資擔保有限公司) and Luoyang Yumengtong Industrial Co., Ltd. (洛陽豫孟通實業有限公司).

Independent Non-Executive Directors

Mr. Bai Yanchun, aged 50, has been an independent non-executive Director of the Company, chairman of both the nomination committee and remuneration committee and a member of the strategic committee since August 2012. He is currently a member of All China Lawyers Association holding a practising solicitor certificate in the PRC. Mr. Bai graduated from China University of Political Science and Law with a bachelor's degree of laws in 1988. He studied the postgraduate courses at the Center for Chinese and American Studies of Johns Hopkins University in the United States in 1992 and obtained a master's degree from the School of Law of Stanford University in the United States in 2003. From 1988 to 1992, he worked at the China Council for the Promotion of International Trade. In 1993, he participated in the founding of King & Wood Mallesons and has been engaging in professional legal services such as securities, mergers and acquisitions. Mr. Bai currently serves as an arbitrator of China International Economic and Trade Arbitration Commission. Mr. Bai was appointed as a member of the ninth session of Issuance Examination Committee of China Securities Regulatory Commission in 2008. Mr. Bai currently engages in legal services for Commerce & Finance Law Offices in Beijing.

Mr. Cheng Gordon, aged 41, has been an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Company since August 2012. Mr. Cheng graduated from the University of Sydney (Australia) with bachelor degree in commerce (1996) and bachelor degree in law (1998). He is the founder and Partner of GD China Clean Energy Capital Partners. Before that, he served as the senior advisor of Deutsche Bank Global Climate Change Advisors and United Nations Industrial Development Organization (UNIDO) in China. From 2010 to 2011, Mr. Cheng had been the China Chief Representative of LaSalle Fund. Prior to 2010, he served as the Chief Financial Officer and Chief Investment Officer of Sunshine 100 Real Estate Development Group ("Sunshine 100"). Before joining Sunshine 100, he served as the Executive Vice President of Vimicro International Corporation ("Vimicro"), which was successfully listed on NASDAQ in the United States in 2005 under his leadership. Before joining Vimicro, he has worked at the investment banking department of internally renowned J.P. Morgan and Credit Suisse. Mr. Cheng has extensive experience in financing, investing as well as merger and acquisitions, both globally and in China.

Mr. Xu Shan, aged 48, has been an independent non-executive Director of the Company since August 2012. He is also the chairman of our audit committee and a member of the nomination committee. He is a PRC certified public accountant and a PRC registered tax agent. Mr. Xu graduated from the Department of Computing and Systematic Science of Xiamen University in 1991 and obtained a doctor's degree in management (accounting) from Xiamen University in 2001. At present, he concurrently acts as the chairman of Xiamen Tianjian Consulting Firm (廈門天健諮詢公司) and an independent director of Sunshine Insurance Group Corporation Limited (陽光保險集團股份有限公司) and Xin Hee Co., Ltd. (欣賀股份有限公司), a part-time professor of the MPAcc Program of Xiamen University and a consultant of the Private Banking Center of Xiamen Branch of China Construction Bank. Mr. Xu served as the manager of Xiamen Nongxin Accounting Firm (廈門農信會計師事務所) from June 1994 to August 1996, the manager of the Accounting Firm of Xiamen University (廈門大學會計師事務所) from September 1996 to December 1998 as well as a director and partner of Tianjian Zhengxin Accounting Firm (天健正信會計師事務所) from December 1998 to December 2011. He concurrently served as a special member of the ninth session of Issuance Examination Committee of China Securities Regulatory Commission from 2007 to 2008. He was an independent Director of Beijing Kalends Science & Technology Company Limited (北京昆侖萬維科技股份有限公司) from July 2011 to July 2016.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Ms. Kou Youmin, aged 51, is a senior accountant. Ms. Kou has been the chairperson of our supervisory committee since 27 June 2015. Ms. Kou graduated from Henan Institute of Finance and Economics majoring in accounting in 1999. She served as a technician at Luoyang Liming Plastic Plant (洛陽黎明塑料總廠) from August 1986 to January 1988; an accountant of Luoyang Changfeng Construction Material Store (洛陽長豐建材商店) from January 1988 to October 1992; an accountant of Luoyang Bearings Group Plastic Packing Manufacturing Plant (洛陽軸承集團塑料包裝製品廠) from October 1992 to September 1997; and the head of financial department of Luoyang Bearings Group Railway Bearings Co., Ltd. (洛陽軸承集團鐵路軸承有限公司) from September 1997 to March 2009. Ms. Kou has served as the head of financial department and the chief financial officer of Luoyang State-owned Assets Operation Company Limited (洛陽市國資國有資產經營有限公司) from March 2009 to March 2016. She also served as an executive supervisor of Luoyang Guochen Commerce and Trade Co., Ltd. (洛陽國辰商貿有限公司) from September 2012 to October 2016; a director of Luoyang Coal Power Group Company Limited (洛陽煤電集團有限公司) from August 2013 to October 2016; an executive supervisor of Luoyang Guorun Enterprise Services Co., Ltd. (洛陽市國潤企業服務有限公司) from March 2014 to September 2016; a deputy general manager of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) since December 2015. She was an assistant to general manager and the general manager of supervisory and audit department of Luoyang Guohong Investment Group Co., Ltd. since January 2015. She currently serves as a supervisor Luoyang Mining Group Co., Ltd (洛陽礦業集團有限公司) and the director of Henan Guoxin Investment Guarantee Co., Ltd. and Luoyang Huaze Microcredit Co., Ltd. (洛陽華澤小額貸款有限公司).

Mr. Zhang Zhenhao, aged 43, has been a supervisor of the Company since August 2009. Mr. Zhang concurrently acts as a director of Cathay Fortune Corporation, a director of Cathay Fortune Investment Limited (鴻商投資有限公司), a director of Cathay Fortune International Company Limited (鴻商產業國際有限公司), a director of Cathay Fortune Singapore Pte. Ltd. (鴻商產業新加坡(私人)有限公司), a director of Shanghai CFC Puyuan Investment Management Co., Ltd (上海鴻商普源投資管理有限公司), a director of Shanghai CFC Datong Industrial Co., Ltd. (上海鴻商大通實業有限公司), a director of Shanghai Shanglue Trading Co., Ltd (上海商略貿易有限公司), a director of Beijing Huiqiao Investment Co., Ltd (北京匯橋投資有限公司) and a director of Cathay Fortune Capital Equity Investment Co., Ltd.* (鴻商資本股權投資有限公司). Mr. Zhang graduated from Tianjin Polytechnic University with a bachelor's degree in textile engineering. Mr. Zhang also obtained a master degree in finance from the Graduate School of The Chinese Academy of Social Sciences and the CFA qualification from the CFA Institute. From 1993 to 1999, Mr. Zhang held positions at Tianjin Yarn-dyed Company (天津色織公司), Tianjin Weaving Materials Exchange, Hainan Zhongshang Futures Exchange* (海南中商期貨交易所). From May 1999 to December 2001, Mr. Zhang was employed by Zhongfu Securities Dealer Co. Ltd. as member of the preparatory division, general manager of the business management department and Supervisor of the company. From January 2002 to May 2007, Mr. Zhang was employed by Zhongfu Securities Co. Ltd. as member of the preparatory division, general manager of the sales department of Haikou Securities, executive Director of the sales management department, secretary to the board of directors of the company and general manager of the chief executive office and the human resources department. Since June 2007, Mr. Zhang has been the general manager of the finance department of Cathay Fortune Corporation.

Ms. Wang Zhengyan, aged 45, has been a supervisor of the Company since 19 January 2015. Ms. Wang graduated from the Department of Finance of Henan Agricultural University, the People's Republic of China. From 1990 to January 2008, she worked at China Luoyang Float Glass Group Co., Ltd.'s property management department, planning and development department and international engineering company. She joined the Company in January 2008, served as the deputy manager of China Molybdenum Metallic Material Company Ltd. from 2009 to 2011, and served as the deputy manager of Xinjiang Luomu Mining Co., Ltd. from 2011 to January 2013. Since January 2013, she served as the section chief of investment engineering section of the Company. From January 2015 to January 2016, she served as the chairperson of the Company's labour union.

SECRETARY TO THE BOARD

Mr. Yue Yuanbin, aged 43, has been the secretary to the Board of the Company since 3 March 2017. He graduated with a bachelor's degree in engineering at the department of materials engineering of the Shenyang Industrial College in July 1995. Mr. Yue then obtained a master of technology economics from the School of Economics and Management of Tongji University in March 1998. Mr. Yue served as a managing director of the corporate finance department of Guotai Junan Securities Co. Ltd., a vice president in the investment banking division of China Fortune Securities Co. Ltd. and a vice president of NewMargin Ventures.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Ho Siu Pik, is currently a director of Corporate Services of Tricor Services Limited (“Tricor”), a global professional services provider specializing in integrated Business, Corporate and Investor Services. Ms. Ho has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ho is a Chartered Secretary and a Fellow member of both The Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators (“ICSA”) in the United Kingdom. Ms. Ho is a holder of the Practitioner’s Endorsement from HKICS.

SENIOR MANAGEMENT

Our senior management also comprises the following persons:

Ms. Gu Meifeng, aged 52, has been the chief financial officer of the Company since August 2006. Ms. Gu graduated from Henan University in 1995 and obtained a master’s degree in accounting from The Chinese University of Hong Kong in December 2009. From 1986 to 1994, Ms. Gu worked on cost accounting with China YTO Group Corporation Equipment Repairment & Manufacturing Plant. From 1994 to June 2006, Ms. Gu was a deputy general manager of Luoyang Zhonghua Certified Public Accountants Co., Ltd. Between 2000 and 2006, Ms. Gu served as an independent supervisor of Luoyang Glass Company Limited, a company listed on both the Shanghai Stock Exchange (stock code: 600876) and the Hong Kong Stock Exchange (stock code: 01108). Ms. Gu was our executive Director from June 2013 to June 2015. In addition, Ms. Gu has been serving as a director of Xinjiang Luomu Mining Co., Ltd since July 2011 and as a supervisor of Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. since May 2010. Ms. Gu is a certified public accountant, registered asset appraiser and senior accountant.

Mr. Jiang Zhongqiang, aged 50, has been our deputy general manager since January 2014. Mr. Jiang graduated from Harbin University of Science and Technology (哈爾濱科學技術大學) in July 1989 with a bachelor’s degree in engineering. Mr. Jiang previously served as the chief of the Shanghai office of the sales department of Beijing State-owned Factory No. 798 (北京國營第798廠); the business manager of Beijing Murata Electronics Co., Ltd. (北京村田電子有限公司); the deputy director of sales and deputy director of production at Beijing Leader & Harvest Electric Technologies Co., Ltd. (北京利德華福電子技術有限公司). Mr. Jiang joined the Company in December 2012 and assumed the positions of assistant general manager, manager of sales and head of marketing administration department.

Mr. Jing Shigun, aged 50, is a senior engineer at professor level and has been the deputy general manager of the Company since 26 January 2016. Mr. Jing graduated from Northwest Institute of Light Industry (西北輕工業學院) in July 1989 with a bachelor’s degree in engineering, and specialized in Electric Technology. Mr. Jing received his doctor’s degree in Management Science and Engineering from Xi’an University of Architecture and Technology in 2012. Mr. Jing has over 20 years of experience in the mining industry. During the period from July 1989 to 2013, he successively served as a technician of Lengshui ore processing of LLMC, deputy manager and manager of Mine Company of CMOC (洛陽鉬業礦山公司). During the period from 2014 to July 2015, he studied and worked in the Northparkes copper and gold mines in Australia. Upon his return, he served as the chairman and general manager of Luanchuan County Sanqiang Molybdenum & Tungsten Co., Ltd. (樂川縣三強鉬鎢有限公司).

Mr. Wang Yonghong, aged 49, is a senior engineer and has been the deputy general manager of the Company since 26 January 2016. Mr. Wang graduated from Xi’an Metallurgy and Architecture College (西安冶金建築學院) in July 1989 with a bachelor’s degree, and specialized in mining engineering. Mr. Wang has over 20 years of experience in the mining industry and had successively served as a technician and head of No. 2 Ore Processing Company of LLMC (洛陽樂川鉬業公司選礦二公司), chairman and general manager of Luanchuan County Dadongpo Tungsten & Molybdenum Co., Ltd. (樂川縣大東坡鎢鉬礦業有限公司) and manager of No. 2 Ore Processing Company of CMOC (洛陽鉬業選礦二公司).

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Li Chaochun (*Chairman*)
Li Faben

Non-Executive Directors

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

Independent Non-Executive Directors

Bai Yanchun
Cheng Gordon
Xu Shan

SUPERVISORS

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

BOARD COMMITTEES

Remuneration Committee

Bai Yanchun (*Chairman*)
Cheng Gordon
Yuan Honglin

Audit Committee

Xu Shan (*Chairman*)
Cheng Gordon
Yuan Honglin

Strategic Committee

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

Nomination Committee

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

BOARD SECRETARY

Yue Yuanbin (*appointed on 3 March 2017*)

REGISTERED OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL REPRESENTATIVE

Li Chaochun

AUTHORIZED REPRESENTATIVES

Li Chaochun
Ho Siu Pik

CORPORATE INFORMATION

COMPANY SECRETARY

Ho Siu Pik (*FCS, FCIS*)

ENQUIRY DEPARTMENT OF THE COMPANY

Office of the Board of Directors

INFORMATION ENQUIRY TELEPHONE NO. OF THE COMPANY

(+86) 379 6865 8017

SHANGHAI A SHARE REGISTRAR

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

HONG KONG H SHARE REGISTRAR

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

PLACES OF LISTING

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

NAME OF THE STOCK

China Molybdenum Co., Ltd. (CMOC)

STOCK CODE

Stock code of A share: 603993 (*Listed on 9 October 2012*)

Stock code of H share: 03993 (*Listed on 26 April 2007*)

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP

LEGAL ADVISORS

As to Hong Kong law:

YTL & CO.
Suite 1905, Tower 2, Lippo Centre
89 Queensway
Hong Kong

As to PRC law:

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

WEBSITE

www.chinamoly.com

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (17) No. P01431

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

I. OPINION

We have audited the accompanying financial statements of China Molybdenum Co., Ltd. (hereinafter referred to as "CMOC"), which comprise the Company's and consolidated balance sheets as at 31 December 2016, and the Company's and consolidated income statements, the Company's and consolidated cash flow statements, and the Company's and consolidated statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of CMOC present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2016, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

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

III. KEY AUDIT MATTERS

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

III. KEY AUDIT MATTERS *(Continued)*

(I) Significant acquisitions of businesses

Description

As stated in Notes I and VI of the report, CMOC has completed two significant business acquisitions during this year; including: (1) Acquisition of Niobium and Phosphate Business in Brazil with the consideration of United States dollars ("USD") 1.5 billion; (2) Acquisition of the Copper and Cobalt Business in Congo (DRC) with the consideration of USD2.65 billion. According to "Accounting standards for Business Enterprises No. 20 – Business Combinations", CMOC is required to allocate the consideration as at the acquisition date, to determine the fair value of the identifiable assets, liabilities and contingent liabilities which meet the recognition criterion, and calculate the goodwill or negative goodwill arising from the acquisitions. As the amounts involved are significant, the determination of the fair value of the acquired assets and liabilities and contingent liabilities involves complex valuation techniques and significant management estimates and judgments, including mineral reserves, discount rates and cash flow forecasts based on future market supply and demand. The selection of valuation basis and method, the variances in management estimates and judgments may have significant financial impacts. Therefore, we identify accounting treatment related to the significant acquisitions of businesses as a key audit matter.

Audit response

The main audit procedures we performed on the key audit matter include:

1. Reviewing the relevant acquisition agreements, the management's judgment on the acquisition date, the understanding of the relevant contract items and the analysis of the impact of related accounting treatment;
2. Understanding and reviewing the methodology and analysis adopted for each identifiable assets recognized at acquisition date by the management;
3. Having communications with the valuers appointed by CMOC, evaluating their independence and competency, understanding the methodology and models used to evaluate the fair value of identifiable assets, liabilities and contingent liabilities on the acquisition date;
4. Reviewing the rationality of the basic assumptions, valuation basis and significant estimations which the management and valuers used to evaluate the fair values of identifiable assets based on our knowledge of the business, relevant professional reports, informations and historical data, and using the work of our internal valuation experts as well.
5. Reviewing and analyzing the rationality of the goodwill and bargain purchase arising from the acquisitions.

AUDITOR'S REPORT

III. KEY AUDIT MATTERS *(Continued)*

(II) Impairment Risk of Mining Rights and Goodwill

Description

We identified the impairment of mining rights and goodwill as a key audit matter, mainly due to the significant management estimates and judgments used to determine the recoverable amount of relevant cash-generating units. As at the balance sheet date, CMOC possess several mineral related rights of Molybdenum and Tungsten, Copper and gold, Niobium and phosphorus, Copper and Cobalt, including intangible assets – mining rights, and goodwill related to the acquisition of Phosphate business in Brazil this year.

In view of the significant amount of mineral related assets and the significant fluctuation for commodity prices in both domestic and foreign market, the management evaluates if there exists any impairment indicators of these long-term assets at each balance sheet date; Also, the management shall perform impairment test of goodwill at each balance sheet date in accordance with Accounting Standards for Business Enterprises.

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

Audit Response

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

1. Reviewing the judgements and analysis adopted by the management for the indicators of impairments;
2. Evaluating the valuation models adopted by the management;
3. Based on our understanding of the business, analyzing and reviewing the rationality of significant assumptions and judgements the management used in the impairment test of the present value of future cash flow;
4. Analyzing and reviewing the discount rate the management used in the impairment test;
5. Checking the underlying data used in the calculation of the present value of the expected future cash flows with the historical data and other supporting evidence, and considering the rationality.

IV. OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

AUDITOR'S REPORT

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

- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CMOC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CMOC to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within CMOC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte Touche Tohmatsu Certified Public Accountants (LLP)

Chinese Certified Public Accountant: Mou Zheng Fei
(Partner)

Shanghai, China

30 March 2017

Chinese Certified Public Accountant:

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

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2016

Unit: RMB

Items	Notes	2016	2015
Current assets:			
Cash and bank balances	(V)1	9,970,224,098.00	10,414,479,302.30
Financial assets measured at fair value through profit or loss	(V)2	55,599,027.64	4,838,045.50
Note receivables	(V)3	950,861,625.20	602,079,822.07
Accounts receivable	(V)4	1,461,807,199.82	744,253,181.48
Prepayments	(V)5	295,572,093.16	227,105,140.15
Interests receivable		40,492,844.02	86,297,819.57
Other receivables	(V)6	1,147,039,318.23	120,062,905.23
Inventories	(V)7	5,082,767,464.99	592,503,598.48
Other current assets	(V)8	798,592,555.76	2,940,139,813.99
Total current assets		19,802,956,226.82	15,731,759,628.77
Non-current assets:			
Available-for-sale financial assets	(V)9	3,000,602,505.46	2,373,165,292.11
Long-term equity investments	(V)10	1,191,499,274.81	1,260,507,394.45
Fixed assets	(V)11	27,272,921,262.94	4,495,248,544.61
Construction in progress	(V)12	695,359,036.41	478,679,498.42
Inventories	(V)7	4,269,617,873.56	275,057,127.19
Intangible assets	(V)13	24,501,313,984.47	3,836,026,995.53
Goodwill	(V)14	1,114,803,648.00	–
Long-term deferred expenses	(V)15	115,247,374.61	124,474,656.00
Deferred tax assets	(V)16	432,121,448.24	412,936,675.15
Other non-current assets	(V)17	5,750,395,963.14	1,892,672,672.91
Total non-current assets		68,343,882,371.64	15,148,768,856.37
Total assets		88,146,838,598.46	30,880,528,485.14
Current liabilities:			
Short-term borrowings	(V)18	4,372,433,477.73	2,906,199,075.88
Financial liabilities measured at fair value through profit or loss	(V)19	2,821,441,764.40	1,505,910,504.53
Note payable	(V)20	660,000,000.00	782,730,000.00
Accounts payable	(V)21	741,508,273.30	237,376,385.26
Receipts in advance	(V)22	51,867,495.95	37,781,869.32
Employee benefits payable	(V)23	354,822,152.84	113,520,910.57
Taxes payable	(V)24	57,861,242.29	(123,612,410.35)
Interests payable	(V)25	183,684,249.15	53,942,855.95
Dividends payable	(V)26	27,885,796.67	27,885,796.67
Other payable	(V)27	1,416,775,815.12	208,404,265.84
Non-current liabilities due within one year	(V)28	2,584,497,370.05	2,494,899,714.54
Other current liabilities	(V)29	2,708,897,188.46	523,896,357.63
Total current liabilities		15,981,674,825.96	8,768,935,325.84

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2016

Unit: RMB

Items	Notes	2016	2015
Non-current liabilities:			
Long-term borrowings	(V)30	23,376,879,939.49	1,941,586,400.00
Bonds payable	(V)31	2,000,000,000.00	2,000,000,000.00
Provision	(V)32	1,757,793,672.39	290,908,169.51
Deferred tax liabilities	(V)16	10,055,127,906.20	–
Other non-current liabilities	(V)33	638,435,287.05	62,407,518.53
Total non-current liabilities		37,828,236,805.13	4,294,902,088.04
Total liabilities		53,809,911,631.09	13,063,837,413.88
Shareholders' equity:			
Share capital	(V)34	3,377,439,739.80	3,377,439,739.80
Capital reserve	(V)35	10,720,306,602.38	10,720,306,602.38
Other comprehensive income	(V)36	282,854,287.93	(632,492,717.76)
Special reserve	(V)37	8,570,089.43	115,200,675.56
Surplus reserve	(V)38	840,098,875.14	786,050,081.94
Retained profits	(V)39	3,508,788,628.94	2,986,976,808.88
Total equity attributable to the shareholders of the parent company		18,738,058,223.62	17,353,481,190.80
Minority interests		15,598,868,743.75	463,209,880.46
Total shareholders' equity		34,336,926,967.37	17,816,691,071.26
Total liabilities and shareholders' equity		88,146,838,598.46	30,880,528,485.14

The notes are an integral part of these financial statements.

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

Legal representative:

Person in charge of accounting:

Person in charge of
the accounting department:

BALANCE SHEET OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	Notes	2016	2015
Current assets:			
Cash and bank balances	(XIV)1	5,835,877,855.42	9,085,473,539.48
Financial assets measured at fair value through profit or loss		55,599,027.64	4,838,045.50
Note receivables	(XIV)2	921,074,950.75	422,159,476.44
Accounts receivable	(XIV)3	743,022,199.15	696,964,006.43
Prepayments	(XIV)4	25,793,318.61	35,303,919.61
Interests receivable		190,414,299.86	120,396,496.24
Dividends receivable		44,006,084.08	44,006,084.08
Other receivables	(XIV)5	5,601,449,610.57	2,998,451,298.55
Inventories	(XIV)6	179,385,681.07	252,447,758.24
Other current assets		384,060,263.45	2,836,496,887.78
Total current assets		13,980,683,290.60	16,496,537,512.35
Non-current assets:			
Available-for-sale financial assets	(XIV)7	200,004,928.00	200,004,928.00
Long-term equity investments	(XIV)8	16,919,843,199.18	4,569,894,237.61
Fixed assets	(XIV)9	1,467,817,505.01	1,422,952,643.52
Construction in progress		50,156,115.95	86,435,550.73
Intangible assets	(XIV)10	432,042,585.32	478,941,390.39
Long-term deferred expenses		141,865,628.81	116,160,854.90
Deferred tax assets	(XIV)11	–	432,924.10
Other non-current assets	(XIV)13	2,544,608,311.15	1,808,343,604.41
Total non-current assets		21,756,338,273.42	8,683,166,133.66
Total assets		35,737,021,564.02	25,179,703,646.01
Current liabilities:			
Short-term borrowings	(XIV)14	3,956,213,477.73	2,549,051,075.88
Financial liabilities measured at fair value through profit or loss	(XIV)15	2,775,837,926.40	1,505,910,504.53
Note payable		260,000,000.00	–
Accounts payable		107,501,663.22	106,388,314.07
Receipts in advance		208,917.85	786,134.09
Employee benefits payable		47,988,426.90	50,525,328.01
Taxes payable	(XIV)16	(34,774,661.25)	(68,281,438.92)
Interests payable		139,246,310.44	51,310,846.32
Other payables		708,168,512.60	996,389,979.57
Non-current liabilities due within one year		2,129,587,638.71	4,302,381.78
Other current liabilities	(XIV)17	2,793,802,328.86	560,387,774.40
Total current liabilities		12,883,780,541.46	5,756,770,899.73

BALANCE SHEET OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	Notes	2016	2015
Non-current liabilities:			
Long-term loan		3,078,312,000.00	—
Bonds payable	(V)31	2,000,000,000.00	2,000,000,000.00
Deferred tax liabilities	(XIV)11	15,138,783.05	—
Provision	(XIV)18	47,570,371.67	47,570,371.67
Other non-current liabilities		344,298,416.79	18,744,753.50
Total non-current liabilities		5,485,319,571.51	2,066,315,125.17
Total liabilities			
Share capital	(V)34	18,369,100,112.97	7,823,086,024.90
Capital reserve	(V)35	3,377,439,739.80	3,377,439,739.80
Special reserve		10,720,306,602.38	10,720,306,602.38
Retained profits	(V)38	7,849,535.47	114,853,670.04
Total equity attributable to the shareholders of the parent company		840,098,875.14	786,050,081.94
		2,422,226,698.26	2,357,967,526.95
Total shareholders' equity		17,367,921,451.05	17,356,617,621.11
Total liabilities and shareholders' equity		35,737,021,564.02	25,179,703,646.01

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	Notes	2016	2015
I. Total operating revenue	(V)40	6,949,571,006.97	4,196,839,621.19
Including: Operating revenue		6,949,571,006.97	4,196,839,621.19
Less: Operating costs	(V)40	4,623,818,131.37	2,622,448,241.43
Taxes and levies	(V)41	230,309,410.01	242,473,353.45
Selling expenses	(V)42	90,619,385.55	84,672,795.26
Administrative expenses	(V)43	714,734,732.89	357,173,860.29
Financial expenses	(V)44	407,668,376.31	46,182,116.53
Impairment losses of assets	(V)45	351,855,260.03	230,442,603.42
Add: Gains (losses) from changes in fair values (loss is filled in column with "-")	(V)46	46,420,313.67	(2,773,209.03)
Investment income (loss is filled in column with "-")	(V)47	174,182,583.74	116,593,344.54
Including: Income from investments in associates and joint ventures		7,210,716.74	(9,858,527.33)
II. Operating profit (loss is filled in column with "-")		751,168,608.22	727,266,786.32
Add: Non-operating income	(V)48	467,018,238.01	50,152,647.68
Including: Income from disposal of non-current assets		6,586,429.98	4,079,367.52
Less: Non-operating expenses	(V)49	28,045,556.73	94,601,056.79
Including: Losses from disposal of non-current assets		815,811.89	42,120,590.15
III. Total profit (the total loss is filled in column with "-")		1,190,141,289.50	682,818,377.21
Less: Income tax expenses	(V)50	170,902,855.30	(20,289,977.76)
IV. Net profit (the total loss is filled in column with "-")		1,019,238,434.20	703,108,354.97
Net profit attributable to owners of the parent company		998,040,580.75	761,160,070.18
Profit or loss attributable to minority interests		21,197,853.45	(58,051,715.21)
V. Other comprehensive income, net of tax	(V)36	1,060,633,211.86	(423,942,733.35)
Other comprehensive income attributable to owners of the parent company, net of tax		915,347,005.69	(423,942,733.35)
(1) Other comprehensive income not to be reclassified subsequently to profit or loss		-	-
(2) Other comprehensive income to be reclassified subsequently to profit or loss		915,347,005.69	(423,942,733.35)
1. Exchange differences arising from translation of financial from translation of financial foreign currencies		650,071,081.23	(154,955,081.45)
2. Gains or losses from changes in the fair value of available-for-sale financial assets		265,275,924.46	(268,987,651.90)
Other comprehensive income attributable to minority interests, net of tax		145,286,206.17	-
VI. Total comprehensive income		2,079,871,646.06	279,165,621.62
Total comprehensive income attributable to owners of the parent company		1,913,387,586.44	337,217,336.83
Total comprehensive income attributable to minority interests		166,484,059.62	(58,051,715.21)
VII. Earnings per share	(V)51		
(1) Basic earnings per share		0.06	0.05
(2) Diluted earnings per share		0.06	0.05

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	Notes	2016	2015
I. Operating income	(XIV)19	2,267,260,159.13	2,178,175,259.95
Less: Operating costs	(XIV)19	1,073,143,744.68	1,075,829,270.43
Taxes and levies	(XIV)20	177,732,464.28	192,882,467.96
Selling expenses		1,196,470.10	1,291,198.41
Administrative expenses	(XIV)21	475,032,132.89	217,396,770.25
Financial expenses	(XIV)22	56,619,581.08	(111,397,407.83)
Impairment losses of assets	(XIV)23	11,947,598.08	94,349,188.49
Add: Gains (losses) from changes in fair values (loss is filled in column with "-")		41,195,810.27	(2,773,209.03)
Investment income (loss is filled in column with "-") Including: Income from investments in associates and joint ventures	(XIV)24	89,407,474.35	240,091,884.11
		16,287,797.95	10,251,064.25
II. Operating profit (loss is filled in column with "-")		602,191,452.65	945,142,447.32
Add: Non-operating income	(XIV)25	35,046,554.39	49,488,267.67
Less: Non-operating expenses Including: Losses from disposal of non-current	(XIV)26	23,271,132.38	52,367,230.09
		274,790.20	3,244,790.17
III. Total profit (the total loss is filled in column with "-")		613,966,874.66	942,263,484.90
Less: Income tax expenses	(XIV)27	73,478,942.66	130,744,376.57
IV. Net profit (the total loss is filled in column with "-")		540,487,932.00	811,519,108.33
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income		540,487,932.00	811,519,108.33

