THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

CMOC

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

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

(Stock Code: 03993)

FINANCIAL REPORT AND BUDGET REPORT
PROPOSED DISTRIBUTION OF FINAL DIVIDEND
PROPOSED SUBSCRIPTIONS OF STRUCTURED DEPOSIT WITH INTERNAL IDLE FUNDS
PROPOSED PURCHASE OF WEALTH MANAGEMENT PRODUCTS WITH INTERNAL IDLE FUNDS
PROPOSED PROVISION OF FINANCIAL GUARANTEE TO WHOLLY-OWNED SUBSIDIARIES
PROPOSED GENERAL MANDATE FOR ISSUE OF SHARES
PROPOSED GENERAL MANDATE FOR REPURCHASE OF H SHARES
VERY SUBSTANTIAL ACQUISITION OF THE TARGET COMPANY WHICH HOLDS IXM
AND
NOTICE OF THE ANNUAL GENERAL MEETING
NOTICE OF THE 2019 SECOND CLASS MEETING OF H SHAREHOLDERS

A letter from the Board is set out on pages 1 to 44 of this circular. Notice convening the AGM to be held at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC on Friday, 14 June 2019 at 1:00 p.m. is set out on pages AGM-1 to AGM-8 of this circular. The form of proxy and reply slips for use in connection with the AGM are enclosed herewith.

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

H Shareholders who intend to attend the AGM in person or by proxy should return the reply slip to the office of the Board at the Company's principal place of business in the PRC, at North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC, 20 days before the relevant meeting, i.e. before Friday, 24 May 2019 by hand, by post or by facsimile.

27 April 2019

* *For identification purposes only*

CONTENTS

In this circular, unless the context otherwise requires, the following terms and expression have the meaning set forth below:

"A Share(s)"	domestic share(s) with a nominal value of RMB0.20 each issued by the Company which are listed on the Shanghai Stock Exchange and traded in Renminbi (stock code: 603993)
"A Shareholder(s)"	holder(s) of A Shares
"A Shareholders' Class Meeting"	the 2019 second class meeting of A Shareholders (and any adjournment thereof) to be held on Friday, 14 June 2019 after the AGM at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC
"AGM"	the annual general meeting of the Company (and any adjournment thereof) to be held at 1:00 p.m. on Friday, 14 June 2019 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC
"Articles of Association"	articles of association of the Company, as amended, modified or otherwise supplemented from time to time
"Board"	the board of Directors
"Budget Report"	the financial budget report of the Company (and any adjournment thereof) for the year ending 31 December 2019, which was approved at the fourth meeting of the fifth session of the Board on 28 March 2019
"Buyer" or "CMOC Limited"	CMOC Limited, a direct wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
"Closing"	the closing of the purchase and sale of the Target Shares

"Closing Date"	a date in no event later than 10 business days after satisfaction, or to the extent permissible, waiver by the party or parties entitled to the benefit of the conditions set forth in the Share Purchase Agreement (other than conditions that by their nature are to be, satisfied at the Closing, but subject to the satisfaction or, to the extent permissible, waiver of those conditions at the Closing), or such other time or place as the Buyer and the Seller may agree
"Closing Payment"	US$198 million (equivalent to approximately HK$1,553 million) plus the Estimated Net Profits
"Company"	China Molybdenum Co., Ltd.* (洛陽欒川鉬業集團股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively, and the parent company of the Buyer
"Company Law"	the Company Law of the PRC
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deloitte"	Deloitte Touche Tohmatsu Certified Public Accountants LLP, which is Certified Public Accountants and the auditors of the Company
"Deloitte HK"	Deloitte Touche Tohmatsu, which is Certified Public Accountants and the reporting accountants as to the financial information of the Target Company and IXM Group and the unaudited pro forma financial information of the Enlarged Group
"Deloitte SA-Geneva"	Deloitte SA-Geneva, an audit firm which is an affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee
"Director(s)"	the director(s) of the Company
"Encumbrances"	any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (or an agreement or commitment to create any of the same)

“Enlarged Group”	the Company and its subsidiaries upon Closing, which would include the Target Group
“Estimated Net Profits”	a reasonable estimate of the Final Net Profits made by the