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	Notes (V)	2016	2015
I. Cash flows from operating activities:			
Cash received from sales of goods and provision of services		7,644,877,598.25	4,627,214,360.67
Other cash receipts relating to operating activities	52(1)	424,655,803.23	488,703,678.64
Sub-total of cash inflows from operating activities		8,069,533,401.48	5,115,918,039.31
Cash payments for goods purchased and services received		3,270,936,032.65	1,887,827,372.50
Cash payments to and on behalf of employees		807,877,516.60	639,924,248.75
Payments of various types of taxes		679,114,545.34	909,091,638.20
Other cash payments relating to operating activities	52(2)	396,778,870.84	320,302,856.46
Sub-total of cash outflows from operating activities		5,154,706,965.43	3,757,146,115.91
Net cash flow from operating activities		2,914,826,436.05	1,358,771,923.40
II. Cash flows from investing activities:			
Cash receipts from disposals and recovery of investments	52(3)	3,335,928,536.55	12,223,309,959.59
Cash receipts from investment income		270,861,902.66	250,866,836.77
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		29,299,477.76	12,518,392.27
Cash receipts from acquisitions or disposals of subsidiaries and other business units		—	4,282.41
Other cash receipts relating to investing activities		—	163,708,746.00
Sub-total of cash inflows from investing activities		3,636,089,916.97	12,650,408,217.04
Cash payments for acquisitions or disposals of subsidiaries and other business units	52(4)	28,104,661,705.58	86,272.98
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		854,261,494.40	592,982,562.47
Cash payments to acquire investments	52(5)	1,416,192,938.05	12,122,847,408.83
Other cash payments relating to investing activities	52(6)	908,964,508.15	100,000,000.00
Sub-total of cash outflows from investing activities		31,284,080,646.18	12,815,916,244.28
Net cash flow from investing activities		(27,647,990,729.21)	(165,508,027.24)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	Notes (V)	2016	2015
III. Cash flows from financing activities:			
Cash receipts from borrowings		29,429,208,701.12	7,289,549,745.87
Other cash receipts relating to financing activities	52(7)	3,027,283,088.84	1,482,568,890.00
Sub-total of cash inflows from financing activities		32,456,491,789.96	8,772,118,635.87
Cash repayments of indebtedness		5,186,639,691.64	4,285,424,431.32
Cash payments for distribution of dividends or profits and settlement of interests		1,108,374,156.14	1,333,347,656.71
Other cash payments relating to financing activities	52(8)	2,170,787,930.78	1,079,148,360.53
Including: Dividends payments from subsidiary to minority holders		161,570,118.00	–
Sub-total of cash outflows from financing activities		8,465,801,778.56	6,697,920,448.56
Net cash flow from financing activities		23,990,690,011.40	2,074,198,187.31
IV. Effect of foreign exchange rate changes on		180,520,047.75	89,119,174.12
V. Net increase in cash and cash equivalents		(561,954,234.01)	3,356,581,257.59
Add: Opening balance of cash and cash equivalents	53(2)	8,982,162,302.30	5,625,581,044.71
VI. Closing balance of cash and cash equivalents	53(2)	8,420,208,068.29	8,982,162,302.30

CASH FLOW STATEMENT OF PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	2016	2015
I. Cash flows from operating activities:		
Cash received from sales of goods and provision of services	2,137,862,147.43	2,765,807,281.90
Other cash receipts relating to operating activities	296,359,641.05	481,050,146.34
Sub-total of cash inflows from operating activities	2,434,221,788.48	3,246,857,428.24
Cash payments for goods purchased and services received	775,145,186.44	1,160,655,834.79
Cash payments to and on behalf of employees	337,421,362.33	359,623,422.62
Payments of various types of taxes	537,328,846.67	544,047,079.62
Other cash payments relating to operating activities	116,129,745.84	207,906,934.19
Sub-total of cash outflows from operating activities	1,766,025,141.28	2,272,233,271.22
Net cash flow from operating activities	668,196,647.20	974,624,157.02
II. Cash flows from investing activities:		
Cash receipts from acquisitions or disposals of subsidiaries and other business units	—	10,000.00
Cash receipts from disposals and recovery of investments	2,679,000,000.00	12,045,289,353.09
Cash receipts from investment income	266,331,699.65	354,689,864.45
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	14,076,892.53	3,076,075.49
Other cash receipts relating to investing activities	11,853,872,334.77	9,503,736,156.31
Sub-total of cash inflows from investing activities	14,813,280,926.95	21,906,801,449.34
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	217,928,382.07	134,234,498.13
Cash payments to acquire investments	12,877,411,163.61	10,065,399,000.00
Other cash payments relating to investing activities	14,334,745,086.30	11,003,649,659.85
Sub-total of cash outflows from investing activities	27,430,084,631.98	21,203,283,157.98
Net cash flow from investing activities	(12,616,803,705.03)	703,518,291.36

CASH FLOW STATEMENT OF PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	2016	2015
III. Cash flows from financing activities:		
Cash receipts from borrowings	12,669,253,477.73	4,770,643,245.87
Other Cash receipts relating to financing activities	7,377,651,660.17	4,748,780,856.65
Sub-total of cash inflows from financing activities	20,046,905,137.90	9,519,424,102.52
Cash repayments of indebtedness	4,099,151,075.88	2,166,731,926.04
Cash payments for distribution of dividends or profits and settlement of interests	681,919,458.19	1,226,522,270.78
Other cash payments relating to financing activities	6,957,746,056.94	4,761,029,165.40
Sub-total of cash outflows from financing activities	11,738,816,591.01	8,154,283,362.22
Net cash flow from financing activities	8,308,088,546.89	1,365,140,740.30
IV. Effect of foreign exchange rate changes on cash and cash equivalents	13,223,797.17	52,971,070.59
V. Net increase in cash and cash equivalents	(3,627,294,713.77)	3,096,254,259.27
Add: Opening balance of cash and cash equivalents	8,163,156,539.48	5,066,902,280.21
VI. Closing balance of cash and cash equivalents	4,535,861,825.71	8,163,156,539.48

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

Items	For the current year							
	Attributable to owners of the parent company							
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Minority Interests	Total owners' equity
I. Balance at the beginning of 2016	3,377,439,739.80	10,720,306,602.38	(632,492,717.76)	115,200,675.56	786,050,081.94	2,986,976,808.88	463,209,880.46	17,816,691,071.26
II. Increase and decrease amount of current year	-	-	-	-	-	-	-	-
(I) Total comprehensive income	-	-	915,347,005.69	-	-	998,040,580.75	166,484,059.62	2,079,871,646.06
(II) Capital invested and decreased by shareholders	-	-	-	-	-	-	-	-
1. Business combination not involving enterprises under common control	-	-	-	-	-	-	15,130,386,022.18	15,130,386,022.18
(III) Profit distribution	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	54,048,793.20	(54,048,793.20)	-	-
2. Distributions to shareholders	-	-	-	-	-	(422,179,967.49)	(161,570,118.00)	(583,750,085.49)
(IV) Transfers within the owners' equity	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Provision in current year	-	-	-	112,139,491.32	-	-	1,495,228.95	113,634,720.27
2. Amount utilized in the period	-	-	-	(218,770,077.45)	-	-	(1,136,329.46)	(219,906,406.91)
III. Balance at the end of 2016	3,377,439,739.80	10,720,306,602.38	282,854,287.93	8,570,089.43	840,098,875.14	3,508,788,628.94	15,598,868,743.75	34,336,926,967.37
	For the last year							
	Attributable to owners of the parent company							
Items	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profit	Minority Interests	Total owners' equity
I. Balance at the beginning of 2015	1,015,234,105.00	9,529,866,110.21	(208,549,984.41)	271,924,909.24	704,898,171.11	3,320,200,571.47	510,959,763.65	15,144,533,646.27
II. Increase and decrease amount of current year	-	-	-	-	-	-	-	-
(I) Total comprehensive income	-	-	(423,942,733.35)	-	-	761,160,070.18	(58,051,715.21)	279,165,621.62
(II) Capital invested and decreased by shareholders	-	-	-	-	-	-	-	-
1. Capital invested by shareholders	110,579,141.60	4,868,955,973.66	-	-	-	-	-	4,979,535,115.26
2. Decrease in disposal of subsidiaries	-	-	-	-	-	-	9,968,434.56	9,968,434.56
3. Others	-	(1,426,888,988.29)	-	-	-	-	-	(1,426,888,988.29)
(III) Profit distribution	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	81,151,910.83	(81,151,910.83)	-	-
2. Distributions to shareholders	-	-	-	-	-	(1,013,231,921.94)	-	(1,013,231,921.94)
(IV) Transfers within the owners' equity	-	-	-	-	-	-	-	-
1. Transferred from capital surplus	2,251,626,493.20	(2,251,626,493.20)	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Provision in current year	-	-	-	178,470,962.58	-	-	912,452.97	179,383,415.55
2. Amount utilized in the period	-	-	-	(335,195,196.26)	-	-	(579,055.51)	(335,774,251.77)
III. Balance at the end of 2015	3,377,439,739.80	10,720,306,602.38	(632,492,717.76)	115,200,675.56	786,050,081.94	2,986,976,808.88	463,209,880.46	17,816,691,071.26

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY OF THE PARENT COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2016

RMB Yuan

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(I) GENERAL

(I) BASIC INFORMATION ABOUT THE COMPANY

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

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

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

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

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

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

On 28 August 2015, the second session of the fourth board meeting decided to transfer capital reserve into ordinary shares, 20 shares for every existing 10 shares to all shareholders. The transfer was completed on 12 November 2015. After the transfer was completed, the total equity of the company was increased to 16,887.2 million shares. Details are set out in Note (V) 34.

Pursuant to the resolution of the extraordinary general meeting of shareholders of the Company dated 23 September 2016, the Company proposed to apply for private placement of A shares with no more than 5,714,285,714 shares (inclusive), and the total amount of funds raised will be no more than RMB18 billion (inclusive). On 18 January 2017, Issuance Examination Commission of CSRC reviewed the application for non-public offering of A shares of the Company. According to the review results, the application of the Company's private placement of A shares was approved.

The Company together with its subsidiaries (collectively as "the Group") is principally engaged in mining, smelting and deep processing of Molybdenum and Tungsten products, mining and smelting of Tungsten products; export of Molybdenum Tungsten Niobium series products and chemical products; mining of Copper products, mining of Niobium products; mining and melting of phosphorus products; melting and mining of Cobalt products; mining, processing and sale of gold and silver.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(I) GENERAL (Continued)

2. Significant Acquisitions of the Year

2.1 Acquisition of Niobium and Phosphate businesses in Brazil

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

- (1) 100% shareholders' equity of American Fosfato Brasil Ltda. ("AAFB", now renamed as Copebras Indústria Ltda.) and Anglo American Niobio Brasil Ltda. ("AANB", now renamed as Niobras Mineração Ltda.);
- (2) AAML's Niobium sales division ("NMD");
- (3) Creditor's rights over AANB held by Capital PLC and Creditor's rights over AAFB held by Capital Luxembourg.

Under the acquisition agreement, the final acquisition consideration is subject to adjustment based on the book balance of cash and the net working capital at closing. The acquisition was approved by the Company's shareholders' meeting on 23 September 2016 and completed on 1 October 2016. The financial statement and initial accounting treatment as at the acquisition date are shown in Note (VI).

AANB is a limited liability company incorporated in the Federal Republic of Brazil ("Brazil") on 1 June 2001, which is principally engaged in open pit mining of Niobium ore and processing of Niobium ore by crushing, screening, enrichment, leaching and smelting, so as to produce Niobium products for customers; at present, the only finished product of AANB is ferroniobium. AANB is responsible for the production and operation of Niobium products other than sales. AANB sells products to AAML which will sell the products to end customers. AAML is a limited liability company incorporated in the UK, which is mainly responsible for the sales business of Anglo American's Niobium products and ferroalloy products, and its ultimate controlling party is Anglo American. AAML's Niobium sales business is also transferred to the Company upon this acquisition.

AAFB is a limited liability company incorporated in Sao Paulo, Brazil on 2 January 1975, of which the business scope covers the entire industrial chain of phosphorus, including the open-pit mining operations of Phosphate rocks, the extraction of phosphorus pentoxide from Phosphate rocks and the production of different types or combinations of Phosphate fertilizer products and intermediate products. AAFB's main products include Phosphate fertilizers (MAP, GTSP) of high concentration, Phosphate (SSG, SSP powder, etc.) low concentration, animal feed supplements (DCP), intermediate phosphoric acid and sulfuric acid (sulfuric acid for owned use) and related by-products (gypsum, fluosilicic acid). AAFB's major customers are fertilizer mills in Brazil.

2.2 Acquisition of Copper-Cobalt business in DRC

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(I) GENERAL (Continued)

2. Significant Acquisitions of the Year (Continued)

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

Under the acquisition agreement, in addition to the consideration price, the final consideration of acquisition also includes a contingent consideration and the cash balance adjustment at the closing. The acquisition was approved by the shareholders' meeting on 23 September 2016 and completed on 17 November 2016. The financial statement and initial accounting treatment as at the acquisition date are shown in Note (VI).

FMDRC is principally engaged in the mining and processing of Copper and Cobalt through its subsidiary TFM situated in DRC. TFM commenced production of Copper products (mainly electrolytic Copper) in March 2009, and began to produce Cobalt products (mainly Cobalt hydroxide) in September 2009.

(II) PREPARATION BASIS OF THE FINANCIAL STATEMENTS

Preparation basis

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

Going concern

The Group performs evaluation on its ability to continue as a going concern for next 12 months from 31 December 2016, and no matters or conditions that may cast significant doubts on its ability to continue as a going concern are found. Therefore, the financial statements have been prepared on a going concern basis.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of 31 December 2016, and the Company's and consolidated results of operations and cash flows for the year then end.

2. Accounting period

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

3. Operating cycle

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

4. Functional currency

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

5. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for assets impairment are made in accordance with the relevant regulations.

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

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

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

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

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

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

6.1 *Business combinations involving enterprises under common control*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

6.1 Business combinations involving enterprises under common control (Continued)

Assets and liabilities obtained are measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

6.2 Business combinations not involving enterprises under common control

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

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

6.2 *Business combinations not involving enterprises under common control (Continued)*

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

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

7. Preparation of consolidated financial statement

7.1 *Preparation of consolidated financial statement*

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

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

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

7. Preparation of consolidated financial statement (Continued)

7.1 Preparation of consolidated financial statement (Continued)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

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

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

9. Standards for determining cash and cash equivalent

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

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

10.1 Transactions denominated in foreign currencies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

10.1 Transactions denominated in foreign currencies (Continued)

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

10.2 Translation of financial statements denominated in foreign currencies

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Financial Instrument

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

11.1 *Effective interest method*

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

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

11.2 *Classification, recognition and measurement of financial assets*

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Financial Instrument (Continued)

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

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

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

11.2.2 Held-to-maturity investments

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

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

11.2.3 Loans and receivables

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

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

11.2.4 Available-for-sale financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Financial Instrument (Continued)

11.3 Impairment of financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Financial Instrument (Continued)

11.3 Impairment of financial assets (Continued)

- Impairment of financial assets measured at amortised cost

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

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

- Impairment of available-for-sale financial assets

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

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

- Impairment of financial assets measured at cost

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Financial Instrument *(Continued)*

11.4 *Transfer and derecognition of financial assets*

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

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

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

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

11.5 *Classification, recognition and measurement of financial liabilities*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Financial Instrument (Continued)

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

11.5.1 Financial liabilities at FVTPL

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

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

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

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

11.5.2 Other financial liabilities

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

11.5.3 Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Financial Instrument (Continued)

11.6 Derecognition of financial liabilities

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

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

11.7 Derivatives and embedded derivatives

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

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

11.7.1 Revenue related embedded derivatives

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Financial Instrument (Continued)

11.8 Offsetting financial assets and financial liabilities

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

11.9 Equity instruments

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

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

11.10. Convertible loan notes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

12. The Receivables

12.1 Determination basis and policies for bad debt provision of accounts receivables of subsidiaries of the Group situated in PRC and Australia

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

The criterion of individually significant amount A receivable that exceeds RMB5,000,000 is deemed as an individually significant receivable by subsidiaries of the Group situated in PRC and Australia.

Policies for bad debt provision of accounts receivables of individually significant amount For receivables that are individually significant, the subsidiaries of the Group situated in PRC and Australia assess the receivables individually for impairment. For a financial asset that is not impaired individually, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment

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

Basis for determining credit risk characteristic combination The subsidiaries of the Group situated in PRC and Australia classify the receivables that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment.

Policies determined by credit risk characteristic combination When impairment test is conducted based on portfolio method, the bad debt provision will be determined based on receivable portfolio structure and similar credit risk characteristics and according to historical loss experience, current economic conditions and loss evaluation existing in estimated receivable portfolio bad debt provision based on aging analysis detailed in Table 12.3 as follows.

Percentage of bad bad debt provision using aging analysis

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

12. The Receivables (Continued)

12.2 Determination basis and policies for bad debt provision of accounts receivables of subsidiaries of the Group situated in Brazil and DRC

Accounts receivables for which the bad debt provision is individually assessed

Accounts receivables for which the bad debt provision is individually assessed

Subsidiaries in Brazil and DRC use individual analysis method to make bad debt provision for accounts receivable.

Policies for accounts receivables for which the bad debt provision is individually assessed

To be impaired individually, and the difference between the present value of the estimated future cash flows and its carrying amount is used for bad debt provision and is recognised in profit or loss for the period.

13. Inventory

13.1 Classification of Inventories

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

13.2 Valuation Methods of the Inventory delivered

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

13.3 The basis of the net realizable value of the Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

13. Inventory (Continued)

13.4 The inventory system for Inventory

The inventory system is a perpetual inventory system.

13.5 Amortization method of low-value consumables and packaging materials

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

14. Long-term Equity Investment

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

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

14.2 Determination of investment cost

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

14. Long-term equity investment (Continued)

14.3 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

14. Long-term Equity Investment (Continued)

14.4 Disposal of long-term equity investments

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

15. Fixed Assets

15.1 The conditions of recognition

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

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

15.2 Depreciation method

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

Subsidiaries of the Group situated in PRC

Category	Depreciation method	Period of depreciation	Residual value rate (%)	Yearly depreciation (%)
Land, building	Straight-line method	8-45	0-5	2.1-11.9
Mining engineering	Units of production method	Expected mine useful life	0	Annual mining quantity
Machine equipment	Straight-line method	8-10	5	9.5-11.9
Electronic equipment, appliances and furniture	Straight-line method	5	5	19.0
Transportation equipment	Straight-line method	8	5	11.9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

15. Fixed Assets (Continued)

15.2 Depreciation Method (Continued)

Subsidiaries of the Group situated in Australia

Category	Depreciation method	Depreciation period	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	8–45	0–5	2.1–11.9
Mining projects	Units-of-production method	Estimated useful life of mines	0	Annual mining quantity
Machineries and other equipment	Straight-line method	8–10	5	9.5–11.9

Subsidiaries of the Group situated in Brazil

Category	Depreciation method	Depreciation period	Residual value rate (%)	Annual depreciation rate (%)
Land	N/A	Permanent	–	–
Buildings	Straight-line method	20–50	0–5	1.90–5
Mining projects	Units-of-production method	Estimated useful life of mines	0	Annual mining quantity
Machineries and other equipment	Straight-line method	5–20	0–5	5–20

Subsidiaries of the Group situated in DRC

Category	Depreciation method	Depreciation period	Residual value rate (%)	Annual depreciation rate (%)
Land	N/A	Permanent	–	–
Mining projects	Units-of-production method	estimated useful life of mines	0	Annual mining quantity
Buildings	Straight-line method	5–33	0–5	2.88–20
Machineries and other equipment	Straight-line method	5–33	0–5	2.88–20

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

15. Fixed Assets (Continued)

15.3 Others

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

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

16. Construction in progress

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

17. Borrowing costs

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

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

18. Biological assets

Biological assets of the Group are consumable biological assets.

18.1 Consumable biological assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

19. Intangible Assets

19.1 Intangible Assets

Intangible assets include land use rights and mining rights etc.

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

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

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

19.2 Research and development expenditure for internal study

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

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

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

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

20. Impairment of Long-term Assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

20. Impairment of Long-term Assets *(Continued)*

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

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

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

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

21. Long-term Deferred Expenses

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

22. Employee Benefits

22.1 *Accounting treatment of short-term remuneration*

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

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

22.2 *Accounting treatment of post-employment benefits*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

22. Employee Benefits (Continued)

22.2 Accounting treatment of post-employment benefits (Continued)

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

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

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

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

22.3 Accounting treatment of termination benefits

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

22.4 Paid absence

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

23. Provision

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

24. Revenue

24.1 Revenue from sale of goods

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

24.2 Revenue from rendering of services

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

25. Government Grants

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

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

25.1 Criterion and accounting treatment of government grant related to assets

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

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset.

25.2 Criterion and accounting treatment of government grant related to income

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

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

26. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

26.1 Current income taxes

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

26.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

26.3 Offsetting of income taxes

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

27. Stripping Costs

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

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

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

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

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

28. Exploration, Assessment and Development Expenditures

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

The impairment test of the asset and the related assessment and development costs capitalized before the commercial production phase is set out in Note III. 27.

29. Leasing

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

29.1 Accounting treatment of operating leases

29.1.1 The Group as lessee under operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

29. Leasing (Continued)

29.1.2 The Group as lessor under operating leases

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

30. Other Significant Accounting Policies and Accounting Estimations

30.1 Maintenance costs of simple reproduction

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

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

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

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

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

30.2 Safety production expenses

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

30.2 Safety Production Expenses (Continued)

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

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

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

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

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

30.3 Discontinued operations

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

31. Critical Judgements in applying Accounting Policies and Key Assumptions and Uncertainties in the Accounting Estimates

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

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

Key assumptions and uncertainties in accounting estimates

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

Estimate of mineral reserve

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

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

The useful life of fixed assets

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

Non-current assets impairment other than financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

31. Critical Judgements in applying Accounting Policies and Key Assumptions and Uncertainties in the Accounting Estimates (Continued)

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

– Impairment of mining rights

At the impairment test of the Group's mining rights, including the mining rights of the Northparkes Copper-gold mine in Australia, Tenke Copper-Cobalt mine in Congo, the Molybdenum mine in East Gobi of Hami of Xinjiang, and the Cubitão Phosphate mine and Catalão Niobium mine in Brazil, the management of the Group uses the long-term forecast data of Copper price and Molybdenum price from domestic and overseas authoritative research institutions as the sales price estimates of future Copper and Molybdenum products, and uses the latest estimates of the management's mining plan and future capital expenditures as a basis. The current risk-free rate of return, the average social rate of return, and enterprise-specific risks are taken into full consideration for the discount rate. The estimated future recoverable amount of the mining assets is largely determined by the above estimates of future commodity prices, mining plans, future capital expenditure plans and discount rates. Future commodity price forecasts do not represent actual sales prices that can be realized in the future, and mining plans, future capital expenditure plans and discount rates will also change. As at 31 December 2016, the management of the Group considered that there was no impairment of the mining assets held by the Group. If the above forecast and estimates change in the subsequent period, the estimated recoverable amount of the Group's mining assets may change or be lower than the carrying amount of the above assets.

– Impairment of goodwill

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

Provision for decline in value of inventories

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

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

Impairment of accounts receivable

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

31. Critical Judgements in applying Accounting Policies and Key Assumptions and Uncertainties in the Accounting Estimates (Continued)

Provision for closure, restoration, rehabilitation and environmental costs

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

Deferred tax assets

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

Enterprise income tax

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

Contingent liabilities

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

When the economic benefits related to a particular legal dispute are considered to be extremely likely to flow out and measurable, the management of the Group will make corresponding provisions according to the professional legal advice. Except those contingent liabilities which are considered to be of extremely low possibility to result in outflow of economic benefits, the contingent liabilities of the Group are disclosed in Note V. 32 and Note XI. The management uses judgment to determine whether a provision shall be made for the relevant legal dispute or whether the dispute shall be disclosed as a contingent liability.

Fair value measurement

As the acquisitions of the Niobium and Phosphate Business in Brazil and the Copper and Cobalt Business in DRC, the Group conducted purchase price allocation based on the the fair value of the identifiable assets and liabilities in the relevant business of the acquisition date. The fair value of relevant identifiable assets and liabilities are assessed by the independent valuer based on the business forecasts and the key assumptions provided by the management and the adoption of the appropriate valuation methodology.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

32. Changes in Significant Accounting Policies and Accounting Estimates

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

(IV) TAXATION

1. Major Categories of Taxes and Tax Rates

Category of tax	Basis of tax computation	Tax rate
VAT (Note 1)	The Company is an ordinary Value-Added Tax payer. Value-added tax ("VAT") on sales is paid after deducting input VAT on purchases.	Output VAT on sales is calculated at 17% on revenue according to the relevant requirement of tax laws. Gold related products are exempt from VAT.
Business tax (Note 2)	Taxable revenue	5%
City maintenance and construction tax	Actual turnover tax	For city urban area tax rate is 7%; for county town, tax rate is 5%; for other, tax rate is 1%.
Price adjustment fund	Actual turnover tax	Note 3
Resource tax	Raw ore production or sales volume of concentrate	6.5%, 11% collection on ad valorem basis (note 4)
Mineral resources compensation fee	Mineral sales revenue at current period	Note 3
Income tax	The income tax provision is calculated based on the accounting results for the year as adjusted in accordance with the relevant tax laws.	Note 5
Educational surtax and surcharge	Actual turnover tax	3%
Regional educational surtax and surcharge	Actual turnover tax	2%
Australia goods and services tax ("GST")	Amount of the income from rendering of goods and services in Australia less the deductible purchase cost. It is not required to pay goods and services tax for export goods and the refund policy of goods and services tax is also applicable.	10% of the sales price of goods or services
Australia mining royalty	Royalty of mineral resources can be levied by volume or by price. If levied by volume, the royalty will be levied per the unit of exploited minerals. If levied by price, it will be levied per 4% of the total value or the sales price of exploited minerals.	4% ex-mine value

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(IV) TAXATION (Continued)

1. Major Categories of Taxes and Tax Rates (Continued)

Category of tax	Basis of tax computation	Tax rate
Brazil social contribution tax and goods circulation tax	Brazil local social contribution tax (PIS & CONFINS) and the goods circulation tax (ICMS) are applicable to AANB and AAFB, of which the tax basis is the balance of income from rendering of goods and services in Brazil less the deductible costs. It is not required to pay social contribution tax and goods circulation tax for export goods.	The social contribution tax is 9.25% of the sales price of goods or services. The goods circulation tax is 4%–18% of the sales price of goods or services. The tax rates imposed by the local states of Brazil are different.
Congo (DRC) VAT	VAT of the Democratic Republic of the Congo ("DRC") is applicable to TFM.	The output VAT is calculated at 16% of the sales amount calculated in accordance with the relevant tax provisions.

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

Note 2: In accordance with the "Notice on the Full Implementation of Replacing Business Tax with Value-added Tax" (Cai Shui [2016] No. 36), since 1 May 2016, the implementation of replacing business tax with value-added tax has been launched throughout the PRC. VAT shall be paid for the Group's taxable income for which the business tax was to be paid from 1 May 2016, and business tax is no longer to be paid.

Note 3: Pursuant to the Notice on Matters Related to Disposal of Fund Concerning Charges for Rare Earth, Tungsten and Molybdenum (Cai Shui [2015] No. 53) issued by the Ministry of Finance and State Administration of Taxation, the rate of mineral resources compensation fees in respect to rare earth, Tungsten and Molybdenum shall be decreased to zero on and after 1 May 2015 on a national basis and collection of price regulation fund in respect to rare earth, Tungsten and Molybdenum shall be ceased.

Note 4: Pursuant to the Notice on Implementation of the Reform of Resource Tax of Rare Earth, Tungsten and Molybdenum Featured by Price-based Tax Calculation and Collection (Cai Shui [2015] No. 52) issued by the Ministry of Finance and State Administration of Taxation, the implementation of calculation and collection of Molybdenum resources tax shall be changed from volume-based tax to price-based tax on and after 1 May 2015. The applicable rate of Tungsten resources tax is 6.5%. The applicable rate of Molybdenum resources tax is 11%.

Note 5: Applicable income tax rate:

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(IV) TAXATION *(Continued)*

2. Tax Incentive and Approval

Pursuant to the “Notification about the comprehensive utilization of resources Enterprise Income Tax Discount Directory (2008 version)” (No. 117 [2008] of the State Administration of Taxation) jointly issued by Ministry of Finance, State Administration of Taxation and National Development and Reform Commission on 28 August 2008, powdered Tungsten (scheelite concentrates) the product of company is produced by using industrial wastes and are thus able to enjoy a favorable tax policy of a reduction of 10% on total taxable income.

Pursuant to the “Circular of the National Development and Reform Commission, the Ministry of Finance and the State Administration of Taxation concerning Printing and Distributing the Administrative Measures for the Determination of Resources Comprehensive Utilization Encouraged by the State (Fa Gai Huan Zi [2006] No. 1864) on 7 September 2006. On 1 July 2009, the Company was awarded a certificate by Henan Development and Reform Committee for producing powdered Tungsten (scheelite concentrates), an act that was recognized as utilizing industrial waste. The certificate was valid from 1 July 2009 to 30 June 2013. On 26 June 2013, in accordance with the Notice from Henan Development and Reform Committee in relation to the issuance of List of Enterprises in Henan Province Engaging in Comprehensive Unitization of Resources in 2013 (First Batch), List of Enterprises Producing New Types of Wall Materials in 2013 (First Batch) and List of Enterprises Entitled to the Re-issuance of Certificates Due to Name Change (Yu Fa Gai Huan Zi [2013] No. 862) issued by Henan Development and Reform Committee, the certificate for recognizing the foregoing industrial product of the Company as a way of comprehensive unitization of resources which was supported by the National government was renewed. The renewed certificate is valid from 1 July 2013 to 30 June 2015. On 10 May 2015, the Decision of the State Council on Cancelling Non-Administrative Licensing Approval Items (Guo Fa [2015] No. 27) cancelled the recognition process of enterprise of comprehensive utilization of resources. However, the company sold powdered Tungsten (scheelite concentrates) is still within the scope of catalogue of income tax preferential program of enterprise of comprehensive utilization of resources. Therefore, the company still recognized 90% of sales of powdered Tungsten (scheelite concentrates) to taxable income during 1 July 2015 to 31 December 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Bank Balances

Unit: RMB

Item	Closing balance			Opening balance		
	Amount in foreign currency	Closing Amount Exchange rate	Amount in RMB	Amount in foreign currency	Closing amount exchange rate	Amount in RMB
Cash:			1,120,248.17			274,735.66
Renminbi (refers to "RMB")	-	-	241,182.11	-	-	237,196.00
US dollars (refers to "USD")	-	-	-	1,800.00	6.4936	11,688.48
Australian dollars (refers to "AUD")	6,191.76	5.0196	31,080.24	5,448.98	4.7442	25,851.18
Congolese francs (refers to "CDF")	142,411,260.00	0.0060	847,985.82	-	-	-
Bank deposits:			8,419,087,820.12			8,981,887,566.64
RMB	-	-	4,909,898,203.03	-	-	6,941,254,051.11
USD	361,032,378.88	6.9419	2,506,260,967.94	283,780,851.23	6.4936	1,845,484,378.16
Euro (refers to "EUR")	25,822,116.64	7.2993	188,483,572.18	1,759.58	7.0522	12,408.91
Hong Kong dollars (refers to "HKD")	4,043,430.78	0.8947	3,617,803.93	5,360,914.42	0.8383	4,493,884.78
Canadian dollars (refers to "CAD")	1,159,557.67	5.1749	6,000,561.46	29,411,505.97	4.7117	138,578,771.02
AUD	6,119,592.71	5.0196	30,717,988.35	10,974,201.66	4.7442	52,064,072.66
Brazilian Reals (refers to "BRL")	213,819,400.00	2.1285	455,115,759.00	-	-	-
Pounds (refers to "GBP")	20,000.00	8.6713	173,425.00	-	-	-
CDF	53,542,929,929.00	0.0060	318,819,539.23	-	-	-
Other cash and bank balances:			1,550,016,029.71			1,432,317,000.00
RMB	-	-	1,550,016,029.71	-	-	1,432,317,000.00
Total			9,970,224,098.00			10,414,479,302.30
Including: Total amount deposited abroad			3,364,292,961.68			778,899,050.29

At the end of the year, the Group's other cash and bank balances above include structural bank deposit and guarantee deposit, in which the structural bank deposit is of RMB400,000,000.00 (Opening balance: RMB390,000,000.00) and the guarantee deposit of bank acceptances is of RMB450,000,000.00 (Opening balance: RMB510,342,000.00), the loan guarantee deposit is of RMB630,000,000.00 (Opening balance: RMB531,975,000.00), the special deposit for mine environmental restoration and management is of RMB20,016,029.71 (Opening balance: Nil), and the letter of credit deposit is of RMB50,000,000.00 (Opening balance: Nil).

The structural bank deposits are all within one year period and interest rate with 3.1% to 3.8%. The above-mentioned structural deposits can not be withdrawn in advance in the deposit term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

2. Financial assets at fair value through profit or loss

Unit: RMB

Item	Closing Fair Value	Opening Fair Value
Forward foreign exchange contract (note)	55,599,027.64	4,838,045.50

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

3. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	818,237,625.20	492,861,742.27
Commercial acceptances	132,624,000.00	109,218,079.80
Total	950,861,625.20	602,079,822.07

(2) At the end of the year, the notes receivable of RMB242,360,043.49 of the Company were used for loan pledge.

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

Unit: RMB

Category	Amount derecognized at the end of the year	Amount derecognized at the end of the prior year
Bank acceptance	814,706,228.07	–
Total	814,706,228.07	–

Note: Since major risks including the interest rate risks related to such bank acceptance as well as the remuneration have been substantially transferred to the bank or another party, the Group ceased to recognize discounted or endorsed bank acceptances. At the end of 2016, the group has no commercial acceptances discounted at year end which have not yet expired on the balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

4. Accounts Receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying balance		Bad debt provision		Carrying balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debts are provided for individually	522,692,748.88	34.64	33,180,005.20	6.35	693,278,126.99	88.71	18,704,815.89	2.70
Accounts receivables for which bad debt are provided based on credit risk characteristics portfolio	66,660,098.05	4.42	13,897,318.33	20.85	88,213,873.03	11.29	18,534,002.65	21.01
Accounts receivable for which the bad debt provision has been made by specific identification method	919,531,676.42	60.94	-	-	-	-	-	-
Total	1,508,884,523.35	100.00	47,077,323.53	3.12	781,492,000.02	100.00	37,238,818.54	4.77

Explanations of categories of accounts receivable:

The accounts receivable with book value more than RMB5,000,000.00 of subsidiaries of the Group situated in the PRC and Australia are recognized as receivables that are individually significant and for which bad debt provision is individually assessed; bad debt provision for the accounts receivable that are not individually significant of the subsidiaries situated in the PRC and Australia is made in accordance with the combination of credit risk characteristics and bad debt provision for accounts receivable of subsidiaries situated in Brazil and Congo (DRC) is made by specific identification method.

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

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

Unit: RMB

Accounts receivable (by company)	Closing balance			Reason for proportion
	Accounts receivable	Bad debt Reserve	Proportion (%)	
Company A	8,459,253.13	4,229,626.57	50.00	Bad debt risk
Company B	24,649,201.84	24,649,201.84	100.00	Bad debt risk
Company C	19,550,366.04	4,301,176.79	22.00	Bad debt risk
Total	52,658,821.01	33,180,005.20		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

4. Accounts Receivable (Continued)

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

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

Unit: RMB

Aging	Accounts receivable	Closing balance Bad debt reserve	Proportion (%)
Within 2 years	52,762,779.72	–	0.00
Over 2 years	13,897,318.33	13,897,318.33	100.00
Total	66,660,098.05	13,897,318.33	20.85

(2) Bad debt provision for the current period amounts to RMB12,526,089.94; and the collected or reversed bad debt reserve totals RMB2,687,584.95.

(3) There are no accounts receivable that are actually written off during the year.

(4) Top five accounts receivable balances based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total account receivable (%)	Closing balance of bad debt Reserve
Company D	Third Party	380,724,142.12	25.23	–
Company E	Third Party	132,998,000.94	8.81	–
Company F	Third Party	88,127,845.99	5.84	–
Company G	Third Party	60,710,939.42	4.02	–
Company H	Third Party	38,254,588.04	2.55	–
Total		700,815,516.51	46.45	–

(5) The prices of the main products of the Group's subsidiaries, such as Copper and Cobalt hydroxide, are tentatively determined at the time of delivery. The temporary price is usually based on the monthly average spot price of Copper and Cobalt at the London Metal Exchange, and finalized one month later after delivery. As at 31 December 2016, the fair value of embedded derivative financial instruments included in accounts receivable was RMB137,859,000 (2015: RMB35,871,000).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

5. Prepayments

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

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	294,627,676.19	99.68	224,257,788.38	98.75
1 to 2 years	388,601.18	0.13	405,793.08	0.18
2 to 3 years	122,066.94	0.04	2,355,249.09	1.04
Above 3 years	433,748.85	0.15	86,309.60	0.03
Total	295,572,093.16	100.00	227,105,140.15	100.00

(2) *Top five of prepayments balances based on debtors*

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total prepayments (%)
Company E	Third Party	170,877,342.04	57.81
Company I	Related Party	17,878,638.53	6.05
Company J	Third Party	11,075,564.44	3.75
Company K	Third Party	9,911,540.58	3.35
Company L	Third Party	9,596,553.00	3.25
Total		219,339,638.59	74.21

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

6. Other Receivables

(1) Other receivables disclosed by categories

Unit: RMB

Category	Closing balance				Opening balance			
	Carrying balance		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individual significant and for which bad debts are provided	66,390,111.39	5.67	11,778,874.54	17.74	93,135,521.60	69.24	-	-
Other receivables for which bad debt are provided based on credit risk characteristics portfolio	39,747,590.92	3.39	13,025,824.43	32.77	41,380,239.62	30.76	14,452,855.99	34.93
Other accounts receivables for which the bad debt provision has been made by specific identification method	1,065,706,314.89	90.94	-	-	-	-	-	-
Total	1,171,844,017.20	100.00	24,804,698.97	2.12	134,515,761.22	100.00	14,452,855.99	10.74

Explanations of categories of other receivables:

Other receivables with book value more than RMB5,000,000.00 of subsidiaries of the Group situated in the PRC and Australia are recognized as other receivables that are individually significant and for which bad debt provision is individually assessed; bad debt provision for other receivables that are not individually significant of the subsidiaries situated in the PRC and Australia is made in accordance with the combination of credit risk characteristics and bad debt provision for other receivables of subsidiaries situated in Brazil and Congo (DRC) is made by specific identification method.

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

Unit: RMB

Other receivables (By company)	Closing amount			
	Other receivables	Bad debt provision	Proportion (%)	Reason
Company M	23,557,749.07	11,778,874.54	50.00	Bad debt risk

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

6. Other Receivables (Continued)

(1) Other receivables disclosed by categories (Continued)

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

Unit: RMB

Aging	Other receivables	Closing balance Bad debt reserve	Proportion (%)
Within 2 years	26,721,766.49	–	–
More than 2 years	13,025,824.43	13,025,824.43	100.00
Total	39,747,590.92	13,025,824.43	

(2) Bad debt provision made in the year was RMB11,984,662.34; bad debt provision recovered or reversed in the year was RMB1,599,067.84.

(3) Bad debt provision written off by the Group in the reporting period was RMB33,751.52.

(4) Other receivables presented by nature

Unit: RMB

Nature of other receivables	Closing carrying amount	Opening carrying amount
Deductible Brazil social contribution tax (Note 1)	105,879,431.00	–
Congo (DRC) VAT refunds receivable (Note 2)	626,972,997.00	–
Compensation receivable (Note 3)	229,788,125.00	–
Acquisition consideration refunds receivable (Note 4)	71,277,675.00	–
Guarantee deposit	10,657,151.79	8,500,000.00
Refund of land-transferring fee receivable	7,000,000.00	8,000,000.00
Receivables from reduce of registered capital	–	45,000,000.00
Others	120,268,637.41	73,015,761.22
Total	1,171,844,017.20	134,515,761.22

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

6. Other Receivables (Continued)

(4) Other receivables presented by nature (Continued)

Note 1: See Note V. 17 Note 7 for details.

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

Note 3: During the acquisition of Copper and Cobalt businesses in DRC, the Company has reached an agreement with La Générale des Carrières et des Mines which is fully owned by the DRC government (refers to "Gécamines", the minority shareholders of TFM), Freeport and TFHL shareholders to specify that TFHL will provide US\$100,200,000 (equivalent to RMB695,087,400.00) to Gécamines of which, US\$33,125,000 (equivalent to RMB229,788,125.00) is borne by Freeport. Accordingly, the Group recognises other payables to Gécamines (Note V. 27) and receivables from Freeport.

Note 4: After the acquisition of the Niobium and Phosphorus businesses in Brazil, according to the purchase agreement, the amount will be refunded to the Company after settlement price adjustment of the acquisition.

(5) Top five other receivables balances based on debtors

Unit: RMB

Name of entity	Relationship with the Company	Amount	Aging	Proportion of the amount to the total other receivables (%)	Closing balance of bad debt provision
Tax refund from DRC government	Local Tax Authorities	626,972,997.00	Within 2 years	53.50	–
Freeport	Third Party	229,788,125.00	Within 2 years	19.61	–
Federal government of Brazil	Third Party	105,879,431.00	Within 2 years	9.04	–
Anglo American	Third Party	71,277,675.00	Within 2 years	6.08	–
Company M	Third Party	23,557,749.07	More than 2 years	2.01	11,778,874.54
Total		1,057,475,977.07		90.24	11,778,874.54

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

7. Inventories

(1) Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value of inventories	Book value (Note 1)	Book balance	Provision for decline in value of inventories	Book value
Current:						
Raw materials	2,261,942,051.44	3,120,429.09	2,258,821,622.35	185,310,385.88	–	185,310,385.88
Work-in-progress	1,605,270,261.31	–	1,605,270,261.31	91,358,181.15	–	91,358,181.15
Finished goods	1,220,219,883.30	1,544,301.97	1,218,675,581.33	322,851,589.28	7,016,557.83	315,835,031.45
Subtotal	5,087,432,196.05	4,664,731.06	5,082,767,464.99	599,520,156.31	7,016,557.83	592,503,598.48
Non-current:						
Raw materials (Note)	4,248,549,279.23	21,198,546.67	4,227,350,732.56	292,206,309.72	17,149,182.53	275,057,127.19
Consumptive biological assets	42,267,141.00	–	42,267,141.00	–	–	–
Subtotal	4,290,816,420.23	21,198,546.67	4,269,617,873.56	292,206,309.72	17,149,182.53	275,057,127.19
Total	9,378,248,616.28	25,863,277.73	9,352,385,338.55	891,726,466.03	24,165,740.36	867,560,725.67

Note: Including:

The sulphide ore exploited and reserved in Australian Northparkes Copper and gold business. According to the estimation of the management, it is expected that these ore material reserves will not be sold before the end of 2024, the mining period of E48 mine shaft. Therefore, the amount is presented as non-current assets. In this year, according to the net realizable value is less than the cost, total RMB2,786,382.99 inventory provision are provided by the management.

Low-grade ores were produced from Tenke Copper-Cobalt mine in Congo, ore recovery process is further demanded in the future; the management estimates that these ores will not be ready for sales within one year, so it will be presented as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

7. Inventories (Continued)

(2) Provision for decline in value of inventories

Unit: RMB

Categories of inventories	Opening book balance	Increase in the current year Provision	Decreasing in the current year Reversal	Write-off	Translation differences arising on translation of financial statements denominated in foreign currencies	Closing book balance
Raw materials	–	3,711,747.77	–	691,044.66	99,725.98	3,120,429.09
Finished goods	7,016,557.83	24,361,595.37	607,738.53	29,226,112.70	–	1,544,301.97
Subtotal	7,016,557.83	28,073,343.14	607,738.53	29,917,157.36	99,725.98	4,664,731.06
Non-current:						
Raw materials	17,149,182.53	2,786,382.99	–	–	1,262,981.15	21,198,546.67
Total	24,165,740.36	30,859,726.13	607,738.53	29,917,157.36	1,362,707.13	25,863,277.73

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

Unit: RMB

Item	Quantity	Opening balance	Increase in business combination	Increase in the year Purchase	Changes in fair value	Decrease in the year Used	Translation differences arising on translation of financial statements denominated in foreign currencies	Closing balance
Eucalyptus forest in Brazil	2,978 hectares	–	32,647,764.20	2,813,710.70	5,224,503.40	20,145.90	1,601,308.60	42,267,141.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Wealth management products of banks (Note 1)	204,522,623.32	312,160,000.00
Other wealth management products by non-banking financial institutions (Note 2)	101,480,430.14	2,491,052,876.71
Loan receivables from third party (Note 3)	190,000,000.00	100,000,000.00
Prepayment of enterprise income tax	37,903,768.00	–
Prepayment of VAT	99,657,756.82	–
Amount receivable from Société Nationale d'Electricité (Note 4)	110,215,056.00	–
Others	54,812,921.48	36,926,937.28
Total	798,592,555.76	2,940,139,813.99

Note 1: The Group purchased the bank-initiated wealth management products with principle protected and due within 1 year, the interest rate is 3.15%. On 31 December 2016, the wealth management products and its interests were all used for loan pledge.

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

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

Note 4: The amount receivable is due from Société Nationale d'Electricité (hereinafter referred to as "SNEL") which is provided by the subsidiary of the Group in DRC. According to the agreement, the amount will be settled by electricity bill when the company actually uses electricity. The current part is the portion expected to be settled in the next year. For the non-current part see Note (V). 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

9. Available-for-sale Financial Assets

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

Unit: RMB

Item	Closing balance		Book balance	Opening balance	
	Book balance	Provision for impairment		Book balance	Provision for impairment
Available-for-sale equity	3,000,602,505.46	-	2,373,165,292.11	-	2,373,165,292.11
Measured as a fair value	2,028,482,040.50	-	1,222,119,073.11	-	1,222,119,073.11
Measured as a cost	972,120,464.96	-	1,151,046,219.00	-	1,151,046,219.00
Total	3,000,602,505.46	-	2,373,165,292.11	-	2,373,165,292.11

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

Unit: RMB

Available-for-sale financial assets	Target Asset Management Plans (Note 1)	Fund shares (Note 2)	Equity shares of listed companies (Note 3)	Partnership shares (Note 4)	Total
Cost of equity instruments	1,763,468,867.81	39,874,696.35	100,000,000.00	420,000,000.00	2,323,343,564.16
Fair value	1,472,319,071.59	36,162,968.91	100,000,000.00	420,000,000.00	2,028,482,040.50
Changes of fair value included in other comprehensive income	-	(3,711,727.44)	-	-	(3,711,727.44)
Amount of provision for impairment	291,149,796.22	-	-	-	291,149,796.22

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

Note 2: Fund shares are held by the Group on a long-term basis. The Group has no control, joint control and significant impact on the relevant investment entities.

Note 3: Equity shares of listed companies is the shareholding in the publicly traded market measured subsequently at fair value by the Group.

Note 4: Partnership shares are the investments in partnerships of the Group measured subsequently at fair value by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

9. Available-for-sale Financial Assets (Continued)

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

Unit: RMB

Unit Under Investment	At the beginning of the current period	Book balance		At the end of the current period	beginning of the current period	Provision for impairment		At the end of the current period	Proportion of shareholding in the investee (%)	Cash dividends of the period
		Increase in the current period	Decrease in the current period			Increase in the current period	Decrease in the current period			
Unlisted entity A (Note 1)	400,000,000.00	-	-	400,000,000.00	-	-	-	-	5.30%	-
Unlisted entity B (Note 3)	100,000,000.00	-	100,000,000.00	-	-	-	-	-	-	-
Equity investment of partnership entity C (Note 2)	50,000,000.00	-	-	50,000,000.00	-	-	-	-	12.20%	-
Equity investment of partnership entity D (Note 3)	240,000,000.00	180,000,000.00	420,000,000.00	-	-	-	-	-	-	-
Equity investment of partnership entity E (Note 2)	-	460,204,882.00	-	460,204,882.00	-	-	-	-	N/A	-
Interests of equity investment funds (Note 3)	334,902,555.00	-	334,902,555.00	-	-	-	-	-	-	-
Equity investment of partnership entity F (Note 2)	26,138,736.00	22,700,964.00	-	48,839,700.00	-	-	-	-	25.39%	-
Unlisted company equity G (Note 1)	-	8,884,694.96	-	8,884,694.96	-	-	-	-	3.45%	-
Unlisted company equity H (Note 1)	-	4,186,260.00	-	4,186,260.00	-	-	-	-	2.21%	-
Others	4,928.00	-	-	4,928.00	-	-	-	-	-	-
Total	1,151,046,219.00	675,976,800.96	854,902,555.00	972,120,464.96	-	-	-	-	-	-

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

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

Note 3: In 2016, due to the fair value of the relevant investment can be reliably measured, it was classified into the available-for-sale financial assets measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

10. Long-term Equity Investments

Unit: RMB

Unit under investment balance	Note	Opening	Additional investment	Decreased investment	Investment income determined under equity method	Changes increase/(decrease)			Declared cash dividends Profits	Provision for impairment losses	Other	Closing balance (Note 6, 7)	Closing balance of provision for impairment
						Adjustment To other comprehensive income	Other Changes in equities						
I. Joint ventures													
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-Tech")	Note 1	101,886,824.95	531,163.62	-	(13,655,705.25)	-	-	-	-	-	-	88,762,283.32	-
Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu")	Note 2	1,081,710,710.56	-	-	(49,917,281.66)	-	-	-	-	-	-	1,031,793,428.90	-
Subtotal		1,183,597,535.51	531,163.62	-	(63,572,986.91)	-	-	-	-	-	-	1,120,555,712.22	-
II. Associates													
Luoyang Yulu Mining Co., Ltd. ("Yulu Mining")	Note 3	76,909,858.94	-	-	70,969,591.46	-	-	78,250,000.00	-	-	-	69,629,450.40	-
Caly Nanomoly Development, Inc. ("Nanomoly Development")	Note 4	-	-	-	-	-	-	-	-	-	-	-	-
Luoyang Shenyu Molybdenum Co., Ltd. ("Luoyang Shenyu")	Note 5	-	1,500,000.00	-	(185,887.81)	-	-	-	-	-	-	1,314,112.19	-
Subtotal		76,909,858.94	1,500,000.00	-	70,783,703.65	-	-	78,250,000.00	-	-	-	70,943,562.59	-
Total		1,260,507,394.45	2,031,163.62	-	7,210,716.74	-	-	78,250,000.00	-	-	-	1,191,499,274.81	-

Note 1: On 27 January 2016, the Company entered into an equity transfer agreement with another shareholder of "High-Tech", and the Company invested RMB531,163.62 to acquire a 0.25% equity in "High-Tech" held by "High-Tech". Upon completion of the equity transaction, the Company holds 50.25% equity in "High-Tech" and continues to control "High-Tech" with another shareholder.

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

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

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

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

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

Note 5: During the year, the Company entered into a collaboration agreement with a third party, and the Company invested RMB1.5 million by way of intangible assets and the counterparty invested RMB8.5 million of cash to establish Luoyang Shenyu. Meanwhile, the Company appointed a director and a supervisor to Luoyang Shenyu.

There is no significant limits exist regarding cash transfer and investment income repatriation from these associates.

The entities invested by the Group are all unlisted entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Fixed Assets

(1) Fixed assets

Unit: RMB

Item	Buildings and mining structures	Machinery equipment	Electronic equipment, fixture and furniture	Transportation device	Total
I. Total original carrying amount:					
1. Opening balance	5,193,248,459.93	2,063,617,078.09	179,115,765.25	154,936,219.18	7,590,917,522.45
2. Increase of amount in the current year	6,218,169,885.72	17,087,012,232.63	16,514,915.28	2,960,273.34	23,324,657,306.97
(1) Purchase	31,035,389.82	30,779,427.92	5,522,018.86	2,795,341.07	70,132,177.67
(2) Transferred from Construction in progress	809,733,090.50	402,326,849.07	10,992,896.42	164,932.27	1,223,217,768.26
(3) Increase in business combination	5,377,401,405.40	16,653,905,955.64	-	-	22,031,307,361.04
3. Decrease of amount in the current year	3,789,170.19	121,245,939.03	-	1,737,497.81	126,772,607.03
(1) Disposal or scrap	3,789,170.19	121,245,939.03	-	1,737,497.81	126,772,607.03
4. Adjustment to reclamation and asset abandonment costs	128,611,425.60	1,504,227.20	-	-	130,115,652.80
5. Foreign currency exchange differences	196,735,307.72	319,640,518.11	-	-	516,375,825.83
6. Closing balance	11,475,753,057.58	19,347,519,662.60	195,630,680.53	156,158,994.71	31,175,062,395.42
II. Accumulated depreciation					
1. Opening balance	1,809,394,045.75	1,024,623,119.80	126,436,176.13	132,249,381.86	3,092,702,723.54
2. Increase of amount in the current year	382,833,917.12	451,177,739.93	11,941,289.33	3,716,480.21	849,669,426.59
(1) Provision	382,833,917.12	451,177,739.93	11,941,289.33	3,716,480.21	849,669,426.59
3. Decrease of amount in the current year	1,504,486.79	104,066,717.44	-	710,478.93	106,281,683.16
(1) Disposal or scrap	1,504,486.79	104,066,717.44	-	710,478.93	106,281,683.16
4. Foreign currency exchange differences	48,936,490.64	13,168,972.48	-	-	62,105,463.12
5. Closing balance	2,239,659,966.72	1,384,903,114.77	138,377,465.46	135,255,383.14	3,898,195,930.09
III. Provision for impairment					
1. Opening balance	-	2,966,254.30	-	-	2,966,254.30
2. Increase of amount in the current year	-	1,193,936.69	-	-	1,193,936.69
(1) Provision	-	1,193,936.69	-	-	1,193,936.69
(2) Transferred from Construction in progress	-	-	-	-	-
3. Decrease of amount in the current year	-	214,988.60	-	-	214,988.60
(1) Disposal or scrap	-	214,988.60	-	-	214,988.60
4. Foreign currency exchange differences	-	-	-	-	-
5. Closing balance	-	3,945,202.39	-	-	3,945,202.39
IV. Carrying amount					
1. Closing carrying amount	9,236,093,090.86	17,958,671,345.44	57,253,215.07	20,903,611.57	27,272,921,262.94
2. Opening carrying amount	3,383,854,414.18	1,036,027,703.99	52,679,589.12	22,686,837.32	4,495,248,544.61

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

11. Fixed Assets (Continued)

(2) The temporary idle fixed assets

Unit: RMB

Item	The original carrying amount	Accumulated depreciation	Provision for impairment	Net book value
Closing balance				
– Machinery equipment	88,010,364.60	70,626,737.19	3,945,202.39	13,438,425.02

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

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

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

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

Unit: RMB

Item	Carrying amount	The reason of not completing the certificate of title
Main extraction workshop	6,365,852.18	Completion settlement not done
Dining room for employees of headquarter	6,286,800.00	Completion settlement not done
Main decomposition workshop	6,203,183.34	Completion settlement not done
Main crystallization workshop	5,398,072.97	Completion settlement not done
Quality control building	3,650,310.31	Completion settlement not done
Others	20,190,515.63	Completion settlement not done
Total	48,094,734.43	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

12. Construction In Progress

(1) *Situation of construction in progress:*

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Provision for impairment	Net carrying amount	Carrying balance	Provision for impairment	Net carrying amount
Plant Tailings dam project of No. 2 Ore	6,903,929.90	-	6,903,929.90	46,870,271.07	-	46,870,271.07
Tailings dam project of No. 3 Ore Processing	275,257.82	-	275,257.82	533,510.25	-	533,510.25
Gutterway tailing pond replacement project East Gobi, Hami, Xinjiang	14,250,735.63	-	14,250,735.63	16,991,489.35	-	16,991,489.35
Demonstration of comprehensive utilization of low-grade scheelite	-	-	-	80,007,363.95	-	80,007,363.95
Properties and renovation project in Hainan	-	-	-	103,973,561.26	-	103,973,561.26
Eolybdenum mine project in East Gobi of Hami of Xinjiang	75,033,439.43	-	75,033,439.43	73,271,530.02	-	73,271,530.02
Northparkes E48 mine northern extension project	6,715,822.15	-	6,715,822.15	2,098,483.07	-	2,098,483.07
Northparkes E26 underground mine development project	1,352,888.01	-	1,352,888.01	58,641,176.37	-	58,641,176.37
Australian Tailing Dam Storage Project	642,220.11	-	642,220.11	23,940,931.95	-	23,940,931.95
AANB tailing dam heightening project	76,295,900.80	-	76,295,900.80	-	-	-
AANB smelting process improvement	240,616,782.00	-	240,616,782.00	-	-	-
Others	273,272,060.56	-	273,272,060.56	72,351,181.13	-	72,351,181.13
Total	695,359,036.41	-	695,359,036.41	478,679,498.42	-	478,679,498.42

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

12. Construction In Progress (Continued)

(2) Changes in significant construction in progress:

Unit: RMB

Name of project	Budget amount	Opening amount	Increase arising from business combinations	Increase in the current year	Transfer to fixed assets	Transfer to intangible assets	Other decreases	Foreign currency exchange differences	Closing amount	Amount injected as a proportion of budget amount (%)	Amount of accumulated capitalized interest	Including: Amount of interest capitalization Capital for the year resources
Tailings dam project of No. 2 Ore Processing Plant	343,886,000.00	46,870,271.07	-	10,243,751.78	6,792,791.93	-	43,417,301.02	-	6,903,929.90	47	-	- Funds in hand
Tailings dam project of No. 3 Ore Processing Plant	50,000,000.00	533,510.25	-	2,315,117.12	2,573,369.55	-	-	-	275,257.82	80	-	- Funds in hand
Gutterway tailing pond replacement project	130,000,000.00	16,991,489.35	-	137,714,767.47	140,455,521.19	-	-	-	14,250,735.63	99	-	- Funds in hand
Demonstration of comprehensive utilization of low-grade scheelite	200,000,000.00	80,007,363.95	-	90,261,969.87	148,122,931.00	22,146,402.82	-	-	-	100	-	- Funds in hand
Properties and renovation project in Hainan	106,000,000.00	103,973,561.26	-	1,538,245.32	105,511,806.58	-	-	-	-	100	-	- Funds in hand
Eolybdenum mine project in East Gobi of Hami of Xinjiang	2,849,000,000.00	73,271,530.02	-	2,299,909.41	-	-	538,000.00	-	75,033,439.43	3	-	- Funds in hand
Northparkes E48 mine northern extension project	181,685,935.81	2,098,483.07	-	4,360,045.99	-	-	-	257,293.09	6,715,822.15	93	-	- Funds in hand
Northparkes E26 underground mine development project	157,796,717.19	58,641,176.37	-	67,516,065.25	126,891,184.73	-	-	2,086,831.12	1,352,888.01	81	-	- Funds in hand
Australian Tailing Dam Storage Project	145,039,402.36	23,940,931.95	-	38,154,619.04	62,514,941.87	-	-	1,061,610.99	642,220.11	99	-	- Funds in hand
AANB tailing dam heightening project	100,780,736.00	-	36,751,940.08	36,899,230.44	-	-	-	2,644,730.28	76,295,900.80	36	-	- Funds in hand
AANB smelting process improvement	249,759,748.00	-	220,220,488.40	11,469,732.40	-	-	-	8,926,561.20	240,616,782.00	100	-	- Funds in hand
Others	N/A	72,351,181.13	670,762,834.32	185,407,423.99	630,355,221.41	2,310,063.20	18,795,711.26	(3,788,383.01)	273,272,060.56	N/A	-	- Funds in hand
Total		478,679,498.42	927,735,262.80	588,180,878.08	1,223,217,768.26	24,456,466.02	62,751,012.28	11,188,643.67	695,359,036.41		-	-

No impairment losses have been provided for construction in progress as at 31 December 2016 as there is no indication that construction in progress may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

13. Intangible Assets

Details of intangible assets

Unit: RMB

Item	Land use rights	Mining rights	Others	Total
I. Total original carrying amount:				
1. Opening balance	443,601,205.53	4,028,643,793.87	24,034,294.16	4,496,279,293.56
2. Increase of amount for the current year	82,282,902.31	20,391,202,353.13	17,508,736.00	20,490,993,991.44
(1) Purchase	60,136,499.49	71,350,062.50	–	131,486,561.99
(2) Transfer from construction in progress	22,146,402.82	–	2,310,063.20	24,456,466.02
(3) Increase in business combination	–	20,319,852,290.63	15,198,672.80	20,335,050,963.43
3. Decrease of amount for the current year	4,310,600.00	–	–	4,310,600.00
Disposal	4,310,600.00	–	–	4,310,600.00
4. Foreign currency exchange differences	–	518,047,355.56	1,046,652.05	519,094,007.61
5. Closing balance	521,573,507.84	24,937,893,502.56	42,589,682.21	25,502,056,692.61
II. Accumulated depreciation				
1. Opening balance	76,464,233.07	575,305,026.51	8,483,038.45	660,252,298.03
2. Increase of amount for the current year	9,738,160.69	296,798,694.41	3,905,970.56	310,442,825.66
(1) Provision	9,738,160.69	296,798,694.41	3,905,970.56	310,442,825.66
3. Decrease of amount for the current year	1,057,675.60	–	–	1,057,675.60
(1) Disposal or scrap	1,057,675.60	–	–	1,057,675.60
4. Foreign currency exchange differences	–	30,870,384.82	234,875.23	31,105,260.05
5. Closing balance	85,144,718.16	902,974,105.74	12,623,884.24	1,000,742,708.14
III. Provision for impairment				
1. Opening balance	–	–	–	–
2. Increase of amount for the current year	–	–	–	–
3. Decrease of amount for the current year	–	–	–	–
4. Foreign currency exchange differences	–	–	–	–
5. Closing balance	–	–	–	–
IV. Carrying amount				
1. Closing carrying amount	436,428,789.68	24,034,919,396.82	29,965,797.97	24,501,313,984.47
2. Opening carrying amount	367,136,972.46	3,453,338,767.36	15,551,255.71	3,836,026,995.53

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

14. Goodwill

(1) Original carrying amount of goodwill

Investee	Opening balance	Increase in the year	Translation differences arising on translation of financial statements denominated in foreign currencies	Closing balance
Brazil Phosphorus Business (Note)	–	1,073,149,171.20	41,654,476.80	1,114,803,648.00

Note: The increase for current year represents the balance that the Group's consideration paid for Phosphate business in Brazil exceeding the fair value proportion of identifiable net assets in respect of business combination not involving enterprises under common control (see Note VI. 1 for details).

(2) Provision for impairment losses of goodwill

Allocation of goodwill to cash generating unit

The Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill has been allocated to cash-generating units. The carrying amount of goodwill as at 31 December 2016 is allocated to the asset groups and related provision for impairment as follows:

Unit: RMB

	Cost	Provision for impairment	31 December 2016
Cash-generating unit – Brazil			
Phosphorus business	1,114,803,648.00	–	1,114,803,648.00

The recoverable amount of the cash-generating unit of Brazil Phosphate business of is determined according to the present value of the expected future cash flows. Future cash flows are determined based on the financial budget of the next five years approved by the management and based on the production life of available reserves and future mining plans, and discount rate of 13.5% is used. The inflation rate used to infer the cash flow from the asset group after 5 years is 3%. According to the characteristics of upstream mineral prices and costs, its impact by inflation is small, and the management believes that the forecast method is reasonable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

14. Goodwill (Continued)

(2) Provision for impairment losses of goodwill (Continued)

The key assumptions for calculating the present value of future cash flows for the above asset group as at 31 December 2016 are as follows:

Key assumptions	Consideration of the management
Budget gross margin	On the basis of realizing the average gross margin in the year before the budget year, appropriately modify the average gross margin according to the changes in the expected efficiency and the fluctuation of metal market price.
Discount rate	The discount rate used is the pre-tax discount rate that reflects the specific risk of related the cash-generating unit.
Inflation of raw material price	Consider the expected price index for the operating environment in the budget year.

The data of key assumptions of the sales price, discount rate, raw material price inflation used in the above asset group are consistent with the external information.

15. Long-term Deferred Expenses

Unit: RMB

Item	Opening balance	Addition for the current year	Amortization amount for the current year	Closing balance
Relocation compensation (Note 1) Geological Museum project	62,668,409.34	–	6,364,909.29	56,303,500.05
(Note 2)	28,200,000.00	–	600,000.00	27,600,000.00
Others	33,606,246.66	2,933,363.25	5,195,735.35	31,343,874.56
Total	124,474,656.00	2,933,363.25	12,160,644.64	115,247,374.61

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

16. Deferred Tax Assets/Deferred Tax Liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	428,839,167.49	127,392,908.14	61,135,623.96	12,660,986.25
Deductible losses (Note 1)	671,577,371.39	174,116,831.85	603,165,021.27	142,791,952.96
Differences in inventory costs	177,263,473.33	53,179,042.00	–	–
Unrealized gross profit	148,767,658.29	40,190,534.84	167,220,286.93	41,805,071.73
Deferred income of government grant	87,628,025.61	20,032,325.76	60,950,075.29	12,932,805.29
Gains and losses from changes in fair value	–	–	9,370,559.03	1,405,583.85
Accrued expenses	2,383,827,476.96	685,828,571.73	888,207,736.73	242,595,519.32
Exchange rate effect of non-monetary items (Note 2)	834,357,876.47	283,681,678.00	–	–
Losses on disposal of fixed assets without filling	23,403,398.76	3,510,509.81	23,403,398.76	3,510,509.81
Others	20,853,516.83	6,213,525.89	–	–
Total	4,776,517,965.13	1,394,145,928.02	1,813,452,701.97	457,702,429.21

Note 1: The actual amount of deductible losses that the Group may eventually be deducted from the income tax in 2016 should be subject to final clearance of the local taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

16. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

(2) Deferred tax liabilities that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Accrued interest income	432,950,183.14	65,251,694.14	298,438,360.40	44,765,754.06
Exchange rate effect of non-monetary items (note 2)	752,440,067.65	255,829,623.00	–	–
Differences in depreciation of fixed assets	12,504,094,841.96	3,768,455,880.00	–	–
Profit or loss arising from changes in fair value	51,821,233.59	11,572,212.69	–	–
Adjustment to the fair value of assets in business combination not involving enterprises under common control	22,920,239,940.50	6,876,071,982.15	–	–
Others	132,504,861.17	39,970,994.00	–	–
Total	36,794,051,128.01	11,017,152,385.98	298,438,360.40	44,765,754.06

Note 2: The functional currency of AANB is USD, and AANB uses BRL for tax declaration and settlement for operating activities in Brazil. As the historical exchange rate is used for recognition and subsequent measurement of non-monetary items of inventories and fixed assets, which results in timing difference between the tax base and carrying amount of non-monetary items, the Company accordingly recognizes the timing difference as a deferred income tax asset/liability.

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

Unit: RMB

Item	Closing set-off amount of deferred tax assets and deferred tax liabilities	Closing balance of deferred tax assets and deferred tax liabilities after offset	Opening balance of deferred tax assets and deferred tax liabilities after offset	Opening balance of deferred tax assets and deferred tax liabilities after offset
Deferred tax assets	962,024,479.78	432,121,448.24	44,765,754.06	412,936,675.15
Deferred tax liabilities	962,024,479.78	10,055,127,906.20	44,765,754.06	–

The movement of deferred income tax assets of the year increased RMB28,520,563.76 due to the increase in the translation of financial statements denominated in foreign currencies, and increased RMB115,386,143.63 by transferring from the business combination not involving enterprises under common control. The movement of deferred income tax liabilities of the year increased RMB171,526,651.64 due to the increase in the translation of financial statements denominated in foreign currencies, and increased RMB10,017,284,943.90 by transferring from the business combination not involving enterprises under common control.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

16. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

(4) Details of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	68,178,683.63	27,177,547.99
Deductible temporary difference	717,843.48	963,013.08
Subtotal	68,896,527.11	28,140,561.07

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

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

Unit: RMB

Year	Closing balance	Opening balance
2017	4,245,802.40	4,245,802.40
2018	4,981,346.82	4,981,346.82
2019	7,193,683.64	7,193,683.64
2020	10,113,506.60	10,756,715.13
2021	41,644,344.17	–
Subtotal	68,178,683.63	27,177,547.99

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

17. Other Non-current Assets

Unit: RMB

Item	Closing balance	Opening balance
Time deposit more than 1 year and interest receivable (Note 1)	1,418,649,288.83	1,282,384,582.09
Amount due from SNEL (Note 2)	1,224,352,752.00	–
Wealth management product more than 1 year (Note 3)	800,000,000.00	200,000,000.00
Prepayments for income tax (Note 4)	379,072,365.00	–
Structural deposit more than 1 year (Note 5)	300,000,000.00	300,000,000.00
Amount due from TFM minority shareholders (Note 6)	290,299,576.00	–
Brazil deductible social contribution tax (Note 7)	106,184,659.00	–
Prepayments for water charges (Note 8)	63,000,000.00	63,000,000.00
Prepayments for farmland occupation tax (Note 9)	25,959,022.32	25,959,022.32
Prepayments for land (Note 10)	8,659,900.00	8,659,900.00
Land acquisition compensation due from government (Note 11)	143,595,900.00	–
Compensatory assets (Note 12)	196,937,267.80	–
Borrowings of Bohai Harvest (Note 13)	697,717,800.00	–
Litigation guarantee (Note 14)	75,439,875.00	–
Others	20,527,557.19	12,669,168.50
Total	5,750,395,963.14	1,892,672,672.91

Note 1: This amount included principal of RMB1,097,962,500.00 (the end of last year: RMB1,097,962,500.00) and the interest of RMB320,686,788.83 (the end of last year: RMB184,422,082.09), among which, the principal of 5-year time deposit of RMB797,962,500.00 was pledged to long-term borrowings of USD139,500,000.00 (equivalent to RMB967,711,500.00) of CMOG Mining Pty Limited and the principal of RMB300,000,000.00 was the Company's general deposit account.

Note 2: TFHL's loan due from SNEL. The applicable interest rate for the loan is determined by 1-year Libor interest rate plus 3%, which will be settled by electricity charges payable in the future.

Note 3: Wealth management product plan purchased by the Group from financial institutions in China which will be matured in 2018, with principle-protected and the interest rate is from 5.24% to 6.41%. The management of the Group considers that the difference between the Group's interest in the wealth management product plan and the carrying amount of its risk exposure is not significant.

Note 4: Prepayments for enterprise income tax paid by TFM, and the Company expects that the relevant tax cannot be deducted within one year.

Note 5: Structural deposit of the Group deposited in the prior year with a term of three years, which will be matured in April 2018. The deposit cannot be withdrawn in advance.

Note 6: Loan to TFM minority shareholders Gécamines. As at 31 December 2016, the principal amount due from TFM is USD30,000,000.00 (equivalent to RMB208,110,000.00), the interest receivable is USD11,848,000.00 (equivalent to RMB82,189,576.00), and the applicable interest rate for the loan is determined according to the 1-year Libor interest rate plus 6%; it will be deducted from the dividends to Gécamines in the future.

Note 7: Brazil social contribution tax applicable to AANB and AAFB, of which the tax base is the balance of income from the sales of goods and rendering of services in Brazil after deducting deductible cost. As it is not required to pay the social contribution tax and goods circulation tax for export goods, tax payment remains undeducted at the end of the year. The social contribution tax is levied by the Brazil's federal government, so the tax credit can be used to deduct the enterprise income tax levied by the federal government without expiry date. The portion of deductible balance within one year is accounted for as other receivables by the Group. See Note (V). 6 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

17. Other Non-current Assets (Continued)

Note 8: Prepayments for water charges of Xinjiang Luomu Mining Co., Ltd (Xinjiang Luomu).

Note 9: The land occupation tax related to the land to be used in the future of the tailings owned by the mine.

Note 10: The Group paid the land compensation and transfer payments in advance, and shall continue to handle the land transfer procedures after the relevant subsidiaries have resumed their production.

Note 11: AAFB holds the amount receivables from the state government of San Paulo, Brazil. Due to the local government suspended the payment of the remaining funds. Related issues are currently in the litigation stage, the management of the Group, based on the information and opinion of external lawyers, believes that the relevant funds can be recovered.

Note 12: Based on the agreement between the Group and Anglo American in the course of the acquisition of the Brazilian Niobium Phosphorus business, if AANB and AAFB have incurred cash outflows in the course of the business due to tax-related contingencies, compensation will be provided by Anglo American. The Group recognized a liability for the AANB and AAFB related contingencies at fair value (Note (V). 32), accordingly recognizes the right of relevant tax related compensation as an non-current assets.

Note 13: The Group provided USD100 million loan to BHR Newwood Investment Management Limited ("BHR") for a bank guarantee provided to BHR for the acquisition of indirect 24% interest of the TFM. The loan is interest free.

Note 14: AANB and AAFB have some disputes and litigation arising from some of the tax, labor and civil related legal proceedings in the course of business. Some of these proceedings require the submission of litigation collateral at the request of the court. The deposit is restricted for use and the interest is calculated at the Brazilian benchmark interest rate during this period. After the end of the litigation, according to the results, the company can call back the deposit or settle the litigation by the deposit.

18. Short-term Borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings (Note)	806,773,100.00	–
Credit loan	3,565,660,377.73	2,906,199,075.88
Total	4,372,433,477.73	2,906,199,075.88

Note: Short-term borrowings obtained through pledge of fixed deposits, structural deposits and bank wealth management products; please refer to Note (V). 1 and Note (V). 8 for details.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

19. Financial Liabilities at Fair Value through Profit or Loss

Unit: RMB

Item	Closing fair value	Opening fair value
1. Forward Foreign Exchange Contract (Note 1)	23,772,676.40	24,143,104.53
2. Forward Commodity contract and Gold lease liabilities measured at fair value (Note 2)	2,752,065,250.00	1,481,767,400.00
3. Contingent consideration from the acquisition of Copper-Cobalt business in Congo (DRC) (Note 3)	45,603,838.00	–
Total	2,821,441,764.40	1,505,910,504.53

Note1: Gains or losses arising from the changes in the fair value of the Forward Foreign Exchange Contracts that are not designated as hedging instrument are recognised in profit or loss immediately.

Note2: The Group entered into a gold commodity lease agreement with the bank for financing purpose. According to agreement, the Group leased gold from the bank, which was permitted to be sold to third parties during the lease period, and the Group was obliged to return gold with same quality and weight to the bank when the lease expired. Meanwhile, the Group manages the risk of returning the gold at same quality and weight by using gold forward contracts to monitor the risk of fluctuations in the fair value of the financial liabilities arising from fluctuation of market price of gold. The Group designated the obligation of gold returning and the related gold forward contract together as financial liabilities which is measured at fair value and recognized the changes in fair value in profit or loss of current period.

Note 3: The contingent consideration is related to the Group's acquisition of the Copper-Cobalt business in Congo (DRC), which is measured at fair value at the end of the period. See Note (VI). 1 (1) for details.

20. Notes Payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	660,000,000.00	782,730,000.00
Total	660,000,000.00	782,730,000.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

21. Accounts Payable

(1) *Accounts payable*

Unit: RMB

Category	Closing balance	Opening balance
Payables for purchase of goods	638,177,650.37	237,376,385.26
Others	103,330,622.93	–
Total	741,508,273.30	237,376,385.26

(2) *Aging analysis on accounts payable is set out as follows:*

Unit: RMB

Category	Closing balance	Opening balance
Within 1 year	727,540,195.38	221,239,361.12
1 to 2 years	4,172,608.83	10,842,533.11
Over 2 years	9,795,469.09	5,294,491.03
Total	741,508,273.30	237,376,385.26

22. Receipts in Advance

(1) *Details of receipts in advance are as follows*

Unit: RMB

Category	Closing balance	Opening balance
Sales of goods	51,867,495.95	37,781,869.32
Total	51,867,495.95	37,781,869.32

(2) *There is no material receipts in advance of which the aging is more than one year.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

23. Employee Benefits Payable

(1) Details of employee benefits payable are as follows

Unit: RMB

Item	Opening balance	Increase in the current year	Increase in business combination	Decrease in the current year	Foreign currency exchange differences	Closing
1. Short-term compensation	84,473,338.98	775,506,210.47	226,416,840.80	807,877,516.60	4,504,307.61	283,023,181.26
2. Retirement benefits-defined contribution plans	46,003.55	126,168,170.44	10,203,678.40	98,841,373.34	1,493,056.00	39,069,535.05
3. Others (Note)	29,001,568.04	17,243,490.67	-	15,153,198.15	1,637,575.97	32,729,436.53
Total	113,520,910.57	918,917,871.58	236,620,519.20	921,872,088.09	7,634,939.58	354,822,152.84

Note: It represents the liabilities related to annual leave and long service leave which are provided by Group's subsidiary in Australia to its employees and expected to be paid within 12 months.

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

Unit: RMB

Item	Opening balance	Increase in the current year	Increase in business combination	Decrease in the current year	Foreign currency exchange differences	Closing
I. Wages or salaries, bonuses, allowances and subsidies	73,140,642.06	689,834,130.62	226,416,840.80	721,878,387.83	4,504,307.61	272,017,533.26
II. Staff welfare	332,941.85	30,241,827.75	-	30,284,458.75	-	290,310.85
III. Social security contributions	69,938.67	21,956,462.75	-	21,966,427.80	-	59,973.62
Including: Medical insurance	40,511.76	17,615,264.32	-	17,621,519.39	-	34,256.69
Maternity insurance	1,784.45	1,174,756.04	-	1,173,933.51	-	2,606.98
Work injury insurance	27,642.46	3,166,442.39	-	3,170,974.90	-	23,109.95
IV. Housing funds	3,064.33	26,897,694.86	-	26,891,070.36	-	9,688.83
V. Termination benefits	-	-	-	-	-	-
VI. Labour union and staff education fund	10,926,752.07	6,576,094.49	-	6,857,171.86	-	10,645,674.70
Total	84,473,338.98	775,506,210.47	226,416,840.80	807,877,516.60	4,504,307.61	283,023,181.26

All the employee compensation payables are not overdue and not related to non-cash benefits, which will be expected to paid out in 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

23. Employee Benefits Payable (Continued)

(3) Retirement benefits – defined contribution plans

Unit: RMB

Item	Opening balance	Increase in the current year	Increase in business combination	Decrease in the current year	Foreign currency exchange differences	Closing
1. Basis pension insurance	35,690.10	123,438,865.07	10,203,678.40	96,108,633.89	1,493,056.00	39,062,655.68
2. Unemployment insurance	10,313.45	2,729,305.37	–	2,732,739.45	–	6,879.37
Total	46,003.55	126,168,170.44	10,203,678.40	98,841,373.34	1,493,056.00	39,069,535.05

According to the pension and unemployment insurance plan set up by the government institutions or assigned with financial institutions, the Group monthly pays to the plan for the staff of according to the employee basic salary or a certain proportion of local minimum salary. Apart from the above monthly payment, the Group bears no longer further payment obligation. Corresponding expenses are recorded in the profits and losses of current period or the cost of the related assets.

The Group shall pay RMB123,438,865.07 and RMB2,729,305.37 (2015: RMB66,891,139.61 and RMB4,574,322.91) respectively to the pension insurance and unemployment insurance schemes in the year. As at 31 December 2016, there were RMB39,062,655.68 and RMB6,879.37 (31 December 2015: RMB35,690.10 and RMB10,313.45) of pension insurance and unemployment insurance outstanding but not paid. The related amounts have been paid subsequent to the reporting period ends.

24. Taxes Payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax of PRC	(57,579,903.16)	(87,219,835.85)
Enterprise income tax of Australia	5,888,644.75	22,831,484.42
Enterprise income tax of Brazil	23,171,515.42	–
Urban maintenance and construction tax	(2,490,186.83)	1,082,392.82
Value added tax	2,543,689.88	(79,806,455.82)
Resource tax	24,747,749.21	10,878,529.51
Price adjustment fund	9,725.08	169,725.08
Education surtax	(2,242,920.47)	1,276,847.89
Individual income tax	53,667,489.34	1,188,811.87
Others	10,145,439.07	5,986,089.73
Total	57,861,242.29	(123,612,410.35)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

25. Interests Payable

Unit: RMB

Item	Closing balance	Opening balance
Interests on medium-term notes with periodic payments of interest and return of principal at maturity (Note)	107,006,027.41	40,873,424.67
Interests on bank borrowings	76,678,221.74	13,069,431.28
Total	183,684,249.15	53,942,855.95

Note: Details refer to Note (V).31.

26. Dividends Payable

Unit: RMB

Name of entity	Closing balance	Opening balance
Luanchuan Taifeng Industry and Trading Co., Ltd. (Note)	6,623,109.24	6,623,109.24
Luanchuan Hongji Mining Co., Ltd. (Note)	15,943,017.89	15,943,017.89
Luanchuan Chengzhi Mining Co., Ltd. (Note)	5,319,669.54	5,319,669.54
Total	27,885,796.67	27,885,796.67

Note: Minority shareholders of subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

27. Other Payables

(1) Other payables shall be listed based on nature

Unit: RMB

Item	Closing balance	Opening balance
Government compensation (Note 1)	695,087,400.00	–
Project and equipment funds	192,190,462.62	91,788,820.12
Loyalty due to Gécamines (Note 2)	122,288,933.50	–
Service and transportation expenses	85,366,685.46	–
Electricity charge compensation due to SNEL (Note 3)	69,370,000.00	–
Production progress payment due to Gécamines (Note 4)	34,685,000.00	–
Deposits and advances	31,734,226.04	–
Service fees payable	28,062,001.22	–
Resource expenses payable	27,796,559.00	–
Land compensation	17,069,841.57	–
Resource tax	11,724,935.78	–
Others	101,399,769.93	116,615,445.72
Total	1,416,775,815.12	208,404,265.84

Note 1: See Note (V). 6 for details.

Note 2: Gécamines charges a monthly payment from TFM as loyalty fee for providing technical support and management consultant services. According to the mining rights agreement between TFM and the government of Congo (DRC), loyalty shall be calculated and paid at 2% of the adjusted sales income for the Group's business in Congo (DRC).

Note 3: TFM and SNEL had a dispute on the future fee of electricity, the management of TFM accrued the compensation based on the best estimation of the possible cash flow out in the future.

Note 4: According to the Mining Agreement entered into with Gécamines, Gécamines will charge TFM production progress fee. As at 31 December 2016, there are USD15,000,000 to be paid, of which USD10,000,000 million was recorded in other non-current liabilities, see note (V). 33.

(2) Other significant payables aging more than one year

Unit: RMB

Item	Closing balance	Reason for amount outstanding or deferred forward
Individual N	10,175,210.53	Current accounts outstanding
Total	10,175,210.53	

(3) Details of other payables due from related parties refer to Note (X). 6.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

28. Non-current Liabilities due within One Year

Unit: RMB

Item	Closing balance	Opening balance
Payables for exploration right in Hami, Xinjiang (Note 1)	10,000,000.00	22,924,085.68
Deferred income released within one year (Note (V). 33)	7,417,281.25	4,451,018.58
Long-term borrowings due within one year (Note (V). 30)	567,080,088.80	2,467,524,610.28
Bonds payable due within one year (Note (V). 31)	2,000,000,000.00	–
Total	2,584,497,370.05	2,494,899,714.54

Note 1: Pursuant to the Transfer Agreement, Xinjiang Luomu, a non-wholly owned subsidiary of the Company agreed to acquire mining exploration rights of the Molybdenum ore in East Gobi, Hami, Xinjiang (License number: T65120080602009571) from Henan Provincial Bureau of Exploration and Development of Geology and Mineral Resource, the consideration of the mining right is RMB1.036 billion, of which RMB0.39 billion was set off against the considerations as the additional capital contributions from the minority shareholder. As of 31 December 2016, Xinjiang Luomu had paid RMB0.636 billion. The remaining balance is expected to be paid off within one year.

29. Other Current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Acquisition transaction cost (Note)	114,893,082.82	–
Accrued expenses	94,004,105.64	23,896,357.63
Payables for super short-term financing bonds	2,500,000,000.00	500,000,000.00
Total	2,708,897,188.46	523,896,357.63

Note: The acquisition transaction cost is professional fees incurred in transactions during the acquisition of the Brazil Niobium-Phosphorus business and the Congo (DRC) Copper-Cobalt business in 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

29. Other Current Liabilities (Continued)

Increase or decrease of short bonds payable:

Unit: RMB

Name	Par value	Issue date	Maturity	Issue amount	Opening	Issued in this Period	Accrued interest for the year	Interests paid during the year	Closing interest payable	Amortization of Premium and Discount	Payment in this Period	Opening balance
15 Luoyang Molybdenum CP001 (Note 1)	500,000,000.00	21 October 2015	1 year	500,000,000.00	500,000,000.00	-	13,894,649.67	17,202,868.85	-	-	500,000,000.00	-
16 Luanchuan Molybdenum CP001 (Note 2)	500,000,000.00	26 February 2016	1 year	500,000,000.00	-	500,000,000.00	13,373,424.68	-	13,373,424.68	-	-	500,000,000.00
16 Luanchuan Molybdenum SCP001 (Note 3)	1,000,000,000.00	19 October 2016	270 days	1,000,000,000.00	-	1,000,000,000.00	6,000,000.00	-	6,000,000.00	-	-	1,000,000,000.00
16 Luanchuan Molybdenum SCP002 (Note 4)	1,000,000,000.00	1 November 2016	270 days	1,000,000,000.00	-	1,000,000,000.00	5,358,904.11	-	5,358,904.11	-	-	1,000,000,000.00
Total	3,000,000,000.00			3,000,000,000.00	500,000,000.00	2,500,000,000.00	38,626,978.46	17,202,868.85	24,732,328.79	-	500,000,000.00	2,500,000,000.00

Note 1: On 21 October 2015, the Company issued the first tranche of short-term financing bonds for the year 2015 with a total par value of RMB500 million and an issuing rate of 3.45%.

Note 2: On 26 February 2016, the Company issued the first tranche of short-term financing bonds for the year 2016 with a total par value of RMB500 million and an issuing rate of 3.18%.

Note 3: On 19 October 2016, the Company issued the first tranche of super-short-term financing bonds for the year 2016 with a total par value of RMB1 billion and an issuing rate of 3.00%.

Note 4: On 1 November 2016, the Company issued the second tranche of super-short-term financing bonds for the year 2016 with a total par value of RMB1 billion and an issuing rate of 3.26%.

30. Long-term Borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings (Note)	17,972,067,402.29	3,113,637,810.28
Unsecured and non-guaranteed loans	5,971,892,626.00	1,295,473,200.00
Less: Long-term borrowings due within one year (Note (V). 28)	567,080,088.80	2,467,524,610.28
Total	23,376,879,939.49	1,941,586,400.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

30. Long-term Borrowings (Continued)

(1) Categories of long-term borrowings (Continued)

Note: Borrowings obtained by the Group are through pledge of fixed deposits and equity of subsidiaries, including:

In September 2016, CMOC LUXEMBOURG S.À.R.L (hereinafter referred to as "CMOC LUXEMBOURG") and CMOC BRASIL SERVICOS ADMINISTRATIVOS E PARTICIPACOES LTDA (hereinafter referred to as "CMOC BRASIL"), the subsidiaries of the Group, obtained a total of USD900 million (equivalent RMB6.2 billion) acquisition syndicated loan for the payment of the consideration of acquisition of the Brazil Niobium-Phosphorus business, which will be repaid by the agreed installments during the period from 14 September 2018 to 14 September 2023, with interest rates range from 3-month USD Libor+1.8% to 3-month USD Libor+2.75%; the Group pledged the 100% equity interest in CMOC LUXEMBOURG to the Bank of China Luxembourg branch and provide a joint guarantee. According to the agreement between the Group and the banks of syndicate loans, the Group should fulfill a series of requirements of financial indicators, if breach these covenants, the loans will be required to repay immediately.

In November 2016, CMOC DRC LIMITED (hereinafter referred to as "CMOC DRC"), a subsidiary of the Group, obtained a total of US \$1.59 billion (equivalent to RMB11 billion) acquisitions syndicated loan for the payment of the consideration of acquisition of the Congo Copper-Cobalt business, which will be repaid by the agreed installments during the period from 15 March 2018 to 15 November 2023, with interest rates range from 3-month USD libor + 1.7% to 3-month USD libor + 2.2%; the Group pledged the 100% equity interest in CMOC DRC to the bank and provide a joint guarantee. According to the agreement between the Group and the banks of syndicate loans, the Group should fulfill a series of requirements of financial indicators, if breach these covenants, the loans will be required to repay immediately.

(2) Analysis of long-term borrowings due over one year:

Unit: RMB

Expiration date	Closing balance	Opening balance
1 to 2 years	3,989,536,037.20	311,692,800.00
2 to 5 years	19,026,240,853.05	1,629,893,600.00
More than 5 years	361,103,049.24	–
Total	23,376,879,939.49	1,941,586,400.00

As at 31 December 2016, the annual interest rate for the above loans was 0.9% to 4.5125% (31 December 2015: 1.57% to 3.06%).

As at 31 December 2016, there is no outstanding long-term borrowing of the Group in due but not paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

31. Bonds Payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium-term note	2,000,000,000.00	2,000,000,000.00
Total	2,000,000,000.00	2,000,000,000.00

(2) Changes in bonds payable

Unit: RMB

Name	Par value Issue date	Issue date	Maturity	Issue amount	Opening	Issued amount for the year	Interest Based on par Valu	Interests paid interest during the year	Closing payable	Amortization of Premium and for Discount	Exercise of Convertibility the Period	Payment In the period	Closing balance
12 CMOG MTN1 (Note 1)	2,000,000,000.00	2 August 2012	5 years	2,000,000,000.00	2,000,000,000.00	-	98,800,000.00	98,529,315.09	40,873,424.67	-	-	2,000,000,000.00	-
16 Luanchuan Molybdenum MTN001 (Note 2)	2,000,000,000.00	17 March 2016	5 years	2,000,000,000.00	-	2,000,000,000.00	66,132,602.74	-	66,132,602.74	-	-	-	2,000,000,000.00
Total	4,000,000,000.00			4,000,000,000.00	2,000,000,000.00	2,000,000,000.00	164,932,602.74	98,529,315.09	107,006,027.41	-	-	2,000,000,000.00	2,000,000,000.00

Note 1: On 2 August 2012, the Company issued medium-term notes with a par value of RMB2 billion (refers to 12 CMOG MTN1) and the relevant bonds is permitted to trade and circulate on the National Inter-bank Bond Market. The proceeds from the issuance of the medium-term financing notes were used to supply the Company and its subsidiaries' working capital and repayment of bank borrowings. The annual interest rate of the medium-term notes is a fixed rate of 4.94% with a term of 5 years. The interest is paid once each year. Please refer to Note (V), 25 for Interests payable.

Note 2: The Company issued medium-term notes with a total par value of RMB2 billion (refers to: 16 Luanchuan Molybdenum MTN001) on March 17, 2016; and the relevant bonds is permitted to trade and circulate on the National Inter-bank Bond Market. The proceeds from the issue of the medium-term financing bonds were used to supply the Company and its subsidiaries' working capital and repayment of bank borrowings. The annual interest rate of the medium-term notes is a fixed rate of 4.22% with a term of 5 years and the interest is paid once a year in the duration. See Note (V), 25 for the details of interest payable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

32. Provision

Unit: RMB

Item	Closing balance	Opening balance
Rehabilitation and asset abandonment cost (Note 1)	948,036,274.99	290,908,169.51
Lawsuit (Note 2)	809,757,397.40	–
Total	1,757,793,672.39	290,908,169.51

Note 1: The Group has the obligation of rehabilitation, environmental restoration and dismantling of related assets due to the environmental impact caused by mineral production and development activities. The management's best estimate of future economic benefits outflow generated from the above obligations is recognized as provision upon discounting. The above estimate is determined based on the industry practices and the current local laws and regulations, and significant changes in related laws and regulations may have a significant impact on the Group's estimate.

Note 2: The Group's Niobium-Phosphorus business in Brazil is facing with a series of local litigations and disputes related to tax matters, labors and other civil cases. When the relevant litigations are likely to lose and result in economic benefits outflow, the management of the Group estimate the amount of potential economic benefits outflow and make corresponding provisions.

33. Other Non-current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deferred income of land grant fee refund (Note 1)	15,744,753.50	16,130,339.30
Deferred income of research and development expenses subsidy (Note 2)	3,000,000.00	3,000,000.00
Deferred income of demonstration base project subsidy (Note 2)	68,883,272.11	41,819,735.99
Long-term Service Leave (Note 3)	43,278,727.15	5,664,862.62
Payable a third party and related deferred income (Note 4)	369,588,638.84	–
Service fees payable to a third party (Note 5)	60,630,814.29	–
Production Progress Fee payable to Gécamines (Note 6)	69,370,000.00	–
Others	15,356,362.41	243,599.20
Total	645,852,568.30	66,858,537.11
Including: Deferred income within 1 year (Note (V). 28)	7,417,281.25	4,451,018.58
Total of non-current liabilities	638,435,287.05	62,407,518.53

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

33. Other Non-current Liabilities (Continued)

Note 1: It is the land grant fee refund received by the Group, which is included in deferred income and amortised on straight-line over the period of the land use rights.

Note 2: It is the special funds for major science and technology of Henan Province, the special funds for mineral resources conservation and comprehensive utilization, the subsidies for central mineral resources comprehensive utilization demonstration base received by the Group. These subsidies are planned for key technology research in floating and deep processing of Molybdenum-Tungsten ore, which will be recognized in the deferred income, and recognized as the current non-operating income when the relevant technology research costs are incurred in the future.

Note 3: It is related liabilities accrued for the annual leave and long-term service leave for employees of overseas companies of the Group. The portion expected to be paid within 12 months is recognized in Employee benefits payable.

Note 4: the loan is from a third party with a term of ten years and an annual interest rate of 0.4%. The amount of imputed interest discounts is recognized as deferred income.

Note 5: TFM is required to pay long-term salary for employees to a third-party service agency named Mining Overseas Service Company ("MOSCO"). MOSCO is a wholly-owned subsidiary of Freeport, which provides TFM with agency services for the salaries and expenses of expatriate employees. According to the transition arrangements between the Company and Freeport, MOSCO will continue to provide TFM services during the transition period.

Note 6: See Note 4 of (V). 27.

Involving government grants items:

Unit: RMB

Liabilities Item	Opening carrying amount	Increased grants in current year	Amount in current year non-operating income	Closing carrying amount	Related to assets/profit (Note)
Deferred income-subsidies for low-grade scheelite demonstration project	41,819,735.99	28,234,770.78	1,171,234.66	68,883,272.11	Related to assets
Subsidies of the return of Nannihu land premium	16,130,339.30	-	385,585.80	15,744,753.50	Related to assets
Special funds for comprehensive utilization of 3,000 tons/day Molybdenum selection tailings	3,000,000.00	-	-	3,000,000.00	Related to assets
Investment subsidies	-	6,000,000.00	6,000,000.00	-	Related to profit
Fund support for enterprise technology center R & D platform	-	1,000,000.00	1,000,000.00	-	Related to profit
Financial subsidies for Luanchuan County 2015 annual preferential industry and mining	-	14,759,809.85	14,759,809.85	-	Related to profit
Subsidies for installation of heavy metal automatic monitoring facilities	243,599.20	-	148,636.80	94,962.40	Related to assets
Others	-	2,283,512.00	2,283,512.00	-	
Total	61,193,674.49	52,278,092.63	25,748,779.11	87,722,988.01	-

Note: For the government grants to be received by the Company, it will be divided to assets-related government grants and income-related government grants according to the definition and requirements by the government. For those not clearly defined by the government documents, the Company will make judgment according to whether it can form assets or not.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

34. Share Capital

The par value of the Company's share is RMB0.2 per share, the structures and types of share are shown as follow:

Unit: shares

	Opening balance	Convertible bonds converted into ordinary shares issue	Changes for the year			Subtotal	Closing balance
			Bonus	Others	Capitalisation of surplus reserve		
2016:							
I. Shares restricted for trading							
1. Shareholding of state-own legal-person	-	-	-	-	-	-	-
2. Other domestic-owned shares	-	-	-	-	-	-	-
Total amount of shares restricted for trading	-	-	-	-	-	-	-
II. Trading shares							
1. Ordinary shares denominated in RMB	12,953,730,699.00	-	-	-	-	-	12,953,730,699.00
2. Foreign-owned shares listed overseas	3,933,468,000.00	-	-	-	-	-	3,933,468,000.00
Total amount of unrestricted shares	16,887,198,699.00	-	-	-	-	-	16,887,198,699.00
III. Total amount of shares	16,887,198,699.00	-	-	-	-	-	16,887,198,699.00
2015:							
I. Shares restricted for trading							
1. Shareholding of state-own legal-person (note)	1,796,593,475.00	-	(1,796,593,475.00)	-	(1,796,593,475.00)	-	-
2. Other domestic-owned shares	-	-	-	-	-	-	-
Total amount of shares restricted for trading	1,796,593,475.00	-	(1,796,593,475.00)	-	(1,796,593,475.00)	-	-
II. Trading shares							
1. Ordinary shares denominated in RMB	1,968,421,050.00	552,895,708.00	-	1,796,593,475.00	8,635,820,466.00	10,985,309,649.00	12,953,730,699.00
2. Foreign-owned shares listed overseas	1,311,156,000.00	-	-	-	2,622,312,000.00	2,622,312,000.00	3,933,468,000.00
Total amount of restricted tradable shares	3,279,577,050.00	552,895,708.00	-	1,796,593,475.00	11,258,132,466.00	13,607,621,649.00	16,887,198,699.00
III. Total amount of shares	5,076,170,525.00	552,895,708.00	-	-	11,258,132,466.00	11,811,028,174.00	16,887,198,699.00

Note: As of 9 October 2015, Luoyang Mining Group Co., Ltd holds 1,776,593,475 shares of the company and National Council for Social Security Fund of the PRC ("NSSF") holds 20,000,000 shares of the Company, a total of 1,796,593,475 shares expired during the lockup period, and the trade restriction were cancelled.

During this year, the subsidiaries of the Group did not purchase, sell or redeem the listed shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

35. Capital Reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2016:				
Capital premium	10,720,306,602.38	-	-	10,720,306,602.38
Including: Capital invested by investors	10,718,184,562.38	-	-	10,718,184,562.38
Other capital reserves	2,122,040.00	-	-	2,122,040.00
Total	10,720,306,602.38	-	-	10,720,306,602.38
2015:				
Capital premium	8,102,977,121.92	4,868,955,973.66	2,251,626,493.20	10,720,306,602.38
Including: Capital invested by investors	8,100,855,081.92	4,868,955,973.66	2,251,626,493.20	10,718,184,562.38
Others	2,122,040.00	-	-	2,122,040.00
Other capital reserves	1,426,888,988.29	-	1,426,888,988.29	-
Total	9,529,866,110.21	4,868,955,973.66	3,678,515,481.49	10,720,306,602.38

36. Other Comprehensive Income

Unit: RMB

Item balance	Opening	Amount recognised in the current year					Closing balance
		Actual amount before income tax in the year	Included in Other Comprehensive Income Transferred into Profit or Loss	Less: income tax expense	After-tax Amount Attributable to Owners of the Parent Company	After-tax amount Attributable to minority shareholder	
I. Other comprehensive income cannot reclassified into the profit or loss subsequently	-	-	-	-	-	-	-
Including: Changes in defined contribution plans							
II. Other comprehensive income to be reclassified into the profit or loss subsequently	(632,492,717.76)	791,645,559.96	(268,987,651.90)	-	915,347,005.69	145,286,206.17	282,854,287.93
Including: Gains and losses from changes in fair value of available-for-sale financial assets	(268,987,651.90)	(3,711,727.44)	(268,987,651.90)	-	265,275,924.46	-	(3,711,727.44)
Exchange differences arising on translation of financial statements denominated in foreign currencies	(363,505,065.86)	795,357,287.40	-	-	650,071,081.23	145,286,206.17	286,566,015.37
Total of other comprehensive incomes	(632,492,717.76)	791,645,559.96	(268,987,651.90)	-	915,347,005.69	145,286,206.17	282,854,287.93

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

37. Special Reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2016:				
Safety production expense	13,214,328.53	112,139,491.32	116,783,730.42	8,570,089.43
Maintenance fee (Note)	101,986,347.03	–	101,986,347.03	–
Total	115,200,675.56	112,139,491.32	218,770,077.45	8,570,089.43

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2015:				
Safety production expense	52,891,152.40	109,490,272.08	149,167,095.95	13,214,328.53
Maintenance fee (Note)	219,033,756.84	68,980,690.50	186,028,100.31	101,986,347.03
Total	271,924,909.24	178,470,962.58	335,195,196.26	115,200,675.56

Note: In accordance with the actual production and operation situation of the Company in 2015, and combining the Cai Zi [2015] No. 8 Notice on Cancellation of Cost Standards for Simple Reproduction Maintenance of Metallurgical Mines issued by the Ministry of Finance ("Maintenance fee"), the Company decided not to make provisions for maintenance fee, and all the remaining amount has been utilized this year.

38. Surplus Reserve

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2016:				
Statutory surplus reserve (note)	786,050,081.94	54,048,793.20	–	840,098,875.14
Total	786,050,081.94	54,048,793.20	–	840,098,875.14
Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2015:				
Statutory surplus reserve (note)	704,898,171.11	81,151,910.83	–	786,050,081.94
Total	704,898,171.11	81,151,910.83	–	786,050,081.94

Note: In accordance with The Company Law of the PRC, the Company appropriated the statutory surplus reserve at 10% of the net profit of 2016, which amounts to RMB54,048,793.20 (2015: RMB81,151,910.83).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

39. Retained Profits

Unit: RMB

Item	Amount recognised in the current year t	Amount recognised in the prior year
Retained profit at beginning of year	2,986,976,808.88	3,320,200,571.47
Add: Net profit attributable to shareholders of the parent Company for the period	998,040,580.75	761,160,070.18
Less: Appropriation to statutory surplus reserve (Note 1) Ordinary shares payable (Note 2)	54,048,793.20 422,179,967.49	81,151,910.83 1,013,231,921.94
Retained profit at ending of year	3,508,788,628.94	2,986,976,808.88

Note 1: See Note (V), 38 for details.

Note 2: Cash dividend has been approved in shareholders' meeting of the year.

As resolved at the Company's 2015 annual general meeting on 29 June 2016, the Company distributed to all shareholders cash dividends of RMB0.025 per share, RMB422,179,967.49 in total (2015: RMB1,013,231,921.94).

Note 3: Profit distribution declared after the balance sheet date.

According to a proposal of the board of directors, on the basis of 16,887,198,699 issued shares (with the par value of RMB0.2 per share), dividends in cash of RMB0.035 per share (2015: RMB0.025) will be distributed to all the shareholders.

Note 4: Appropriation of surplus reserve by subsidiaries.

As at 31 December 2016, the balance of the Group's undistributed profits include appropriation to surplus reserves of the subsidiaries amounting to RMB169,699,785.59 (31 December 2015: RMB169,699,785.59).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(V) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Operating Income and Operating Costs

(1) Operating income

Unit: RMB

Item	Amount recognised in the current year		Amount recognised in the prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	6,797,289,351.39	4,504,295,025.22	4,044,138,198.75	2,505,563,447.76
Other operating activities	152,281,655.58	119,523,106.15	152,701,422.44	116,884,793.67
Total	6,949,571,006.97	4,623,818,131.37	4,196,839,621.19	2,622,448,241.43

(2) Principal operating activities (classified by products)

Unit: RMB

Name of product	Amount recognised in the current year		Amount recognised in the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Molybdenum, Tungsten and related products	2,815,657,614.65	1,511,570,037.60	2,421,140,447.03	1,483,174,288.51
Niobium related products	410,653,115.36	306,579,395.96	–	–
Phosphorus related products	729,610,629.70	584,775,039.30	–	–
Copper, Cobalt and related products	1,296,146,914.20	996,305,846.03	–	–
Copper, Gold and related products	1,381,203,392.40	1,013,663,409.49	1,442,799,406.13	931,261,148.57
Others	164,017,685.08	91,401,296.84	180,198,345.59	91,128,010.68
Total	6,797,289,351.39	4,504,295,025.22	4,044,138,198.75	2,505,563,447.76

41. Taxes and Levies

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Basis of calculation
Business tax	1,320,695.98	11,115,119.89	Note (IV)
Urban maintenance and construction tax	15,369,301.85	13,876,376.71	Note (IV)
Education surcharge	9,281,340.06	8,087,883.26	Note (IV)
Resource tax	146,823,169.39	160,696,556.83	Note (IV)
Others	57,514,902.73	48,697,416.76	
Total	230,309,410.01	242,473,353.45	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

42. Selling Expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Salary, bonus and allowances	10,163,357.96	4,594,926.80
Transportation costs	54,533,730.56	63,654,059.65
Entertainment expenditures	1,221,282.19	1,261,367.04
Traveling expense	1,273,943.85	904,122.86
Market consulting fee	5,222,578.73	–
Tax	–	917,932.89
Others	18,204,492.26	13,340,386.02
Total	90,619,385.55	84,672,795.26

43. Administrative Expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Salary, bonus and allowances	117,907,256.69	115,127,161.88
Depreciation and amortization	40,631,473.27	55,243,301.03
Audit fees	12,387,618.85	9,096,184.02
Consulting and agency fees	65,408,203.09	30,288,955.62
Transaction cost related to acquisition (Note)	236,139,790.97	–
Entertainment expenditures	9,333,079.39	4,517,968.27
Technology development fees	109,001,290.10	80,228,860.57
Others	123,926,020.53	62,671,428.90
Total	714,734,732.89	357,173,860.29

Note: See Note (V). 29 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

44. Financial Expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Interest expenses on bonds	203,559,581.20	260,689,500.10
Discount interest of notes receivables	30,381,678.47	43,689,546.04
Bank loans interest expenses	430,798,066.67	190,743,721.74
Including: the interest expense of bank loads due within 5 years	246,705,118.74	182,752,868.66
Total interest expenses:	664,739,326.34	495,122,767.88
Less: Capitalised interest expenses	–	–
Less: Interest income	452,742,920.56	532,139,155.03
Exchange differences	19,329,692.30	(20,451,513.79)
Less: Capitalised exchange differences	–	–
Others	176,342,278.23	103,650,017.48
Total	407,668,376.31	46,182,116.53

45. Impairment Losses of Assets

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Bad debt loss	28,651,800.99	6,591,858.40
Impairment loss of inventories	30,251,987.60	61,956,002.45
Impairment loss on fixed assets	1,193,936.69	–
Impairment loss of long-term assets	–	161,894,742.57
Impairment loss on available-for-sale financial assets	291,757,534.75	–
Total	351,855,260.03	230,442,603.42

46. Gains (losses) from Changes in Fair Values

Unit: RMB

Source resulting in gains (losses) from changes in fair values	Amount recognised in the current year	Amount recognised in the prior year
1. Gains (losses) from the changes in the fair values of forward foreign exchange contract	51,131,410.27	(19,305,059.03)
2. Gains (losses) from gold lease measured in fair value and changes in fair value of forward contract	(9,935,600.00)	16,531,850.00
3. Gains from changes in fair value of consumable biological assets	5,224,503.40	–
Total	46,420,313.67	(2,773,209.03)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

47. Investment Income

(1) Details of investment income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Income (loss) from long-term equity investments under equity method	7,210,716.74	(9,858,527.33)
Investment income from bonds and banks' wealth investment product	94,793,860.23	174,876,549.09
Investment income (loss) on disposal of available-for-sale financial assets	92,667,004.11	(31,768,850.88)
Investment income (loss) on disposal of held-for-trading financial assets	(3,736,797.34)	(2,499,998.75)
Derivatives not designated as hedging instruments – losses from commodity derivative contracts	(16,752,200.00)	(14,160,110.00)
Investment income on disposal of subsidiaries	–	4,282.41
Total	174,182,583.74	116,593,344.54

(2) Income (loss) from long-term equity investments under equity method:

Unit: RMB

Unit under investment	Amount recognised in the current year	Amount recognised in the prior year	Reasons for change between this year and last year
Yulu Mining	70,969,591.46	90,759,506.61	The changes in profits of the invested company
Luoyang Shenyu	(185,887.81)	–	The changes in profits of the invested company
High-Tech	(13,655,705.25)	(14,878,498.40)	The changes in profits of the invested company
Fuchuan	(49,917,281.66)	(85,739,535.54)	The changes in profits of the invested company
Total	7,210,716.74	(9,858,527.33)	The changes in profits of the invested company

There are no significant restrictions on remittance of investment income.

Investment income for both current and prior years is generated from the unlisted entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

48. Non-operating Income

(1) Details of non-operating income are as follows:

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Gains on disposal of non-current assets	6,586,429.98	4,079,367.52
Including: Gains on disposal of fixed assets	6,586,429.98	4,079,367.52
Government grants	25,748,779.11	45,132,470.40
Negative goodwill arising from business combination not under common control (Note (VI))	430,908,350.60	–
Others	3,774,678.32	940,809.76
Total	467,018,238.01	50,152,647.68

(2) Details of major government grants

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Related to assets/ Related to profit
Deferred income-subsidies for low-grade scheelite demonstration project	1,171,234.66	44,164,993.70	Related to assets
Subsidy of the return of Nannihu land premium	385,585.80	385,585.80	Related to assets
Subsidy of the return of the DongLin premium	–	118,728.00	Related to assets
Subsidies of foreign investment	6,000,000.00	–	Related to profit
Fund support for enterprise technology center R & D platform	1,000,000.00	–	Related to profit
Financial subsidies for Luanchuan County 2015 annual preferential industry and mining	14,759,809.85	–	Related to profit
Special funds for mineral resources conservation and comprehensive utilization	–	80,525.90	Related to profit
Others	2,432,148.80	382,637.00	
Total	25,748,779.11	45,132,470.40	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

49. Non-operating Expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Total losses on disposal of non-current assets	815,811.89	42,120,590.15
Including: Losses on disposal of fixed assets	815,811.89	42,120,590.15
External donations	21,906,318.90	18,043,584.00
The losses of debt restructuring	499,687.98	28,516,476.23
Others	4,823,737.96	5,920,406.41
Total	28,045,556.73	94,601,056.79

50. Income Tax Expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Current tax expense calculated according to tax laws and relevant requirements	214,865,562.05	114,041,949.38
Differences arising on settlement of income tax for the previous year	(35,000,951.71)	(39,714,902.44)
Adjustments to deferred income tax	(8,961,755.04)	(94,617,024.70)
Total	170,902,855.30	(20,289,977.76)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

50. Income Tax Expenses (Continued)

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Accounting profit	1,190,141,289.50	682,818,377.21
Income tax expenses calculated at 15% (2015: 15%)	178,521,193.43	102,422,756.58
Tax impact of non-deductible expense	71,694,808.42	25,874,270.66
Tax impact of tax free income/extra deductible expense	(30,576,347.31)	(10,930,148.53)
Tax impact of negative goodwill arising from business combination not under common control (Note VI)	(63,203,099.46)	–
Tax impact of non-monetary items (Note 1)	(8,508,680.12)	–
Tax impact of utilising deductible loss and deductible temporary difference previously not recognised	–	(141,899,902.37)
Tax impact of unrecognised deductible loss and deductible difference	6,112,982.94	37,050,202.82
Capital interest deductible before tax (Note 2)	(8,431,651.68)	–
Impact of different tax rate in subsidiaries in other jurisdictions	60,294,600.79	6,907,745.52
Difference arising on settlement of income tax for the previous years	(35,000,951.71)	(39,714,902.44)
Total	170,902,855.30	(20,289,977.76)

Note 1: See Note V. 16.

Note 2: According to the local tax law of Brazil, enterprises can pay capital interest to their shareholders on a yearly basis, which can be deductible before tax, and the amount of interest is calculated based on the local long-term deposit rate of Brazil. The tax preferential policy is applicable to the Group's subsidiaries in Brazil.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

51. Calculation Process of Basic Earnings Per Share and Diluted Earnings Per Share

For the purpose of calculating basic earnings per share, net profit for the current attributable to ordinary shareholders is as follows:

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Net profit attributable to ordinary shareholders for the current year	998,040,580.75	761,160,070.18

In calculating the basic earnings per share, the denominator is the weighted average number of the issued and outstanding ordinary shares and its calculation process is as follows:

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year
Number of ordinary shares issued at the beginning of year	16,887,198,699.00	15,228,511,575.00
Add: Weighted average number of ordinary shares issued during the year	–	777,370,896.50
Weighted average number of ordinary shares issued at the end of year	16,887,198,699.00	16,005,882,471.50

Earnings per share

Unit: RMB

	Amount recognised in the current year	Amount recognised in the prior year (note 1)
Calculated based on net profit attributable to shareholders of the Company:		
Basis Earnings Per Share	0.06	0.05
Diluted earnings per share (Note)	0.06	0.05

Note: In the year end, the Company has no outstanding dilutive ordinary shares. (In prior year end: the outstanding potential ordinary shares of the company had no dilution effect.)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

52. Notes to the Cash Flow Statement

(1) Other cash received relating to operating activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Receipts of indemnity and penalty, etc.	–	57,870.00
Receipts of interest income	360,452,165.98	412,961,978.15
Receipts of government grants	52,278,092.63	74,800,890.73
Others	11,925,544.62	882,939.76
Total	424,655,803.23	488,703,678.64

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Payments for consulting fee, technology development fee and transportation fee, etc.	266,367,404.03	188,473,030.39
Payments of donations and penalty, etc.	21,906,318.90	18,043,584.00
Payments of bank charges and consulting fees	52,265,407.22	36,592,927.14
Prepaid farmland occupation tax	–	25,959,022.32
Others	56,239,740.69	51,234,292.61
Total	396,778,870.84	320,302,856.46

(3) Cash receipts from disposals and recovery of investments

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash receipts from disposal held-for-trading financial assets and wealth investment products of banks and other financial institutions	3,020,975,000.00	11,655,519,607.75
Cash receipts from joint venture for reduce registered capital	–	50,000,000.00
Cash receipts from disposal of available-for sale financial assets	314,953,536.55	517,790,351.84
Total	3,335,928,536.55	12,223,309,959.59

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

52. Notes to the Cash Flow Statement (Continued)

(4) Cash payments for acquisitions or disposals of subsidiaries and other business units

Unit: RMB

Item	Amount
Cash and cash equivalents that are paid at the end of the current period for business combination happened in the period	
Including: Phosphorus business in Brazil (Note)	5,623,522,291.60
Niobium business in Brazil	5,638,674,219.80
Copper-Cobalt business in Congo (DRC) (Note)	18,328,364,997.83
Less: Cash and cash equivalents held by subsidiaries at acquisition date	
Including: Phosphorus business in Brazil	265,662,917.40
Niobium business in Brazil	698,157,312.20
Copper-Cobalt business in Congo (DRC)	522,079,574.05
Total	28,104,661,705.58

Note: The cash payments above have not considered the compensation receivable from the seller and the adjustment amounts of the consideration based on the actual settlement.

(5) Cash payments to acquire investments

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash payment of purchasing wealth investment products of banks and other financial institutions	700,000,000.00	9,037,578,809.22
Cash payment of purchasing available-for-sale financial assets	715,661,774.43	3,085,268,599.61
Capital increase in joint venture (Note V 10)	531,163.62	–
Total	1,416,192,938.05	12,122,847,408.83

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

52. Notes to the Cash Flow Statement (Continued)

(6) Other cash payments relating to investing activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash payment for loans to third party (Note (V).8 and Note (V).17)	787,717,800.00	100,000,000.00
Payment for acquisition transaction	121,246,708.15	–
Total	908,964,508.15	100,000,000.00

(7) Other cash receipts relating to financing activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash receipts from gold lease business	2,657,694,450.00	1,482,568,890.00
Cash receipts from borrowings of third party (Note (V).33)	369,588,638.84	–
Total	3,027,283,088.84	1,482,568,890.00

(8) Other cash payments relating to financing activities

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Cash paid for gold leasing business	1,414,084,400.00	997,120,400.00
Commission charge related to gold leasing business and guarantee fees related to loans	52,859,234.92	57,440,703.41
Borrowing guarantee deposit and arrangement fee	703,844,295.86	24,587,257.12
Total	2,170,787,930.78	1,079,148,360.53

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

53. Supplementary Information to the Cash Flow Statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,019,238,434.20	703,108,354.97
Add: Provision for impairment losses of assets	351,855,260.03	230,442,603.42
Depreciation of fixed assets	849,669,426.59	558,429,296.21
Intangible asset amortization	310,442,825.66	186,519,964.76
Amortisation of long-term deferred expenses	12,160,644.64	11,165,305.45
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(5,770,618.09)	38,041,222.63
Losses (gains) on changes in fair values	(46,420,313.67)	2,773,209.03
Financial expenses	809,518,440.05	431,766,109.03
Gains arising from investments	(174,182,583.74)	(116,593,344.54)
Increase in deferred tax assets	(8,961,755.04)	(94,617,024.70)
Decrease in inventories (increase is filled in column with "-")	75,367,539.54	(200,021,157.20)
Decrease in receivables from operating activities (increase is filled in column with "-")	(552,911,412.77)	441,352,257.77
Increase in payables from operating activities (decrease is filled in column with "-")	416,873,943.60	(121,729,566.81)
Amortisation of deferred income	(25,748,779.11)	(45,132,470.40)
Increase in special reserve (decrease is filled in column with "-")	(106,630,586.13)	(156,390,836.22)
Decrease in restricted bank deposits (increase is filled in column with "-")	(9,674,029.71)	(510,342,000.00)
Net cash flow from operating activities	2,914,826,436.05	1,358,771,923.40
2. Significant investing and financing activities that do not involving cash:	-	-
3. Net changes in cash and cash equivalents:		
Closing balance of cash	8,420,208,068.29	8,982,162,302.30
Less: Opening balance of cash	8,982,162,302.30	774,781,044.71
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	4,850,800,000.00
Net increase (decrease) in cash and cash equivalents	(561,954,234.01)	3,356,581,257.59

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

53. Supplementary Information to the Cash Flow Statement (Continued)

(2) Constitution of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
1. Cash	8,420,208,068.29	8,982,162,302.30
Including: Cash on hand	1,120,248.17	274,735.66
Bank deposits always available for payment	8,419,087,820.12	8,981,887,566.64
Other monetary funds always available for payment	—	—
2. Cash equivalents	—	—
3. Closing balance of cash and cash equivalents	8,420,208,068.29	8,982,162,302.30

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries within the Group and cash and bank balances due over 3 months.

54. Foreign Currency Monetary Items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing balance of foreign currency	Exchange rate conversion	Closing balance of foreign currency translated into
Monetary assets			
Including: RMB	1,552,298.64	1.0000	1,552,298.65
USD	6,921,740.02	6.9540	48,133,471.02
EUR	25,822,116.64	7.2993	188,483,572.18
HKD	205,635.00	0.8990	184,857.23
CAD	1,159,557.67	5.1749	6,000,561.46
AUD	6,125,784.47	5.0196	30,749,068.59
BRL	92,435,400.00	2.1285	196,747,194.00
GBP	20,000.00	8.6713	173,425.00
CDF	53,542,929,929.00	0.0060	318,819,539.24
Short-term borrowing			
Including: USD	127,500,000.00	6.9370	884,467,500.00
Long-term borrowings			
Including: EUR	231,000,000.00	7.3000	1,686,199,837.20
Non-current liabilities due within one year			
Including: EUR	14,000,000.00	7.3000	102,129,288.80

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

54. Foreign Currency Monetary Items *(Continued)*

(2) *Functional currency for significant oversea operations*

Name of subsidiaries	The main operating location abroad	Functional currency	Basis of choice
Copebras Indústria Ltda.	Brazil	BRL	According to the primary economic environment
Niobras Mineração Ltda.	Brazil	USD	According to the primary economic environment
COMC Brazil	Brazil	USD	According to the primary economic environment
COMC Luxembourg	Luxembourg	USD	According to the primary economic environment
CMOC Mining Pty Limited	Australia	USD	According to the primary economic environment
CMOC Mining Services Pty. Limited	Australia	USD	According to the primary economic environment
CMOC DRC	Bermuda	USD	According to the primary economic environment
TF Holdings Limited	Bermuda	USD	According to the primary economic environment
Tenke Fungurume Mining S.A.	DRC	USD	According to the primary economic environment
Purveyors South Africa Mine Services CMOC	Republic of South Africa	USD	According to the primary economic environment

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VI) CHANGE OF CONSOLIDATION SCOPE

1. Business Combination not involving Enterprises under Common Control

(1) Business combination not involving enterprises under common control of the year

As described in Note (I), business combination of the year is as follows.

Unit: RMB

Acquiree	Date of equity and business acquisition	Cost on equity acquisition	Percentage of equity acquired (%)	Acquisition Method	Determination basis for the acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period	Net cash flow relating to operating activities of the acquiree from the acquisition date to the end of the period
Phosphorus business in Brazil (Note 1)	1 October 2016	5,554,907,896.60	100%	By cash	Transfer of control	729,610,629.70	81,658,048.00	64,037,100.80
Niobium business in Brazil (Note 1)	1 October 2016	5,638,674,219.80	100%	By cash	Transfer of control	410,653,115.36	37,283,345.60	99,071,844.39
Copper-Cobalt business in Congo (DRC) (Note 2)	17 November 2016	18,145,980,868.63	100%	By cash	Transfer of control	1,296,146,914.20	85,080,872.00	392,840,349.29

Note 1: On 1 October 2016, the Group completed the acquisition of the Brazil Niobium-Phosphorus business from Anglo American. The total consideration for the acquisition is USD1,676,238,000, equivalent to RMB11,193,582,116.40, based on the consideration and price adjustment terms agreed upon in the acquisition agreement.

Note 2: On 17 November 2016, the Group completed the acquisition of Congo (DRC) Copper-Cobalt business of Freeport, with the actual consideration of USD2,641,643,986, equivalent to RMB18,145,980,868.63, including the contingent consideration agreed by both parties in the acquisition agreement: if the average monthly delivery price of the London Metal Exchange ("LME") Class A Copper spot is higher than the average monthly delivery price of Class A Copper spot of USD3.50 per pound in the 24 months from 1 January 2018 to 31 December 2019, CMOC Limited shall pay USD60 million to PDK no later than 10 January 2020. If the average monthly delivery price of LME Cobalt spot is higher than USD20.00 per pound, CMOC Limited shall pay USD60 million to PDK no later than 10 January 2020. Therefore, the contingent consideration at the acquisition date is recorded at the fair value and recognized as a financial liability at FVTPL (Note (V). 19).

(2) Combination cost and goodwill

Unit: RMB

	Phosphorus business in Brazil	Niobium business in Brazil	Copper-Cobalt business in Congo (DRC)
Combination cost			
– Cash (Note 1)	5,554,907,896.60	5,638,674,219.80	18,100,822,747.83
– Contingent consideration	–	–	45,158,120.80
Total combination cost	5,554,907,896.60	5,638,674,219.80	18,145,980,868.63
Less: Acquired interest in the fair value of identifiable assets	4,097,785,225.40	3,394,933,419.80	18,576,889,219.23
Creditor's rights acquired in Brazil Phosphorus and Niobium businesses (Note 2)	383,973,500.00	2,243,740,800.00	–
The amount that the goodwill/ combination cost is less than the acquired interest in the fair value of identifiable assets	1,073,149,171.20	–	(430,908,350.60)

Note 1: The cash consideration has been deducted from the price adjustments based on the actual settlement and seller's compensation.

Note 2: Pursuant to the acquisition agreement, the Group assumed creditor's rights of US \$57,500,000.00 (equivalent to RMB383,973,500.00) and US \$336,000,000.00 (equivalent to RMB2,243,740,800.00) in Brazil Phosphate and Niobium businesses from the Anglo American during the acquisition of the Phosphorus and Niobium businesses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VI) CHANGE OF CONSOLIDATION SCOPE (Continued)

1. Business Combination not involving Enterprises under Common Control (Continued)

(3) Acquiree's identifiable assets and liabilities at the acquisition date

Unit: RMB

	Phosphorus business in Brazil		Niobium business in Brazil		Copper-Cobalt business in Congo (DRC)	
	Acquisition date	Acquisition date	Acquisition date	Acquisition date	Acquisition date	Acquisition date
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets:						
Cash and bank balances	265,662,917.40	265,662,917.40	698,157,312.20	698,157,312.20	522,079,574.05	522,079,574.05
Accounts receivable	461,349,168.60	461,349,168.60	143,899,912.20	143,899,912.20	386,358,154.00	386,358,154.00
Other receivables	58,203,704.80	58,203,704.80	1,689,483.40	1,689,483.40	866,223,293.00	866,223,293.00
Inventories	455,993,573.00	455,993,573.00	422,457,661.40	422,457,661.40	7,528,086,794.80	7,528,086,794.80
Prepayments	-	-	-	-	100,990,772.32	100,990,772.32
Other current assets	-	-	16,146,920.40	16,146,920.40	-	-
Fixed assets	1,047,506,419.20	2,067,153,056.80	3,307,360,750.60	3,160,602,740.00	15,425,668,544.52	16,803,551,564.24
Construction in progress	154,998,415.80	154,998,415.80	288,554,415.80	288,554,415.80	484,182,431.20	484,182,431.20
Intangible assets	12,247,085.20	3,315,814,845.40	919,720,038.40	1,511,021,084.03	346,832,777.20	15,508,215,034.00
Deferred tax assets	-	-	65,375,662.00	115,272,183.60	113,960.03	113,960.03
Other non-current assets	206,197,108.40	378,370,825.80	94,150,302.20	111,552,649.00	1,700,353,683.60	1,700,353,683.60
Subtotal of assets	2,662,158,392.40	7,157,546,507.60	5,957,512,458.60	6,469,354,362.03	27,360,889,984.72	43,900,155,261.24
Liabilities:						
Accounts payable	223,663,158.40	223,663,158.40	84,129,999.20	84,129,999.20	344,275,992.27	344,275,992.27
Other payables	1,689,483.40	1,689,483.40	30,971,636.40	30,971,636.40	877,760,266.46	877,760,266.46
Employee benefits payable	97,726,000.00	97,726,000.00	33,706,459.60	33,706,459.60	105,188,059.60	105,188,059.60
Taxes payable	71,432,426.60	71,432,426.60	-	-	-	-
Deferred tax liabilities	22,744,586.80	1,492,635,211.60	-	395,859,984.00	3,167,010,314.00	8,128,789,748.30
Other non-current liabilities	401,301,992.00	401,301,992.00	2,243,740,800.00	2,243,740,800.00	178,537,377.20	178,537,377.20
Provisions	230,685,000.00	771,313,010.20	1,442,164,399.20	286,012,063.03	558,328,576.00	558,328,576.00
Subtotal of liabilities	1,049,242,647.20	3,059,761,282.20	3,834,713,294.40	3,074,420,942.23	5,231,100,585.53	10,192,880,019.83
Net Assets	1,612,915,745.20	4,097,785,225.40	2,122,799,164.20	3,394,933,419.80	22,129,789,399.19	33,707,275,241.41
Less: Minority interests	-	-	-	-	8,117,374,855.20	15,130,386,022.18
Acquired net assets	1,612,915,745.20	4,097,785,225.40	2,122,799,164.20	3,394,933,419.80	14,012,414,543.99	18,576,889,219.23

Note: The fair value of the identifiable assets and liabilities of the Niobium and Phosphorus Business in Brazil and the Copper and Cobalt Business in Congo DRC are measured by way of the replacement cost method and the multi-period excess return method determined by the valuation results of the independent valuer, Censere Holdings Limited. Among the fair value of the identifiable assets and liabilities at the date of purchase, except for the monetary assets are measured at the first level of fair value, the accounts receivable, other receivables, inventories, fixed assets, construction in progress, intangible assets, other non-current assets, accounts payable, other payables, other non-current liabilities and provision are measured at the third level of fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VII) INTERESTS IN OTHER ENTITIES

1. Equity of Subsidiaries

(1) Constitution of subsidiaries

Name of the subsidiary	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
China Molybdenum Refining Co., Ltd. ("Ye Lian")	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	-	Investment Establishment
China Molybdenum Tungsten Sales and Trading Co., Ltd. ("Xiao Shou Mao Yi")	China	Luanchuan, Henan	Trading of mineral products	100.00	-	Investment Establishment
Luoyang Dachuan Molybdenum Tungsten Technology Co., Ltd. ("Da Chuan")	China	Luanchuan, Henan	Processing and sales of mineral products	100.00	-	Investment Establishment
Luoyang Mudu International Hotel Co., Ltd. ("International Hotel")	China	Luoyang, Henan	Hotel	100.00	-	Investment Establishment
China Molybdenum Tungsten Co., Ltd ("Wu Ye")	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	-	Investment Establishment
China Molybdenum (Hong Kong) Company Limited ("Hong Kong company")	Hong Kong, China	Hong Kong	Trading of mineral products	100.00	-	Investment Establishment
China Molybdenum Metal Material Company Limited ("Metal Material")	China	Luoyang, Henan	Processing and sales of mineral	100.00	-	Investment Establishment
Xinjiang Luomu Mining Co., Ltd ("Xin Jiang Luo Mu")	China	Xinjiang	Production and sales of mineral	70.00	-	Investment Establishment
China Molybdenum Sales Co., Ltd. ("Sales Company")	China	Luanchuan, Henan	Trading of mineral products	100.00	-	Investment Establishment
CMOC Co., Ltd ("Hong Kong CMOC")	Hong Kong, China	Hong Kong	Investment & Holding	100.00	-	Investment Establishment
CMOC Mining Pty Limited ("CMOC Mining")	Australia	Australia	Production and sales of mineral products	-	100.00	Investment Establishment
CMOC Mining Services Pty. Limited ("CMOC services")	Australia	Australia	Mining services	-	100.00	Investment Establishment
Luochuan Huqi Mining Company Limited ("Hu Qi")	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	-	Investment Establishment
Luanchuan Fu Kai Trading Co., Ltd. ("Fu Kai")	China	Luanchuan, Henan	Trading of Molybdenum products	100.00	-	Investment Establishment
Luochuan Qixing Mining Company Limited ("Qi Xing")	China	Luanchuan, Henan	Refining and sales of mineral products	90.00	-	Investment Establishment
Luanchuan Furun Mining Co., Ltd ("Fu Run")	China	Luanchuan, Henan	Refining and sales of mineral products	100.00	-	Investment Establishment
Luanchuan County Dadongpo Tungsten Molybdenum Co., Ltd. ("Da Dong Po")	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	-	Investment Establishment
Luanchuan County Jiuyang Mining Co., Ltd. ("Jiu Yang")	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	-	Investment Establishment

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

1. Equity of Subsidiaries *(Continued)*

(1) Constitution of subsidiaries *(Continued)*

Name of the subsidiary	Main business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Luanchuan County Sangqiang Molybdenum Tungsten Co., Ltd. ("San Qiang")	China	Luanchuan, Henan	Refining and sales of mineral products	51.00	–	Investment Establishment
Luoyang Mudulihao Business Co., Ltd. ("Mu Du Li Hao")	China	Luoyang, Henan	HOTEL MANAGEMENT	–	100.00	Investment Establishment
Schmoke (Shanghai) International Trading Co., Ltd. ("Schmoke")	China	Shanghai	Import and export of goods and technology	100.00	–	Investment Establishment
CMOC Mining USA LTD ("CMOC USA ")	America	America	Consultancy	–	100.00	Investment Establishment
Shanghai Ruichao Investment Co., Ltd ("Rui Chao")	China	Shanghai	Consulting and enterprise operating and management	–	100.00	Investment Establishment
Schmocker (Tibet) International Trading Co., Ltd ("Tibet Schmoke") <i>(Note 1)</i>	China	Tibet	Consulting and asset management and sales	–	100.00	Investment Establishment
Upnorth Investment Limited ("Upnorth")	China	BVI	Investment holding	–	100.00	Investment Establishment
Beijing Yongbo Resources Investment holding Co., Ltd. ("Beijing Yongbo")	China	Beijing	Consulting and asset management and sales	100.00	–	Investment Establishment
Luoyang Yuehe Properties Co., Ltd ("Luoyang Yuehe")	China	Luoyang	Consulting, asset management	100.00	–	Investment Establishment
Molybdenum Congo <i>(Note 1)</i>	Hong Kong	Hong Kong	Mining services	–	100.00	Investment Establishment
CMOC Sales & Marketing Limited ("Molybdenm UK") <i>(Note 1)</i>	UK	London	Mining services and sales	–	100.00	Investment Establishment
CMOC LUXEMBOURG <i>(Note 1)</i>	Luxembourg	Luxembourg	Investment holding	–	100.00	Investment Establishment
CMOC BRAZIL <i>(Note 1)</i>	Brazil	Brazil	Investment holding	–	100.00	Investment Establishment
Tibet Zhaoxu Venture Capital Investment Co., Ltd. ("Tibet Zhaoxu") <i>(Note 1)</i>	China	Tibet	Consulting, business planning, management	–	100.00	Investment Establishment
Long March No.1 Investment Limited ("Long March") <i>(Note 1)</i>	Hong Kong	Hong Kong	Investment holding	–	100.00	Investment Establishment
Bandra Investment Limited ("Bandra") <i>(Note 1)</i>	China	BVI	Investment holding	–	100.00	Investment Establishment
Copebras Indústria Ltda. <i>(Note 2)</i>	Brazil	Brazil	Mining and processing	–	100.00	Business combination not under common control
Niobras Mineração Ltda. <i>(Note 2)</i>	Brazil	Brazil	Mining and processing	–	100.00	Business combination not under common control

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Equity of Subsidiaries (Continued)

(1) Constitution of subsidiaries (Continued)

Name of the subsidiary	Main Business site	Place of incorporation	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
CMOC International DRC Holdings Limited (Note 2)	Bermuda	Bermuda	Investment holding	-	100.00	Business combination not under common control
TFHL (Note 2)	Bermuda	Bermuda	Investment holding	-	70.00	Business combination not under common control
TFM (Note 2)	Congo (DRC)	Congo (DRC)	Mining and processing	-	80.00	Business combination not under common control
Purveyors South Africa Mine Services CMOC ("CMOC South Africa") (Note 2)	The Republic of South Africa	The Republic of South Africa	Transportation	-	100.00	Business combination not under common control

Note 1: These subsidiaries are newly established by the Group during the year.

Note 2: These subsidiaries are newly acquired by the Group for the year through business combination not involving enterprises under common control.

Note 3: No securities and bonds had been issued by the subsidiaries of the Group.

2. Equity in Joint Ventures and Associates

(1) Significant joint ventures and associates

Name of the joint venture or associate	Major place of business	Place of incorporation	Nature of business	Shareholding ratio (%)		Accounting methods of joint ventures and associates
				Direct	Indirect	
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-Tech") (Note 1)	Luoyang, Henan	Luoyang, Henan	Processing and sales of minerals products	50.25%	-	Equity method
Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu") (Note 2)	Xuzhou, Jiangsu	Xuzhou, Jiangsu	Investment	50%	-	Equity method
Luoyang Yulu Mining Co., Ltd. ("Yulu Mining") (Note 3)	Luoyang, Henan	Luoyang, Henan	Processing and sales of minerals products	40%	-	Equity method
Luoyang Shenyu Molybdenum Co., Ltd (Note 1)	Luoyang, Henan	Luoyang, Henan	Processing and sales of minerals products	15%	-	Equity method

Note 1: See Note V, 10.

Note 2: Huan Yu, a joint venture of the Group, holds 90% equity interest of Luoyang Fuchuan Mining Co., Ltd. ("Fuchuan"). Meanwhile, the Group, through its subsidiary Fukai, indirectly holds 10% equity interest of Fuchuan. In accordance with the agreement with local government, the local government shares 8% dividend rights of Fuchuan; therefore, the Group actually shares 47% profits and losses of Fuchuan under equity method.

Note 3: According to the resolution of shareholders' meeting in 2007 of Yulu Mining Co., Ltd., both investment parties share net profits of the company by ratio of 1 to 1 from 2008. Therefore, the Group actually shares 50% of profits or losses of Yulu Mining under equity method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VII) INTERESTS IN OTHER ENTITIES (Continued)

2. Equity in Joint Ventures and Associates (Continued)

(2) Major financial information of key joint ventures

Unit: RMB

Name of subsidiary	Closing balance/Amount recognised in the current year		Opening balance/Amount recognised in the prior year	
	High-Tech	Huan Yu (Note 1)	High-Tech	Huan Yu (Note 1)
Current assets	73,329,845.12	214,844,450.90	166,099,121.80	262,911,080.85
Including: Cash and cash equivalent	4,567,969.58	6,114,498.23	8,945,768.83	85,237.99
Non-current assets	128,895,470.66	2,698,563,519.94	132,329,844.30	2,722,778,299.10
Total assets	202,225,315.78	2,913,407,970.84	298,428,966.10	2,985,689,379.95
Current liabilities	24,700,749.14	83,248,774.13	94,655,316.20	858,954,575.81
Non-current liabilities	–	800,000,000.00	–	–
Total liabilities	24,700,749.14	883,248,774.13	94,655,316.20	858,954,575.81
Minority Interests	–	(16,575,771.17)	–	(7,498,689.97)
Equity interests attributable to the parent company	177,524,566.64	2,046,734,967.88	203,773,649.90	2,134,233,494.11
Net assets share calculated by percentage of shareholding	88,762,283.32	1,023,367,483.94	101,886,824.95	1,067,116,747.05
Adjusting items (Note 2)	–	8,425,944.96	–	14,593,963.51
Carrying amount in the investment of Joint ventures equity	88,762,283.32	1,031,793,428.90	101,886,824.95	1,081,710,710.56
Fair value of joint venture investment of public offer	Not applicable	Not applicable	Not applicable	Not applicable
Operating income	76,499,619.97	203,622.81	107,801,682.20	504,144.66
Financial expense	199,351.52	39,935,663.78	(277,173.65)	37,578,594.79
Income tax expense	–	–	–	60,494,630.41
Net losses	(27,207,470.33)	(105,286,812.01)	(29,756,996.80)	(182,424,543.71)
Discontinued operation net profit	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	(27,207,470.33)	(105,286,812.01)	(29,756,996.80)	(182,424,543.71)
Dividends received from joint ventures for the period	–	–	–	–

Note 1: The joint venture, Huan Yu of the Group, has 90% equity interest of Fu Chuan; meanwhile, through its subsidiary Fukai, the Group holds the remaining 10% interests of Fu Chuan.

Note 2: According to the agreement with local government, the local government shares 8% the dividend rights of Fu chuan. Therefore, the Group actually shares 47% of the profits or losses of Fu chuan under equity method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VII) INTERESTS IN OTHER ENTITIES (Continued)

2. Equity in Joint Ventures and Associates (Continued)

(3) Major financial information of significant associates

Unit: RMB

	Closing balance/ Amount recognised in the current year Yulu Mining	Opening balance/ Amount recognised in the prior year Yulu Mining
Current assets	130,107,368.59	161,996,611.07
Including: cash and cash equivalent	408,532.14	533,647.16
Non-current assets	60,874,589.89	66,779,787.55
Total assets	190,981,958.48	228,776,398.62
Current liabilities	28,028,822.35	50,262,445.40
Non-current liabilities	4,000,000.00	5,000,000.00
Total liabilities	32,028,822.35	55,262,445.40
Minority Interests	–	–
Total equity interest attributable to parent company	158,953,136.13	173,513,953.22
Net assets shares calculated by percentage of shareholding	63,581,254.45	69,405,581.28
Adjustments items (Note)	6,048,195.95	7,504,277.66
Carrying amount in investment to associates	69,629,450.40	76,909,858.94
Fair value of investment to associates with public offer	Not applicable	Not applicable

Note: Although the Group holds 40% equity interest of Yulu Mining, but shares 50% dividend rights. Details refer to Note (V).10.

Unit: RMB

	Closing balance/ Amount recognised in the current year Yulu Mining	Opening balance/ Amount recognised in the prior year Yulu Mining
Operating income	300,927,252.66	358,703,078.68
Financial expense	(6,229.05)	(561,567.07)
Income tax expense	(50,426,526.03)	(60,511,887.10)
Net profits	141,939,182.91	181,519,013.21
Discontinued operation net profit	–	–
Other comprehensive income	–	–
Total comprehensive income	141,939,182.91	181,519,013.21
Dividends received from associates for the period	78,250,000.00	119,200,000.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

3. Significant Joint Operation

(1) Significant joint operation

Name of the operation under common control	Main business Place of Site	Incorporation	Nature of Business	Shareholding ratio/shares (%)	
				Direct	Indirect
Nothparkes Joint Venture ("NJV") <i>(Note)</i>	Australia	Australia	Copper gold mining	–	80%

Note: On 1 December 2013, the Company had completed acquiring 80% joint control interests of unincorporated joint venture in Northparkes Copper gold mining and some relevant assets related to Copper gold mining business of Northparkes Joint Venture held by North Mining Limited. Afterwards, the unincorporated joint venture Northparkes Joint Venture became a joint operation of the Group.

Northparkes mines held by Northparkes Joint Venture is a quality Copper and gold mining operation with advanced mining method of block caving in Goonumbla, situated northwest of the town of Parkes in New South Wales, Australia. The Northparkes mines started operating from 1993 and the remaining useful life is more than 20 years. The headquarters of Northparkes Joint Venture is located in the town of Parkes in New South Wales, Australia. The 80% interest of Northparkes Joint Venture under joint control is held by CMOC Mining Pty Limited, a subsidiary of the Company. The remaining 20% interest is held by Sumitomo Metal Mining Oceania Pty Ltd (SMM) and SC Mineral Resources Pty Ltd (SCM).

Pursuant to the Northparkes Joint Venture Management Agreement, the Company as the manager arrange the daily operation of the Northparkes mine which hold by the Company, as joint controllers of Northparkes Joint Venture jointly, both parties of the joint ventures are responsible for the assets and liabilities according to their respective proportion. The joint venturers have agreed to protect the rights of individual party (including their respective shares of the production volume) from the event of default by any other joint venture to ensure the benefits of all parties.

(2) Financial information of significant joint operation

As at 31 December 2016, the assets and liabilities and operation status of Northparkes Joint Venture are as follows:

Unit: RMB

Item	2016	2015
Net shares of operative costs	655,580,366.19	776,810,457.55

Item	As at 31 December 2016	As at 31 December 2015
Share of total assets	2,162,305,530.63	2,168,071,050.23
Share of total liabilities	391,839,296.10	386,150,174.01

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, financial assets held-for-trading, accounts receivable, notes receivable, other receivables, other current assets, other non current assets, available-for-sale financial assets, financial liabilities held-for-trading, accounts payable, bills payable, other payables, borrowings and bonds payable etc. Details of these financial instruments are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored within a certain range.

1. Risk Management Objectives and Policies

The Group's business is mining. The Group only sells commodities which produced by themselves. In the long term, natural hedges operate in a number of ways can help to maintain stabilise earnings and cash flow, and there is no need to use the derivative financial instruments in this way or other forms of synthetic hedges. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has exposure to such trading or speculative holdings through its investments in associates and jointly controlled entities

The Group's risk management objectives are to achieve a proper balance between risks and benefits, and minimise the adverse impacts of risks on the Group's operation performance, and maximise the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the Group's exposure to various risks, establish an appropriate maximum tolerance to risk and practice risk management, and monitors these exposures regularly and effectively to ensure the risks are controlled within a certain range.

1.1 Market risk

1.1.1 Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group is subject to foreign exchange risk mainly related to USD, HKD, EUR, CAD, RMB, BRL, GBP, CDF and AUD. The Group's subsidiaries in the PRC use RMB for settlement of their principal business activities. The Group's subsidiaries in Australia mainly use AUD or USD for settlement, the Group's Niobium and Phosphorus businesses in Brazil are principally settled in USD and BRL and the Group's Copper-Cobalt business in Congo (DRC) is principally settled in USD and CDF. As a result, the Group's exposure to exchange rate changes is not significant. Foreign currency transactions are mainly financing activities of domestic and Hong Kong subsidiaries settled in USD, operating activities of subsidiaries in Australia of which the functional currency is USD settled in AUD, operating activities of subsidiaries in Brazil of which the functional currency is USD settled in BRL, and operating activities of subsidiaries in Congo (DRC) of which the functional currency is USD settled in CDF.

As at 31 December 2016, except for the financial assets and liabilities balance of each entity mentioned below use USD, HKD, AUD, EUR, CAD, RMB, BRL, GBP and CDF (converted in RMB) as functional currency, the Group's financial assets and financial liabilities are settled on the basis of the functional currency of each entity. The foreign exchange risk arising from the assets and liabilities of such foreign currency balances may have an impact on the Group's operating results.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk Management Objectives and Policies (Continued)

1.1 Market risk (Continued)

1.1.1 Foreign exchange risk (Continued)

Unit: RMB'000

Item	Closing balance	Opening balance
USD		
Cash and bank balances	48,133	1,399,946
Short-term borrowings	(884,468)	(1,152,614)
Subtotal	(836,335)	247,332
HKD		
Cash and bank balances	185	441
Short-term borrowings	–	(204,248)
Subtotal	185	(203,807)
AUD		
Cash and bank balances	30,749	10,537
Subtotal	30,749	10,537
EUR		
Cash and bank balances	188,484	12
Short-term borrowings	–	(312,189)
Long-term borrowings	(1,686,200)	(1,948,037)
Subtotal	(1,497,716)	(2,260,214)
CAD		
Cash and bank balances	6,001	138,579
Subtotal	6,001	138,579
RMB		
Cash and bank balances	1,552	856
Subtotal	1,552	856

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk Management Objectives and Policies (Continued)

1.1 Market risk (Continued)

1.1.1 Foreign exchange risk (Continued)

Item	Closing balance	Opening balance
BRL		
Cash and bank balances	196,747	–
Subtotal	196,747	–
GBP		
Cash and bank balances	173	–
Subtotal	173	–
CDF		
Cash and bank balances	318,820	–
Subtotal	318,820	–
Total	(1,779,824)	(2,066,717)

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures and purchase appropriate forward foreign exchange contracts to mitigate currency risk exposures.

The following table sets out in detail the sensitivity of the Group to the 10% rate of change in the exchange rate when exchanging the foreign currencies with the functional currency (including RMB, USD, HKD and BRL) of each entity. 10% ratio is used internally to report foreign exchange risk to the senior management, which represents the management's estimate of possible changes in the foreign exchange rate. Foreign exchange risk sensitivity analysis at the Group's reporting date is based on the changes on the settlement date and throughout the reporting period. A positive number indicates that an increase in profit before tax of a company with RMB as its functional currency is resulted from having USD, HKD and EUR borrowings and RMB increase against those foreign currencies. A negative number indicates that a decrease in profit before tax of a company with HKD as its functional currency is resulted from having USD and RMB cash and bank balances and HKD increase against those foreign currencies, and of companies with USD as their functional currency is resulted from having financial liabilities of AUD, HKD, EUR, CAD, RMB, BRL, GBP and CDF and USD increase against them. If the relevant functional currency decreases against these foreign currencies, it will have an opposite effect on the pre-tax profit. The Group does not consider the effect of current forward foreign exchange contract in the sensitivity analysis as below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.1 Foreign exchange risk (Continued)

RMB'000

Item	Changes in exchange rates	Current year		Prior year	
		Effect on Impact on shareholders' profit	Effect on Impact on shareholders' equity	Effect on Impact on shareholders' profit	Effect on Impact on shareholders' equity
Entities which are denominated in RMB					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation of 10% of USD against RMB	85,671	85,671	(10,205)	(10,205)
	Depreciation of 10% of HKD against RMB	(3)	(3)	20,422	20,422
	Depreciation of 10% of EURO against RMB	65,761	65,761	31,219	31,219
Entities which are denominated in HKD					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation of 10% of USD against HKD	(2,038)	(2,038)	(14,528)	(14,528)
	Depreciation of 10% of RMB against HKD	(143)	(143)	(85)	(85)
Entities which are denominated in USD					
Pre-tax effect on the profit or loss for the year and shareholders' equity	Depreciation of 10% of AUD Against USD	(3,075)	(3,075)	(1,054)	(1,054)
	Depreciation of 10% of HKD against USD	(16)	(16)	(42)	(42)
	Depreciation of 10% of EUR against USD	94,223	94,223	194,802	194,802
	Depreciation of 10% of CAD against USD	(600)	(600)	(13,858)	(13,858)
	Depreciation of 10% of RMB against USD	12	12		
	Depreciation of 10% of BRL against USD	19,675	19,675		
	Depreciation of 10% of GBP against USD	17	17		
	Depreciation of 10% of CDF against USD	31,882	31,882		

The management of the Group believes that closing date foreign currency risk cannot reflect the risk of the duration. Sensitivity analysis cannot reflect inherent foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.2 Interest rate risk

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy in accordance with the management consider the risk exposure related to fair value interest rate is low.

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. The Group paid close attention to the impact on cash flow change risks from the changes in interest rate.

Interest rate risk sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of floating rate financial instruments;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constantly, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the year and shareholders' equity:

RMB'000

Item	Changes in interest rates	Current year		Prior year	
		Effect on shareholders' profit	Effect on shareholders' equity	Effect on shareholders' profit	Effect on shareholders' equity
Variable interest rate	Increase 50 base points of interest rate	(69,200)	(69,200)	(18,316)	(18,316)
Variable interest rate	Decrease 50 base points of interest rate	69,200	69,200	18,316	18,316

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk management objectives and policies (Continued)

1.1 Market risk (Continued)

1.1.3. Commodity price risk

International Copper prices and Cobalt prices have a significant impact on the Group's operating results. Copper and Cobalt prices fluctuated in the past and the factors causing fluctuation were uncontrollable by the Group. The Group does not hedge against the fluctuation risk of Copper and Cobalt prices.

The table below shows the sensitivity analysis of the price of Copper and Cobalt on the balance sheet date, which reflects that reasonable and possible fluctuations of Copper and Cobalt prices will have pre-tax impact on the total profit and shareholders' equity under the assumption that other variables remain unchanged.

RMB'000

Item	Increase/ (Decrease) percentage	2016		2015	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Market price of Copper	5%	29,435	29,435	27,508	27,508
Market price of Copper	(5%)	(29,435)	(29,435)	(27,508)	(27,508)

Item	Increase/ (Decrease) percentage	2016		2015	
		Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
Market price of Cobalt	5%	3,099	3,099	-	-
Market price of Cobalt	(5%)	(3,099)	(3,099)	-	-

1.1.4 Other Price risk

The equity instrument investments held by the Group, including financial assets classified as available-for-sale financial assets measured at fair value at each balance sheet date. As at the end of the reporting period, the equity instrument investments held by the Group mainly comprise listed securities and assets management plans, therefore, the Group is exposed to the risk of the fluctuation of securities market price. If equity price of the equity instrument investments held by the Group increase or decrease by 5% while other variables remain the same, the interests of shareholders of the Group will increase or decrease by RMB100,694,000 at the end of the year (excluding the impact of income tax).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Risk management objectives and policies *(Continued)*

1.2 Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of other party to fulfill an obligation, including:

- The book value of the financial assets has been recognized in the consolidated balance sheet. For financial instruments measured at fair value, the book value reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure of risks will change according to the future changes in fair value.

The Group only trades with recognised, creditworthy third parties. Total amount of top five entities with the largest balances of accounts receivable as at 31 December 2016 takes 46.45% of the amount of total accounts receivable (31 December 2015: 54.23%). Accounts receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is controlled. Products are sold only to companies whose credit information is in an acceptable range. Credit limits have been set for most of the customers and they are monitored systematically. For overseas sales, letters of credit are generally in use.

To credit risk arising from the other receivables, the Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are entities with good credit standing and the Group does not expect any significant loss for uncollected advances to these entities.

To the available-for-sale financial asset, the Group has established an investment committee that is responsible for analysis of major investment and for advisory of the board. And the Group has a mechanism to authorise, examine and approve along the hierarchy based on the maturity of single investment amount. The Group has devised a relatively sophisticated investment management system to control the credit risks from the Group's invested financial assets.

The credit risk on liquid fund is low because they are deposited with banks with high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Risk management objectives and policies (Continued)

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Unit: RMB'000

Current year	Within 1 year	1–2 years	2–5 years	More than 5 years	Total
Bank borrowings	5,136,811	4,653,894	10,048,222	13,146,707	32,985,634
Financial liabilities at FVTPL	2,821,442	–	–	–	2,821,442
Bills payable	660,000	–	–	–	660,000
Accounts payable	741,508	–	–	–	741,508
Dividends payable	27,886	–	–	–	27,886
Other payables	1,416,776	–	–	–	1,416,776
Non-current liabilities due within one year	2,638,326	–	–	–	2,638,326
Other current liabilities	2,537,948	–	–	–	2,537,948
Bonds payable	84,400	84,400	2,187,761	–	2,356,561
Other non-current liabilities	–	60,631	69,370	382,676	512,677
Total	16,065,097	4,798,925	12,305,353	13,529,383	46,698,758

Unit: RMB'000

Previous year	Within 1 year	1–2 years	2–5 years	More than 5 years	Total
Bank borrowings	5,488,380	366,776	1,672,897	–	7,528,053
Financial liabilities at FVTPL	1,505,911	–	–	–	1,505,911
Notes payable	782,730	–	–	–	782,730
Accounts payable	237,376	–	–	–	237,376
Dividends payable	27,886	–	–	–	27,886
Other payables	208,404	–	–	–	208,404
Non-current liabilities due within one year	22,924	–	–	–	22,924
Other current liabilities	541,146	–	–	–	541,146
Bonds payable	98,800	2,098,800	–	–	2,197,600
Total	8,913,557	2,465,576	1,672,897	–	13,052,030

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(IX) DISCLOSURE OF FAIR VALUE

1. The closing fair value of assets and liabilities measured at fair value

Unit: RMB'000

Item	Closing fair value			Total
	Fair value measurement in the first Level	Fair value measurement in the second Level	Fair value measurement in the third Level	
1. Persistent fair value measurement				
(1) Financial assets measured at fair value and change included in the profit and loss for the period				
1. Financial assets held for trading				
– Forward foreign exchange contract	–	55,599	–	55,599
(2) Available-for-sale financial assets	–	–	2,028,482	2,028,482
– Equity instrument				
(3) inventories:	–	–	42,267	42,267
– Consumable biological assets				
(3) Accounts receivable				
– Accounts receivable	–	137,859	–	137,859
The total assets measured continuously at fair value	–	193,458	2,070,749	2,264,207
(4) Financial liabilities held for trading	–			
– Derivative financial liabilities not designated as hedge instruments				
– Liabilities caused by gold leasing measured at fair value	–	2,775,838	–	2,775,838
– Contingent consideration at fair value	–	–	45,604	45,604
The total assets measured continuously at fair value	–	2,775,838	45,604	2,821,442

2. Determination basis of item market price measured at continuous second level fair value

Items that are continuously measured at the second level of fair value are liabilities arising from forward foreign exchange contracts, gold forward contracts and the embedded derivatives financial instrument containing in accounts receivables. The discounted cash flow as its fair values was applied as a basis in the valuation. The main input values include forward foreign exchange quotations and discount rates of similar projects in banks, observable prices of similar investment portfolios, the closing prices of related commodity and forward quoted prices.

3. Determination basis of item market price measured at continuous third level fair value

Items that are continuously measured at the third level of fair value are consumable biological assets, available-for-sales financial assets and contingent consideration. The fair value of consumable biological assets is measured based on the prices of same kind wood, the growth period of tree and the discounting of the subsequently input and maintenance fee. The fair value of available-for-sales financial assets is according to the valuation report provided by third-party financial institutions which is based on the comparable market investment prices and discounted future cash flow or valued by the management. The fair value of contingent consideration is based on the corresponding commodity prices calculated by Monte Carlo model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(IX) DISCLOSURE OF FAIR VALUE *(Continued)*

4. The item continued measured at fair value did not transfer between various levels or change valuation technology.
5. Financial instruments not subsequently measured at fair value

The management of the Group has assessed cash and bank balances, notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, other current assets, other non-current assets, short-term borrowings, notes payable, accounts payable, dividends payable, interest payable, other payables, long-term borrowings due within a year, etc. As the remaining term is not long, fair values are approximate to book values.

The long-term financial liabilities which are not subsequently measured at fair values by the Group include long-term borrowings and other non-current liabilities. The floating rates of the long-term borrowings of the Group are linked to market interest rates.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of the parent	Place of registration	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent	Proportion of the Company's voting power held by the parent
Cathay Fortune Corporation	Shanghai	Investment management	RMB181,818,200	31.58%	31.58%

On 12 January 2014, the Company received the Notice of Change of Control Rights of Luoyang Luanchuan Molybdenum Group Co., Ltd. from the shareholders Cathay Fortune Corporation ("CFC") and Luoyang Mining Group Co., Ltd. ("LMG"), notifying that CFC increased its shareholding H shares of the Company in the secondary market through its wholly-owned subsidiary, Cathay Fortune Investment, incorporated in Hong Kong. Upon completion, CFC and its persons acting in concert totally hold 1,827,706,322 shares of the Company (approximately 36.01% of the total share capital of the Company), surpassing 1,776,594,475 shares (approximately 35.01% of the total share capital of the Company) held by the original largest shareholder LMG, and become the Company's largest shareholder. CFC and LMG exchanged views on the change of control of the Company. LMG confirmed that it no longer had control over the Company and had no intention to increase its shareholding in the Company. Therefore, the controlling shareholder of the Company changed to CFC.

As at December 31, 2016, CFC actually holds 5,333,220,000.00 shares of the Company accounting for 31.58% of the total share capital of the Company. The Company believes that CFC is still the actual controller of the Company.

2. Subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note (VII), 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

3. Associates and joint ventures of the Company

For details of associates and joint ventures of the Company, please refer to Note (VII), 2.

Other associates or joint ventures which have transactions with the Group in the current year or in previous years are as follows:

Associates or joint ventures	Relationship with the Company
High-Tech	Associate
Fuchuan	Associate
Yulu Mining	Joint venture
Luoyang Shenyu	Joint venture

4. Other related parties

Other related parties	Relationship with the Company
LMG	Shareholder of the Company
CFC	Shareholder of the Company
Gécamines <i>(Note)</i>	Minority shareholder of subsidiary
SNEL <i>(Note)</i>	Subsidiary of Congo (DRC) state-owned entity

Note: The Group completed the acquisition of Congo (DRC) Copper-Cobalt business on 17 November 2016, and Gécamines, the minority shareholder of TFM, became related party of the Group. The minority shareholders of TFM, Gécamines is Congo (DRC) state-owned entity, therefore, the Congo (DRC) state-owned entity, SNEL is treated as a related party as well. The government of the Congo (DRC) may indirectly hold a number of companies which, when merged with other indirect interests, may be deemed to be associated parties of the Group out of the knowledge of the Group. Despite this, the Group considers that the financial statements have disclosed the significant related party transactions between the TFM and the Government of the Congo (DRC).

5. Related party transactions

(1) Sales and purchase of goods, receipt of services

Unit: RMB

Related party	Details of related party transaction	Amount for the current year	Amount for the prior year
High-Tech	Sales of products	1,128,205.12	11,260,683.78
Luoyang Shenyu	Sales of products	2,460,231.10	N/A
Gécamines	Provision of technical support	13,670,262.68	N/A
SNEL	Provision of electricity services	29,279,432.78	N/A

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(2) *Guarantee to related party*

The Group provided the maximum amount of RMB148.5 million guarantee for Fuchuan, the subsidiary of joint venture of the Group, Huanyu, from May 23, 2014 to May 22, 2017. As of December 31, 2016, there is no unsettled balance under the maximum guarantee contract, so the guarantee has been released.

(3) *Compensation for key management personnel*

Unit: RMB'000

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	10,620	8,441

6. Amounts due from/to related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bed debt provision	Carrying amount	Bed debt provision
Other receivables	High-Tech	-	-	45,000,000.00	-
Prepayments	Fuchuan	-	-	1,360,060.60	-
Other current assets <i>(Note)</i>	SNEL	110,215,056.00	-	N/A	-
Other non-current assets <i>(Note)</i>	Gécamines	290,299,576.00	-	N/A	-
Other non-current assets <i>(Note)</i>	SNEL	1,224,352,752.00	-	N/A	-
Other receivables	Fuchuan	9,721,000.00	-	1,175,776.21	-
Other receivables	SNEL	69,370,000.00	-	N/A	-
Other receivables	Gécamines	852,061,333.50	-	N/A	-
Accounts payable	SNEL	38,659,901.00	-	N/A	-
Other non-current liabilities	Gécamines	69,370,000.00	-	N/A	-

Note: The above receivables are fund borrowings due from minority shareholders of TFM and other related parties, TFM received interest from relevant parties in accordance with the agreed interest rate. From the date of acquisition to the balance sheet date, the amount of interest received by TFM from SNEL and Gécamines was USD1,056,976 and USD311,024 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

7. Emoluments of directors and supervisors

Emoluments of each director for the year 2016 are as follows:

	Remuneration of directors RMB'000	Salary and allowances RMB'000	Bonus RMB'000	Pension RMB'000	Social insurance and housing funds other than pension RMB'000	Total RMB'000
Executive director:						
Li Chaochun	–	360.00	1,959.34	19.41	21.25	2,360.00
Li Faben	–	360.00	1,559.34	19.41	21.25	1,960.00
Non-executive director:						
Ma Hui	90.00	–	–	–	–	90.00
Yuan Honglin	90.00	–	–	–	–	90.00
Cheng Yunxiao	90.00	–	–	–	–	90.00
Independent non-executive director:						
Bai Yanchun	200.00	–	–	–	–	200.00
Xu Shan	200.00	–	–	–	–	200.00
Cheng Yu	200.00	–	–	–	–	200.00
Total	870.00	720.00	3,518.68	38.82	42.50	5,190.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

7. Emoluments of directors and supervisors *(Continued)*

Emoluments of each director for the year 2015 are as follows:

	Remuneration of directors RMB'000	Salary and allowances RMB'000	Bonus RMB'000	Pension RMB'000	Social insurance and housing funds other than pension RMB'000	Total RMB'000
Executive director:						
Li Chaochun	–	400.00	750.00	20.08	21.38	1,191.46
Li Faben	–	400.00	700.00	20.08	21.38	1,141.46
Wu Wenjun <i>(Note 3)</i>	–	211.04	–	20.08	21.38	252.50
Wang Qinxi <i>(Note 1)</i>	–	185.00	325.00	10.04	10.69	530.73
Gu Meifeng <i>(Note 1)</i>	–	180.00	325.00	10.04	10.69	525.73
Non-executive director:						
Zhang Yufeng <i>(Note 3)</i>	45.00	–	–	–	–	45.00
Ma Hui <i>(Note 2)</i>	45.00	–	–	–	–	45.00
Cheng Yunxiao <i>(Note 2)</i>	45.00	–	–	–	–	45.00
Yuan Honglin	90.00	–	–	–	–	90.00
Independent non-executive director:						
Bai Yanchun	200.00	–	–	–	–	200.00
Xu Shan	200.00	–	–	–	–	200.00
Cheng Yu	200.00	–	–	–	–	200.00
Total	825.00	1,376.04	2,100.00	80.32	85.52	4,466.88

Note 1: Wang Qinxi and Gu Meifeng are no longer served as executive director of the company from 26 June 2015 but continue to serve the company. The above only includes the remuneration of the two directors during the term of the official directors.

Note 2: As of 26 June 2015, Ma Hui served as Vice Chairman and Non-Executive Director of the Company. Cheng Yun Lei served as a non-executive director of the Company.

Note 3: Zhang Yufeng and Wu Wenjun are no longer directors of the Company since 26 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

7. Emoluments of directors and supervisors (Continued)

Emoluments of each supervisor for the year 2016 are as follows:

	Salary and allowances RMB'000	Bonus RMB'000	Pension RMB'000	Social insurance and housing funds other than pension RMB'000	Total RMB'000
Zhang Zhenhao	90.00	–	–	–	90.00
Kou Youmin	90.00	–	–	–	90.00
Wang Zhengyan	320.00	1,256.69	19.41	23.90	1,620.00
Total	500.00	1,256.69	19.41	23.90	1,800.00

Emoluments of each supervisor for the year 2015 are as follows:

	Salary and allowances RMB'000	Bonus RMB'000	Pension RMB'000	Social insurance and housing funds other than pension RMB'000	Total RMB'000
Zhang Zhenhao	90.00	–	–	–	90.00
Kou Youmin (Note 1)	45.00	–	–	–	45.00
Wang Zhengyan (Note 2)	250.00	600.00	24.28	27.03	901.31
Total	385.00	600.00	24.28	27.03	1,036.31

Note 1: Kou Youmin has served as the supervisor and the chairman of the board of supervisors of the Company since 26 June 2015.

Note 2: From 19 January 2016, Deng Jiaoyun resigned for personal reasons, Wang Zhengyan took over as supervisors on behalf of the employees.

3 staffs (2015: 4) of the top five of 2016 remunerations are directors or supervisors of the Company, and the emoluments of the other 2 staff (2015: 2) are as follows:

Range of emoluments	Number of the current year	Number of the prior year
HK\$1,000,001 to HK \$1,500,000 (equivalent to RMB894,000 to RMB1,342,000)	–	2
HK\$1,500,001 to HK \$2,000,000 (equivalent to RMB1,342,000 to RMB1,789,000)	2	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XI) COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB'000

	Amount for the year	Amount for the previous
Contracted but not recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	207,821	154,384
– Commitment for investment	527,634	548,797
Total	735,455	703,181

At the balance sheet date, the Group has no other commitments that need to be disclosed.

(2) Operating lease commitments

Till the balance sheet date, the information on irrevocable operating lease contracts that have been signed are as follows:

Unit: RMB'000

	Closing balance	Opening balance
Minimum lease payment under irrevocable operating		
First year after the balance sheet date	21,147	15,742
Second year after the balance sheet date	19,149	17,150
Third year after the balance sheet date	18,282	17,150
Fourth year after the balance sheet date	17,142	15,742
Subsequent years	16,890	32,611
Total	92,610	98,395

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XI) COMMITMENTS AND CONTINGENCIES *(Continued)*

2. Contingencies

(1) *Pending litigation*

Business of the Group in PRC

On 30 January 2013, the Group received relevant documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that West Lead Mine, Yangshuao, Luanchuan County ("Yangshuao") filed a lawsuit accusing that the tailing storage built by the No. 3 Ore Processing Branch, a branch of subsidiary of the Group, was in its mining area. As the height of the dam of the tailing storage increased to occupy upwards and the level of the groundwater rose, the mining facilities and equipment of Yangshuao were damaged and its mining needed to be written off. The plaintiff was unable to exploit the defined lead- zinc ore and an economic loss was thus incurred. Therefore, the plaintiff made claims that No. 3 Ore Processing Branch shall cease the infringement and compensate the plaintiff for a direct economic loss of approximately RMB18 million. According to the results of judicial authentication, the appraised value of the mining right in the litigation in respect of Yangshuao amounted to RMB1.724 million. The litigation is still in process, the Group believes that the infringement claimed by Yangshuao cannot be confirmed truly existed based on the existing circumstances and the submitted evidences. The Group considers that the litigation does not currently have a significant impact on the financial position of the Group and has not accrued the relevant claim amount in the financial statements as at 31 December 2016.

Copper-Cobalt business of the Group in Congo (DRC)

At the end of 2015, TFM negotiated with SNEL to address the availability, supply quality and quantity of electricity. In accordance with the amended items of the power agreement included in the dispute settlement plan, TFM agrees to pay the electricity at the price of US\$0.0569 per kilowatt-hour from January 2016 (the original electricity price was \$0.0350 per kilowatt-hour) and to pay US\$10 million settlement compensation to get more continuous supply of electricity from SNEL. As at the date of this report, the two parties have not yet signed any formal agreement, and the negotiations are still in progress, the Group expects to solve the negotiation in 2017. In response to this contingent liability, TFM has accrued \$10 million in expenditure (equivalent to RMB69.37 million) in prior years.

The Group's Copper-Cobalt business in Congo (DRC) may have some lawsuits, claims and liability claims in the daily business. The management considers that the results of such contingencies will not have a material adverse effect on the financial position, operating performance or cash flows of the business based on the information currently available.

The Group's Niobium-Phosphorus business in Brazil

The Group's Niobium-Phosphorus business in Brazil may face with various litigations and disputes in its daily business activities, and the management determine the possibility of losing and consequent economic benefits outflow in accordance with the information available and the professional advice of external legal experts. Where the determined possibility of economic benefits outflow is low, disclose it as a contingency. The amount involved in the litigations as at 31 December 2016 is RMB197,010,000, which is related to the environmental litigation and labor lawsuit of the subsidiaries AAFB and AANB in Brazil. No provision has been made for above contingencies.

(2) *Guarantee*

As at 31 December 2016, the Group's Australian Northparkes Copper and gold mine business provides guarantees to the relevant business operations of Southwest Welsh government agencies of Australia through the bank, whose guarantee amount of AUD28,380,000 (equivalent to RMB134.64 million). The relevant business venture agrees to any liability of the business compulsory executed from this guarantee. As at 31 December 2016, no material guarantee responsibility was undertaken.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XII) EVENTS AFTER THE BALANCE SHEET DATE

1. Redemption of bonds

The Company issued the 2016 first tranche of short-term financing bonds on 26 February 2016 amounting to RMB500,000,000 and the date of redemption is 1 March 2017. The Company redeemed the principal and interest of RMB515,940,000 at the agreed maturity date.

2. Cooperation framework agreement with BHR

On 20 January 2017 and 3 March 2017, the Company entered into a cooperation framework agreement with a third party BHR Newwood Investment Management Limited ("BHR") and its investors. Pursuant to this arrangement, the Company will assist BHR to complete an equity purchase agreement ("Lundin Acquisition") with Lundin Mining Corporation for a 30% equity of TFHL (ie, 24% indirect equity in TFM), including the following arrangements:

- (1) The Company is committed to assisting BHR to raise funds for the completion of the Lundin Acquisition, including but not limited to assisting BHR to introduce investors;
- (2) The Company will assist BHR as a financing party to obtain a syndicated loan for payment of the acquisition consideration, which is expected to be 60% of the consideration for the acquisition, i.e.: USD700 million. BHR will pledge the equity in related subsidiaries in accordance with the requirements of the bank. The Company or its designation party will further provide guarantee for acquisition USD loans (depending on the requirements of the loan bank);
- (3) The cooperation framework agreement gives the Company an option to buy BHR or the equity of Tenke held by BHR. At the same time, the cooperation framework agreement grants BHR and BHR shareholders a put option and the related shareholders to sell BHR or the interest in Tenke held by BHR to the Company. In the event that the Company decides to exercise the share option, or BHR and its shareholders decide to exercise the put option, the Company will have an aggregate indirect equity of 80% in TFM.

The Company will convene an extraordinary general meeting on 14 April 2017 to review the aforesaid transaction arrangements.

3. Dividend declaration

According to a proposal at the 9th meeting of the Fourth Session of the Board held on 30 March 2017, on the basis of 16,887,198,699 issued shares, total dividends in cash of RMB591,051,954.47(pre-tax) will be distributed to all the shareholders who are registered on the equity rights registration date stipulated in the dividend announcement representing RMB0.35 (pre-tax) for each 10 shares. The above proposal regarding dividends distribution is subject to be approved in the shareholders' meeting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIII) OTHER SIGNIFICANT EVENTS

1. Segment reporting

(1) Reporting segment's confirmation basis and accounting policies

In prior years, management divided the Group's business into five operating segments, namely Molybdenum Tungsten related products, gold and silver related products, electrolytic lead, Copper and gold-related products and others on the basis of the Group's internal organization structure, management requirements and internal reporting system. During the year, the Group completed two significant asset acquisitions. In order to reflect the operation of the Group in a more reasonable way. The Company divided the Group's business into six operating segments, namely, Molybdenum & Tungsten related products in China, Copper & gold related products in Australia, Niobium and Phosphorus related products in Brazil, and Copper and Cobalt related products in Congo (DRC) and others; the Group's management evaluates the operating results of these segments regularly, in order to determine the allocation of resources and assess their performance.

These reporting segments are determined on the basis of internal management and reporting system. Information of segment reporting are disclosed according to segment accounting policies and measurement standards, the measurement basis should be corresponding with that of financial statements.

(2) Reporting segment's financial information

Unit: RMB'000

Current year	China	Australia	Brazil	Congo (DRC)		Others	Unallocated item	Inter-segment eliminations	Total
	Molybdenum & Tungsten related products	Copper & gold related products	Niobium related products	Phosphorus related products	Copper & Cobalt related products				
Operating revenue									
External revenue	2,815,658	1,381,203	410,653	729,611	1,296,147	316,299	-	-	6,949,571
Inter-segment revenue	-	-	2,687	-	-	-	-	2,687	-
Total segment operating revenue	2,815,658	1,381,203	413,340	729,611	1,296,147	316,299	-	2,687	6,949,571
Total operating revenue in the financial statements	2,815,658	1,381,203	413,340	729,611	1,296,147	316,299	-	2,687	6,949,571
Operating cost	1,511,570	1,013,663	309,266	584,775	996,306	210,925	-	2,687	4,623,818
Taxes and levies	190,690	39,619	-	-	33,435	-	(33,435)	-	230,309
Selling expenses	20,371	55,106	2,384	4,170	8,588	-	-	-	90,619
Administrative expenses	-	11,721	28,842	56,570	10,765	-	606,838	-	714,736
Financial expenses	-	95,602	43,428	(5,997)	129,149	-	145,486	-	407,668
Impairment losses of assets	-	2,786	7,837	591	3,712	-	336,929	-	351,855
Add: Gains (losses) from changes in fair values	-	-	-	5,225	-	-	41,195	-	46,420
Investment income	-	-	-	-	-	-	174,183	-	174,183
Segment operating profit	1,093,027	162,706	21,583	94,727	114,192	105,374	(840,440)	-	751,169
Operating profit	1,093,027	162,706	21,583	94,727	114,192	105,374	(840,440)	-	751,169
Add: Non-operating income	-	-	-	8,340	-	-	458,678	-	467,018
Less: Non-operating expenses	-	-	-	2,773	-	-	25,273	-	28,046
Total profit	1,093,027	162,706	21,583	100,294	114,192	105,374	(407,035)	-	1,190,141
Less: Income tax expense	95,462	61,000	(15,700)	18,635	29,111	-	(17,605)	-	170,903
Net profit	997,565	101,706	37,283	81,659	85,081	105,374	(389,430)	-	1,019,238

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIII) OTHER SIGNIFICANT EVENTS (Continued)

1. Segment reporting (Continued)

(2) Reporting segment's financial information (Continued)

Unit: RMB'000

Last year	Molybdenum, Tungsten and related products	Copper, gold and related products (Australia)	Other	Unallocated item	Inter-segment elimination	Total
Operating revenue						
External revenue	2,421,140	1,479,035	296,665	–	–	4,196,840
Inter-segment revenue	–	–	–	–	–	–
Total segment operating revenue	2,421,140	1,479,035	296,665	–	–	4,196,840
Total operating revenue in the financial statements	2,421,140	1,479,035	296,665	–	–	4,196,840
Operating cost	1,483,174	931,261	208,013	–	–	2,622,448
Taxes and levies	–	42,326	–	200,147	–	242,473
Selling expenses	–	66,079	–	18,594	–	84,673
Administrative expenses	–	17,355	–	339,819	–	357,174
Financial expenses	–	79,412	–	(33,230)	–	46,182
Impairment losses of assets	–	17,149	–	213,294	–	230,443
Add: Gains (losses) from changes in fair values	–	–	–	(2,773)	–	(2,773)
Investment income	–	–	–	116,593	–	116,593
Segment operating profit	937,966	325,453	88,652	(624,804)	–	727,267
Operating profit	937,966	325,453	88,652	(624,804)	–	727,267
Add: Non-operating income	–	–	–	50,152	–	50,152
Less: Non-operating expense	–	–	–	94,601	–	94,601
Total profit	937,966	325,453	88,652	(669,253)	–	682,818
Less: Income tax expense	–	3,029	–	(23,319)	–	(20,290)
Net profit	937,966	322,424	88,652	(645,934)	–	703,108

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIII) OTHER SIGNIFICANT EVENTS (Continued)

1. Segment reporting (Continued)

- (3) The Group mainly operates in China, Australia, Brazil and Congo (DRC), and sells to the customers in China and other countries. The geographic disclosure of revenue and results of segments are classified by the destination of the products to deliver.

Unit: RMB'000

	Amount recognised in the current year	Amount recognised in the prior year
Revenue		
China	3,525,124	3,159,375
Japan	837,917	–
Brazil	730,678	952,913
Switzerland	597,899	1,692
Singapore	378,065	–
Finland	270,539	82,860
Korea	204,094	–
Others	405,255	–
Total	6,949,571	4,196,840

- (4) External revenue by location of business and non-current assets by location

Unit: RMB'000

Items	Amount recognised in the current year	Amount recognised in the prior year
External revenue from Chinese business	3,101,861	2,717,805
External revenue from Australian business	1,410,775	1,479,035
External revenue from Brazil business	1,140,788	–
External revenue from Congo (DRC) business	1,296,147	–
Subtotal	6,949,571	4,196,840

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIII) OTHER SIGNIFICANT EVENTS (Continued)

1. Segment reporting (Continued)

(4) External revenue by location of business and non-current assets by location (Continued)

Unit: RMB'000

Items	Amount at the end of period	Amount at the beginning of period
Non-current assets located in China	9,368,639	7,523,268
Non-current assets located in Australia	4,824,504	4,839,399
Non-current assets located in Brazil	12,481,504	–
Non-current assets located in Congo (DRC)	38,236,511	–
Subtotal	64,911,158	12,362,667

Note: The above non-current assets are not including deferred tax assets and financial assets.

(5) Reliance on major clients

The Group does not have customer to whom the amount of sales is more than 10% of the total revenue.

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:			117,244.09			89,261.88
RMB	–	–	117,244.09	–	–	77,573.40
USD	–	–	–	1,800.00	6.4936	11,688.48
Bank balances:			4,535,744,581.62			8,163,067,277.60
RMB			4,507,965,996.90	–	–	6,908,393,130.51
USD	4,000,725.86	6.9370	27,753,035.29	193,213,351.92	6.4936	1,254,650,222.03
HKD	28,560.44	0.8945	25,547.60	28,557.70	0.8378	23,925.06
EUR	0.25	7.3200	1.83	–	–	–
Other cash and bank balances			1,300,016,029.71			922,317,000.00
RMB	–	–	1,300,016,029.71	–	–	922,317,000.00
Total			5,835,877,855.42			9,085,473,539.48

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Notes receivable

(1) Categories of Notes receivable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	788,450,950.75	419,859,476.44
Commercial acceptance	132,624,000.00	2,300,000.00
Total	921,074,950.75	422,159,476.44

(2) Notes receivable endorsed or discounted by the Company as at the end of the year but not yet due at the balance sheet date

Unit: RMB

Category	Amount derecognized as at the end of the year
Bank acceptance	743,220,258.00
Total	743,220,258.00

3. Accounts receivable

Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance				Opening balance			
	Book Balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Book Balance Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)
Accounts receivable that are individually significant	745,480,056.90	99.26	4,229,626.57	0.57	672,357,461.90	95.40	4,229,626.57	0.63
Receivable that are not individually significant	5,546,799.63	0.74	3,775,030.81	68.06	32,398,805.29	4.60	3,562,634.19	11.00
Total	751,026,856.53	100.00	8,004,657.38	1.07	704,756,267.19	100.00	7,792,260.76	1.11

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Prepayments

Aging analysis of prepayments is as follows

Unit: RMB

Aging	Amount at the end of year		Amount at the beginning of year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	25,758,658.27	99.86	34,536,763.27	97.83
1 to 2 years	9,660.34	0.04	208,525.89	0.59
2 to 3 years	25,000.00	0.10	558,630.45	1.58
Total	25,793,318.61	100.00	35,303,919.61	100.00

5. Other receivables

(1) Disclosure of other receivables by categories

Unit: RMB

Categories	Closing balance				Opening balance			
	Carrying Amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant	5,602,941,240.19	99.61	11,778,874.54	0.21	2,983,584,202.08	99.07	-	-
Other receivables that are not individually significant	22,053,679.57	0.39	11,766,434.65	53.35	27,871,140.89	0.93	13,004,044.42	46.66
Total	5,624,994,919.76	100.00	23,545,309.19	0.42	3,011,455,342.97	100.00	13,004,044.42	0.43

The Group recognises other receivables of over RMB5 million as other receivables that are individually significant.

(2) The Group has no other receivables actually written off during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Inventories

Categories of inventories:

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	59,997,094.86	-	59,997,094.86	73,893,509.84	-	73,893,509.84
Finished goods	119,388,586.21	-	119,388,586.21	178,554,248.40	-	178,554,248.40
Total	179,385,681.07	-	179,385,681.07	252,447,758.24	-	252,447,758.24

7. Available-for-sale financial assets

Available-for-sale financial assets

Unit: RMB

Items	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	provision for diminution in value	Net carrying amount
Available-for-sale equity instruments measured at cost	200,004,928.00	-	200,004,928.00	200,004,928.00	-	200,004,928.00
Total	200,004,928.00	-	200,004,928.00	200,004,928.00	-	200,004,928.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Long-term equity investments

Details of long-term equity investment as follows:

Unit: RMB

Investee	Initial investment cost	Closing balance	Opening balance
Equity Method			
Yulu Mining (Note 1)	20,000,000.00	69,629,450.40	76,909,858.94
High-tech (Note 1)	135,000,000.00	88,762,283.32	101,886,824.95
Huan Yu (Note 1)	973,335,000.00	775,225,287.45	816,065,487.90
Luoyang Shenyu (Note 1)	1,500,000.00	1,314,112.19	–
Subtotal	1,129,835,000.00	934,931,133.36	994,862,171.79
Cost Method			
Ye Lian	5,638,250.27	5,638,250.27	5,638,250.27
Da Chuan	157,500,000.00	17,500,000.00	17,500,000.00
Xiao Shou Mao Yi	2,000,000.00	2,000,000.00	2,000,000.00
Da Dong Po	33,483,749.86	33,483,749.86	33,483,749.86
Jiu Yang	17,028,900.00	17,028,900.00	17,028,900.00
San Qiang	28,294,800.00	33,397,038.41	33,397,038.41
International Hotel	210,000,000.00	210,000,000.00	210,000,000.00
Wu Ye	100,000,000.00	100,000,000.00	100,000,000.00
Hong Kong	0.96	0.96	0.96
Metal Material	650,000,000.00	650,000,000.00	650,000,000.00
Fu Run	8,803,190.84	8,803,190.84	8,803,190.84
Xin Jiang Luo Mu	980,000,000.00	980,000,000.00	980,000,000.00
Hu Qi	9,900,000.00	9,900,000.00	9,900,000.00
Fu Kai	261,520,000.00	261,520,000.00	261,520,000.00
Sales Company	50,000,000.00	50,000,000.00	50,000,000.00
Qi Xing	46,963,636.00	46,963,636.00	46,963,636.00
Hong Kong CMOC (Note 2)	12,532,677,299.48	13,018,677,299.48	638,797,299.48
Schmocke	500,000,000.00	500,000,000.00	500,000,000.00
Beijing YongBo	40,000,000.00	40,000,000.00	10,000,000.00
Subtotal		15,984,912,065.82	3,575,032,065.82
Total		16,919,843,199.18	4,569,894,237.61
Less: Provision for impairment losses		–	–
Net amount of long-term equity investments		16,919,843,199.18	4,569,894,237.61

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Long-term equity investments (Continued)

Note 1: For details, please refer to note (V).10.

Note 2: RMB63,000,000.00 (31 December 2015: RMB63,000,000.00) is the fair value arising from financial guarantee the Company providing to a long-term bank loan amounting to USD139.5 million (31 December 2015: USD179.5 million) of CMOC Mining Pty Limited, a wholly-owned subsidiary of CMOC Hong Kong. RMB110,000,000.00 (31 December 2015: Nil) is the fair value arising from the Company providing financial guarantee for USD900 million (31 December 2015: Nil) syndicated long-term loans to CMOC Luxembourg and CMOC Brazil whose 100% equity are held by CMOC Hong Kong, the Company's wholly-owned subsidiary; RMB308,000,000.00 (31 December 2015: Nil) is the fair value arising from the Company providing financial guarantee for USD1.59 billion (31 December 2015: Nil) syndicated long-term loans to CMOC DRC LIMITED, whose 100% equity is held by CMOC Hong Kong, the Company's wholly-owned subsidiary.

9. Fixed Assets

Unit: RMB

Items	House building and mining engineering	Machinery equipment	Electronic furniture and Fixtures	Transport equipment	Total
I. Total original carrying amount:					
1. Opening balance	2,442,195,675.44	743,973,602.28	143,486,622.11	127,268,352.73	3,456,924,252.56
2. Increased amount at current year	151,177,864.48	49,059,725.41	12,034,052.59	1,199,933.04	213,471,575.52
(1) Purchasing	811,265.25	5,311,776.32	1,139,822.56	1,199,933.04	8,462,797.17
(2) Transferred from construction-in-progress	150,366,599.23	43,747,949.09	10,894,230.03	–	205,008,778.35
3. Reduced amount at current year	1,409,422.17	6,041,170.24	320,849.50	1,850,129.97	9,621,571.88
(1) Disposal or retirement	1,409,422.17	6,041,170.24	320,849.50	1,850,129.97	9,621,571.88
4. Closing balance	2,591,964,117.75	786,992,157.45	155,199,825.20	126,618,155.80	3,660,774,256.20
II. Accumulated depreciation					
1. Opening balance	1,301,479,970.74	516,489,343.65	97,807,709.65	115,228,330.70	2,031,005,354.74
2. Increased amount at current year	102,026,309.82	49,919,908.93	8,767,276.64	2,186,953.60	162,900,448.99
(1) Provision	102,026,309.82	49,919,908.93	8,767,276.64	2,186,953.60	162,900,448.99
3. Reduced amount at current year	213,744.48	3,633,151.24	270,004.88	777,354.33	4,894,254.93
(1) Disposal or retirement	213,744.48	3,633,151.24	270,004.88	777,354.33	4,894,254.93
4. Closing balance	1,403,292,536.08	562,776,101.34	106,304,981.41	116,637,929.97	2,189,011,548.80
III. Impairment provision					
1. Opening balance	–	2,966,254.30	–	–	2,966,254.30
2. Increased amount at current year	–	1,193,936.69	–	–	1,193,936.69
(1) Provision	–	1,193,936.69	–	–	1,193,936.69
(2) Transferred from construction-in-progress	–	–	–	–	–
3. Reduced amount at current year	–	214,988.60	–	–	214,988.60
(1) Disposal or retirement	–	214,988.60	–	–	214,988.60
(2) Reduction because of selling subsidiary	–	–	–	–	–
4. Closing balance	–	3,945,202.39	–	–	3,945,202.39
IV. Carrying amount					
1. Carrying amount at the end of the year	1,188,671,581.67	220,270,853.72	48,894,843.79	9,980,225.83	1,467,817,505.01
2. Carrying amount at the beginning of the year	1,140,715,704.70	224,518,004.33	45,678,912.46	12,040,022.03	1,422,952,643.52

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

10. Intangible assets

Unit: RMB

Item	Land use right	Mining right	Trademark right	Non proprietary technology	Others	Total
I. Total original carrying amount:						
1. Opening balance	321,653,291.27	408,985,700.00	1,286,750.00	83,831,281.87	10,236,946.99	825,993,970.13
2. Increased amount at current year	-	-	-	-	-	-
(1) Purchasing	-	-	-	-	-	-
3. Reduced amount at current year	4,310,600.00	-	-	-	-	4,310,600.00
(1) disposal	4,310,600.00	-	-	-	-	4,310,600.00
4. Closing balance	317,342,691.27	408,985,700.00	1,286,750.00	83,831,281.87	10,236,946.99	821,683,370.13
II. Accumulated amortization						
1. Opening balance	58,088,395.89	253,547,448.48	1,066,468.89	31,436,730.90	2,913,535.58	347,052,579.74
2. Increased amount at current year	7,180,887.59	27,219,369.48	-	8,383,128.24	862,495.36	43,645,880.67
(1) Provision	7,180,887.59	27,219,369.48	-	8,383,128.24	862,495.36	43,645,880.67
3. Reduced amount at current year	1,057,675.60	-	-	-	-	1,057,675.60
(1) disposal	1,057,675.60	-	-	-	-	1,057,675.60
4. Closing balance	64,211,607.88	280,766,817.96	1,066,468.89	39,819,859.14	3,776,030.94	389,640,784.81
III. Impairment provision						
1. Opening balance	-	-	-	-	-	-
2. Increased amount at current year	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-
3. Reduced amount at current year	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
(2) Decrease for sale of subsidiary	-	-	-	-	-	-
4. Closing balance	-	-	-	-	-	-
IV. Carrying amount						
1. Carrying amount at the end of the year	253,131,083.39	128,218,882.04	220,281.11	44,011,422.73	6,460,916.05	432,042,585.32
2. Carrying amount at the beginning of the year	263,564,895.38	155,438,251.52	220,281.11	52,394,550.97	7,323,411.41	478,941,390.39

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets or liabilities listed in net value after offsetting

Unit: RMB

Item	Closing amount	Opening amount
Deferred income tax assets		
Impairment provision for assets	5,324,275.35	3,564,383.93
Government grants' deferred revenue	2,812,020.96	3,457,070.29
Gains and losses from changes in fair value	–	1,405,583.85
Net accrued and unpaid expenses	42,467,140.99	20,819,508.25
Scrap of fixed assets without record	3,510,509.81	3,510,509.81
Deductible losses	–	11,998,953.53
Subtotal	54,113,947.11	44,756,009.66
Deferred income tax liabilities:		
Interest income	64,478,777.47	44,323,085.56
Gains and losses from changes in fair value	4,773,952.69	–
Subtotal	69,252,730.16	44,323,085.56
Deferred tax assets/liabilities after offsetting	(15,138,783.05)	432,924.10

(2) Temporary differences corresponding to the assets/liabilities causing temporary differences

Unit: RMB

Item	Amount of temporary differences	
	Closing balance	Opening balance
Impairment provision for assets	35,495,168.96	23,762,559.48
Government grants' deferred revenue	18,746,806.41	23,047,135.28
Gains and losses from changes in fair value	(31,826,351.24)	9,370,559.03
Net accrued and unpaid expenses	283,114,273.26	138,796,721.68
Scrap of fixed assets without record	23,403,398.76	23,403,398.76
Deductible losses	–	79,993,023.55
Interest income withheld	(429,858,516.47)	(295,487,237.09)
Subtotal	(100,925,220.32)	2,886,160.69

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Breakdowns of impairment provision on assets

Unit: RMB

Items	Beginning balance	Increase in current year	Decrease in current year Return back	Written-off	Closing balance
I. Bad debts provision	20,796,305.18	12,126,085.16	1,372,423.77	–	31,549,966.57
II. Impairment provision for fixed assets	2,966,254.30	1,193,936.69	–	214,988.60	3,945,202.39
Total	23,762,559.48	13,320,021.85	1,372,423.77	214,988.60	35,495,168.96

13. Other non-current assets

Unit: RMB

Item	Closing amount	Opening amount
Deposit over one year (Note)	1,418,649,288.83	1,282,384,582.09
Structured Deposit over one year (Note)	300,000,000.00	300,000,000.00
Banks' wealth investment product over one year	800,000,000.00	200,000,000.00
Prepaid farmland occupation tax (Note)	25,959,022.32	25,959,022.32
Total	2,544,608,311.15	1,808,343,604.41

Note: For details, please refer to note (V).17.

14. Short-term borrowings

Categories of Short term borrowings:

Unit: RMB

Item	Closing amount	Opening amount
Secured borrowings (Note)	806,773,100.00	–
Credit loan	3,149,440,377.73	2,549,051,075.88
Total	3,956,213,477.73	2,549,051,075.88

Note: Borrowings that are obtained through pledge of fixed deposits, structural deposits and wealth management products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

15. Financial liabilities measured at fair value through profit or loss

Details of transaction financial liabilities are as follows:

Unit: RMB

Item	Closing fair value	Opening fair value
1. Derivative financial liabilities not designated as hedge	23,772,676.40	108,578,304.53
– Forward Foreign Exchange Contracts	–	24,143,104.53
– Forward Commodity Contracts	23,772,676.40	84,435,200.00
2. Gold lease liabilities measured at fair value	2,752,065,250.00	1,397,332,200.00
Total	2,775,837,926.40	1,505,910,504.53

Details of transaction financial liabilities refer to Note (V). 19.

16. Taxes payable

Unit: RMB

Item	Closing amount	Opening amount
Enterprise income tax	(48,682,920.95)	(74,471,714.91)
Urban maintenance and construction tax	(2,117,989.18)	1,522,744.42
Value-added tax	–	(11,022,504.98)
Resource tax	14,160,480.53	10,878,534.58
Education surtax	(1,254,107.57)	929,875.11
Other tax	3,119,875.92	3,881,626.86
Total	(34,774,661.25)	(68,281,438.92)

17. Other current liabilities

Unit: RMB

Item	Closing amount	Opening amount
Accrued expenses	166,033,808.80	14,623,710.70
Financial guarantee contracts (Note (XIV). 8)	127,768,520.06	45,764,063.70
Payables for short-term financing bonds (Note (V). 29)	2,500,000,000.00	500,000,000.00
Total	2,793,802,328.86	560,387,774.40

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

18. Provision

Unit: RMB

Item	Closing amount	Opening amount
Land restoration and rehabilitation fee (Note (V).32)	47,570,371.67	47,570,371.67
Total	47,570,371.67	47,570,371.67

19. Operating income and operating costs

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Main business income	2,206,922,815.15	2,128,645,900.72
Other business income	60,337,343.98	49,529,359.23
Main business cost	1,009,627,268.16	1,025,081,456.73
Other business cost	63,516,476.52	50,747,813.70

20. Taxes and levies

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year	Calculation and payment standards
Business tax	3,330.00	7,029,132.12	Note (IV)
Urban maintenance and construction tax	13,134,643.43	12,103,882.42	Note (IV)
Education surcharges	7,881,909.92	7,262,329.46	Note (IV)
Resource tax	146,471,693.73	160,696,556.83	Note (IV)
Other	10,240,887.20	5,790,567.13	
Total	177,732,464.28	192,882,467.96	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

21. Administrative expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Wages and social security contribution	27,216,897.05	48,392,223.07
Depreciation and amortization	21,324,261.59	23,235,745.77
Audit fee	9,835,935.63	6,418,700.00
Consulting and professional fees	257,548,452.35	15,645,461.45
Entertainment expenditures	4,240,939.17	3,028,056.85
Technological development expense	110,256,904.85	73,131,025.27
Other	44,608,742.25	47,545,557.84
Total	475,032,132.89	217,396,770.25

22. Financial expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Interest expenses on bond	203,559,581.20	260,689,500.10
Discount interest of notes receivables	15,548,058.98	43,689,546.04
Bank loans interest expenses	128,609,562.09	66,709,585.49
Including: the interest expense of bank loads due within 5 years	125,466,198.40	62,635,548.38
Other borrowing	3,143,363.69	4,074,037.11
Total interest expenses:	347,717,202.27	371,088,631.63
Less: Capitalised interest expenses	—	—
Less: Interest income	469,562,967.66	551,536,886.92
Exchange differences	31,313,297.71	(8,398,696.58)
Less: Capitalised exchange differences	—	—
Other	147,152,048.76	77,449,544.04
Total	56,619,581.08	(111,397,407.83)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

23. Impairment losses of assets

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Bad debt losses	10,753,661.39	93,302,500.52
Inventories provision	–	1,046,687.97
Impairment loss of fixed assets	1,193,936.69	–
Total	11,947,598.08	94,349,188.49

24. Investment income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Income (loss) from long-term equity investments under equity method	16,287,797.94	10,251,064.25
The dividends declared by investment of cost method	–	103,824,027.68
Investment income from bonds and banks' wealth investment product	93,608,673.75	174,876,549.09
Loss from investment during the held-for-trading financial assets	(3,736,797.34)	(2,499,998.75)
Derivatives that are not specified as hedging relationship	(16,752,200.00)	(14,160,110.00)
Investment gains from the sale of equity investment	–	10,000.00
Investment loss on disposal of held-for-trading financial assets	–	(32,209,648.16)
Total	89,407,474.35	240,091,884.11

25. Non-operating income

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Gains on disposal of non-current assets	6,586,429.98	4,072,337.62
Government grants	23,690,677.65	44,696,512.94
Other	4,769,446.76	719,417.11
Total	35,046,554.39	49,488,267.67

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

26. Non-operating expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Total losses on disposal of non-current assets	274,790.20	3,244,790.17
External donations	19,100,000.00	18,013,584.00
The losses of debt restructuring	–	28,516,476.23
Other	3,896,342.18	2,592,379.69
Total	23,271,132.38	52,367,230.09

27. Income tax expenses

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Current income tax liabilities calculated as per tax law and relevant regulations	65,212,771.41	–
Differences arising on settlement of income tax for the previous years	(7,305,535.90)	13,370,589.09
Adjustments to deferred income tax	15,571,707.15	117,373,787.48
Total	73,478,942.66	130,744,376.57

Reconciliation sheet for income tax expenses and accounting profit as follows:

Unit: RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Accounting profit	613,966,874.66	942,263,484.90
Income tax expenses calculated as per 15% tax rate (the year of 2015: 15%)	92,095,031.20	141,339,522.74
Tax impact of non-deductible expenses	13,041,221.28	7,472,356.46
Tax impact of non-taxable income	(24,351,773.92)	(31,438,091.72)
Difference arising on settlement of income tax for the previous	(7,305,535.90)	13,370,589.09
Total	73,478,942.66	130,744,376.57

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

28. Supplementary information for cash flow statement

Unit: RMB

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit into cash flow from operating activities:		
Net profit	540,487,932.00	811,519,108.33
Add: Provision of the impairment of assets	11,947,598.08	94,349,188.49
Depreciation of fixed assets	162,900,448.99	172,935,812.58
Amortisation of intangible assets	43,645,880.67	45,044,366.26
Amortisation of long-term prepaid expenses	11,052,725.18	9,948,474.53
Loss from the disposal of fixed assets, intangible assets and other long-term assets (income is filled in column with "-")	(6,311,639.78)	(827,547.45)
Loss from fair value change (less income)	(41,195,810.27)	2,773,209.03
Financial expenses (income is filled in column with "-")	496,370,641.49	285,035,743.46
Investment losses (income is filled in column with "-")	(89,407,474.35)	(240,091,884.11)
The decrease of deferred tax assets (increase is filled in column with "-")	15,571,707.15	117,373,787.48
The decrease of inventory (increase is filled in column with "-")	73,062,077.17	(140,610,423.71)
The decrease of operating accounts receivable items (increase is filled in column with "-")	(799,391,439.89)	65,631,490.20
The increase of operating payables (decrease is filled in column with "-")	626,527,750.84	(46,427,415.93)
The amortization of deferred revenue	(385,585.80)	(44,616,512.94)
The increase of special reserves (decrease is filled in column with "-")	(107,004,134.57)	(157,071,239.20)
The limited bank deposits decrease (increase is filled in column with "-")	(269,674,029.71)	(342,000.00)
The net cash flow incurred from operating activities	668,196,647.20	974,624,157.02
2. The net change conditions of cash and cash equivalents:		
Cash balance at the end of that year	4,535,861,825.71	8,163,156,539.48
Less: cash balance at the beginning of that year	8,163,156,539.48	216,102,280.21
Add: cash equivalents balance at the end of that year	-	-
Less: cash equivalents balance at the beginning of that year	-	4,850,800,000.00
Net increase amount of cash and cash equivalents	(3,627,294,713.77)	3,096,254,259.27

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

29. Related party relationships and transactions

Please refer to note (VII).1 for the subsidiaries of the enterprise and note (v), 10 for associates and joint ventures of the enterprise.

(1) Details on related party transactions

(1.1) Sales and purchase of goods, provision and receipt of services

Unit: RMB

The related party	Related transaction type	Content of related party transactions	Related transaction pricing methods and decision-making process	Amount for the current year	Amount for the prior year
The Sales Company	Goods	Sales	Contract price	720,692,341.71	1,026,165,163.50
Ye Lian	Goods	Sales	Contract price	265,625,967.71	69,650,803.20
Xiao Shou Mao Yi	Goods	Sales	Contract price	1,794.73	-
Da Chuan	Goods	Sales	Contract price	3,538,360.14	-
Da Dong Po	Goods	Sales	Contract price	35,227,546.35	85,601,174.73
Jiu Yang	Goods	Sales	Contract price	40,853,508.76	54,535,585.21
San Qiang	Goods	Sales	Contract price	58,226,883.62	65,151,283.87
Wu Ye	Goods	Sales	Contract price	192,159,002.61	-
Metal Material	Goods	Sales/provide the charge for use of specific technology	Contract price	629,884,495.66	365,586,249.89
Total				1,946,209,901.29	1,666,690,260.40
The Sales Company	Service/Goods	Accept services/purchase of goods and material	Contract price	-	157,476,313.24
Da Chuan	Service/Goods	Accept services/purchase of goods and material	Contract price	2,644,444.44	4,598,290.60
Jiu Yang	Goods	Purchase of goods and materials	Contract price	2,242,796.09	2,279,545.30
Metal Material	Service/Goods	Accept services/purchase of goods and material	Contract price	7,145,519.59	1,983,528.94
Xiao Shou Mao Yi	Goods	Purchase of goods and materials	Contract price	7,201,519.01	7,587,418.89
Ye Lian	Service	Accept services	Contract price	1,679.01	5,555,061.88
International Hotel	Service	Accept services	Contract price	-	12,168,000.00
Total				19,235,958.14	191,648,158.85

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

29. Related party relationships and transactions (Continued)

(1) Details on related party transactions (Continued)

(1.2) Loans and borrowings of the related party

Except the related party financing disclosed in Note (X). 5(2), the financing transactions between our company and other related parties as follows:

Unit: RMB

	Lent to during the current year Unit: RMB	Received during the current year Unit: RMB	Closing balance Unit: RMB	Lent to during the prior year Unit: RMB	Received during the prior year Unit: RMB	Opening balance Unit: RMB
Lent to						
Sales Company	8,196,907,147.78	8,669,281,635.79	-	7,921,798,838.03	8,241,752,138.60	472,374,488.01
Ye Lian	1,717,266,905.90	1,838,307,028.91	-	498,394,026.22	408,602,640.03	121,040,123.01
International Hotel	51,583,947.08	72,798,131.38	125,093,709.43	68,977,716.04	81,367,965.40	146,307,893.73
Jiu Yang	28,592,317.48	76,390,922.73	38,768,948.52	102,253,525.19	77,820,620.04	86,567,553.77
CMOC Hong Kong	1,186,240,621.00	805,253,567.00	1,901,481,193.96	2,028,254,469.96	507,760,330.00	1,520,494,139.96
CMOC Co., Ltd	2,326,830,623.09	147,115,495.37	2,192,702,327.72	13,364,800.00	377,600.00	12,987,200.00
Yong Ning	-	-	-	16,965,761.05	186,054,862.24	N/A
Qi Xing	1,241,895.00	-	66,038,537.59	-	-	64,796,642.59
Shimoke	741,000,000.00	50,000.00	1,066,000,000.00	325,050,000.00	-	325,050,000.00
Fu Run	1,966,475.62	-	18,753,193.91	4,020,950.00	-	16,786,718.29
Yuehe	58,545,579.99	-	58,545,579.99	-	-	-
Total	14,310,175,512.94	11,609,196,781.18	5,467,383,491.12	10,979,080,086.49	9,503,736,156.31	2,766,404,759.36
Borrowed from						
Sales Company	244,675,553.59	-	244,675,553.59	-	-	-
CMOC Hong Kong	-	-	-	-	10,492,276.04	-
Xiao Shou Mao Yi	10,475,036.33	8,204,495.24	6,495,153.82	4,712,171.58	6,168,352.37	4,224,612.73
Wu Ye	282,455,547.35	346,915,514.46	-	2,725,000.00	121,520,877.23	64,459,967.11
Metal Material	3,392,952,402.51	3,729,580,427.01	2,626,310.56	1,168,666,204.34	848,213,019.28	339,254,335.06
San Qiang	281,569,923.43	473,720,231.41	-	1,041,741,408.62	1,072,057,648.54	192,150,307.98
Da Dong Po	237,687,308.10	237,184,769.67	984,368.17	604,791,907.26	659,191,420.43	481,829.74
Da Chuan	67,557,368.13	58,801,417.37	15,769,649.65	77,345,100.38	99,633,129.03	7,013,698.89
Xin Jiang Luo Mu	2,329,174.32	19,595,821.00	194,315,770.54	2,746,674.47	29,735,549.07	211,582,417.22
Fu Kai	-	-	11,300,000.00	-	-	11,300,000.00
Hu Qi	-	-	9,900,000.00	-	-	9,900,000.00
Shimoke	-	-	-	362,000,000.00	558,141,290.00	-
CMOC Mining	-	-	-	1,483,500.00	301,314,500.00	-
Total	4,519,702,313.76	4,874,002,676.16	486,066,806.33	3,266,211,966.65	3,706,468,061.99	840,367,168.73

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

29. Related party relationships and transactions (Continued)

(1) Details on related party transactions (Continued)

(1.3) Interest of related parties

The borrowings/loans with other related parties are as follows:

	Current year RMB	Prior year RMB
Net interests paid to (charged from) related parties	(116,317,650.99)	(37,809,210.66)

(1.4) Guarantees with related party

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
China Molybdenum Co., Ltd. (Note 1)	CMOC Limited	EUR282,290,000	25 November 2013	25 November 2018	No
China Molybdenum Co., Ltd. (Note 1), (Note 2)	CMOC Mining	USD259,500,000	29 November 2013	29 November 2020	No
China Molybdenum Co., Ltd. (Note 1)	CMOC Mining	USD259,500,000	27 November 2013	27 November 2020	No
China Molybdenum Co., Ltd.	CMOC Mining	AUD37,000,000	19 December 2013	18 December 2018	No
China Molybdenum Co., Ltd.	CMOC Mining	USD40,000,000	5 June 2015	4 June 2017	No
China Molybdenum Co., Ltd.	CMOC Mining	USD50,000,000	28 June 2015	30 June 2017	No
China Molybdenum Co., Ltd.	CMOC limited	RMB1,000,000,000	15 August 2016	9 August 2018	No
China Molybdenum Co., Ltd.	CMOC limited	USD80,000,000	16 August 2016	29 July 2018	No
China Molybdenum Co., Ltd. (Note 3)	CMOC Brazil and CMOC LUXEMBOURG	USD907,000,000	29 September 2016	14 September 2023	No
China Molybdenum Co., Ltd. (Note 3)	CMOC DRC	USD1,593,000,000	15 November 2016	15 November 2023	No

Note 1: The guarantee period of instalment debts is from the effective date of the contract to the two years after the discharge of last repayment.

Note 2: The guaranteed amount is USD259.5 million, which is used for bank borrowings for CMOC Mining, in the year end the outstanding bank borrowings are USD159.5 million.

Note 3: See Note (XIV). 8 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

29. Related party relationships and transactions (Continued)

(2) Amount due from and amount due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance	
Accounts receivable	Ye Lian	293,418,676.43	10,076.96	
	Da Dong Po	518,212.34	20,190,269.53	
	Jiu Yang	547,602.60	316,529.69	
	San Qiang	1,178,186.34	744,719.83	
	The sales company	202,174,986.80	380,000,000.00	
	Wu Ye	107,881,536.99	–	
Dividends receivable	San Qiang	10,118,892.09	10,118,892.09	
	Da Dong Po	6,893,440.23	6,893,440.23	
	Jiu Yang	26,993,751.76	26,993,751.76	
Other receivables	Yuehe Properties	58,545,579.99	–	
	International Hotel	125,093,709.43	146,307,893.73	
	Qi Xing	66,038,537.59	64,796,642.59	
	Ye Lian	–	121,040,123.01	
	Jiu Yang	38,768,948.52	86,567,553.77	
	Sales Company	–	472,374,488.01	
	Da Chuan	85,000,000.00	90,000,000.00	
	CMOC Co., Ltd	2,192,702,327.72	12,987,200.00	
	Shimoke	1,066,000,000.00	325,050,000.00	
	Fu Run	18,753,193.91	16,786,718.29	
	Hong Kong Company	1,901,481,193.96	1,520,494,139.96	
	High Tech	–	45,000,000.00	
Interest receivable	Hong Kong Company	112,833,174.39	41,399,847.78	
	Shimoke	3,586,628.96	210,464.57	
	CMOC Co., Ltd	43,677,223.27	96,541.74	
Interest payables	Shimoke	180,635.03	–	
Other payables	Wu Ye	–	64,459,967.11	
	Sales Company	244,675,553.59	–	
	Metal Material	2,626,310.56	339,254,335.06	
	Da Chuan	15,769,649.65	7,013,698.89	
	Da Dong Po	984,368.17	481,829.74	
	San Qiang	–	192,150,307.98	
	Fu Kai	11,300,000.00	11,300,000.00	
	Hu Qi	9,900,000.00	9,900,000.00	
	Xin Jiang Luo Mu	194,315,770.54	211,582,417.22	
	Xiao Shou Mao Yi	6,495,153.82	4,224,612.73	
	Accounts payables	Xiao Shou Mao Yi	16,706.10	–
		Metal Material	23,791,035.92	–
Advances from customers	Xiao Shou Mao Yi	34,518.15	–	

(XV) APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the Board and authorised for issue on 30 March 2017.

SUPPLEMENTARY INFORMATION

FOR THE YEAR 2016

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount
Net profit	1,019,238,434.20
Add (less): Non-recurring profit or loss items	
– Loss on disposal of non-current assets	(5,770,618.09)
– Government grants	(25,748,779.11)
– Income from bank's wealth investment product	(94,793,860.23)
– Income from the disposal of available-for-sale financial assets	(92,667,004.11)
– Losses from the disposal of held-for-trading financial assets	3,736,797.34
– Derivatives not designated as hedging instruments	16,752,200.00
– Loss on impairment of long-term assets	1,193,936.69
– Loss on impairment of available-for-sale financial assets	291,757,534.75
– Transaction expenses incurred in acquisition	236,139,790.97
– Loss on changes in the fair value	(46,420,313.67)
– Loss on debt restructuring	499,687.98
– Negative goodwill caused combinations not under common control	(430,908,350.60)
– Other net non-operating income or expenses other than the above	22,955,378.54
Subtotal	(123,273,599.54)
Income tax effects from non-recurring profit or loss items	32,905,572.21
Net profit after deducting non-recurring profit or loss items	928,870,406.87
Including: Net profit attributable to shareholders of the parent company	907,668,359.56
Net profit attributable to minority interests	21,202,047.31

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE (“EPS”)

The calculation of net assets and EPS prepared by China Molybdenum Co., Ltd. are in accordance with Information Disclosure and Presentation Rules for Entities with Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Amended in 2010) issued by China Securities Regulatory Commission.

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	5.52	0.06	0.06
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	5.03	0.05	0.05

SUPPLEMENTARY INFORMATION

FOR THE YEAR 2016

3. THE GROUP'S OPERATING RESULTS, ASSETS AND LIABILITIES FOR THE PAST FIVE ACCOUNTING YEARS

Unit: RMB

Item	2016	2015	2014	2013	2012
I. Total operating income	6,949,571,006.97	4,196,839,621.19	6,662,382,123.45	5,536,469,246.73	5,710,893,904.27
II. Total operating costs	4,623,818,131.37	2,622,448,241.43	3,871,429,795.40	3,733,468,267.20	4,009,216,807.89
Less: Operating costs	230,309,410.01	242,473,353.45	349,981,670.62	270,681,417.11	268,890,022.83
taxes and levies	90,619,385.55	84,672,795.26	99,817,516.25	26,909,956.33	25,330,075.67
Selling expenses	714,734,732.89	357,173,860.29	448,352,128.52	686,204,836.52	433,331,447.59
Administrative expenses	407,668,376.31	46,182,116.53	181,697,640.05	103,227,553.28	49,597,057.16
Financial expenses	351,855,260.03	230,442,603.42	105,559,909.17	87,704,184.08	27,853,560.45
Impairment losses of assets	46,420,313.67	(2,773,209.03)	888,370.00	8,269,939.71	(738,261.14)
Add: Gains from changes in fair values (the loss is filled with "-")	174,182,583.74	116,593,344.54	531,758,189.98	373,417,961.32	151,042,583.91
Investment income (the loss is filled with "-")	7,210,716.74	(9,858,527.33)	86,466,625.43	185,933,456.10	116,760,141.81
Including: Investment income from investments in associates and joint ventures					
III. Operating profit	751,168,608.22	727,266,786.32	2,138,190,023.42	1,009,960,933.24	1,046,979,255.45
Add: Non-operating income	467,018,238.01	50,152,647.68	66,656,292.09	246,601,099.22	54,187,319.00
Less: Non-operating expenses	28,045,556.73	94,601,056.79	56,786,238.27	20,379,818.34	4,209,530.52
Including: Losses on disposal of non-current assets	815,811.89	42,120,590.15	51,055,392.73	4,610,406.83	1,036,818.99
IV. Total profit (the total loss is filled with "-")	1,190,141,289.50	682,818,377.21	2,148,060,077.24	1,236,182,214.12	1,096,957,043.93
Less: Income tax expenses	170,902,855.30	(20,289,977.76)	347,858,293.20	151,271,401.35	80,581,368.21
V. Net profit (the net loss is filled with "-")	1,019,238,434.20	703,108,354.97	1,800,201,784.04	1,084,910,812.77	1,016,375,675.72
Net profit attributable to owners of the parent company	998,040,580.75	761,160,070.18	1,824,255,286.97	1,174,203,715.57	1,050,304,676.57
Minority interests	21,197,853.45	(58,051,715.21)	(24,053,502.93)	(89,292,902.80)	(33,929,000.85)
VI. Earnings per share (note)	0.06	0.05	0.12	0.08	0.07
Basic earnings per share					
VII. Other comprehensive income	1,060,633,211.86	(423,942,733.35)	(157,520,863.72)	(48,970,530.23)	(215,779.49)
VIII. Total comprehensive income	2,079,871,646.06	279,165,621.62	1,642,680,920.32	1,035,940,282.54	1,016,159,896.23
Total comprehensive income attributable to shareholders of the parent company	1,913,387,586.44	337,217,336.83	1,666,734,423.25	1,125,233,185.34	1,050,088,897.08
Total comprehensive income attributable to minority interests	166,484,059.62	(58,051,715.21)	(24,053,502.93)	(89,292,902.80)	(33,929,000.85)
Item	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012
Total assets	88,146,838,598.46	30,880,528,485.14	28,054,876,371.91	21,899,138,540.63	15,749,315,192.48
Total liabilities	53,809,911,631.09	13,063,837,413.88	12,910,342,725.64	9,006,486,233.88	3,377,921,043.83
Minority interests	15,598,868,743.75	463,209,880.46	510,959,763.65	714,376,778.08	829,859,172.33
Total equity attributable to the shareholders	18,738,058,223.62	17,353,481,190.80	14,633,573,882.62	12,178,275,528.67	11,541,534,976.32



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

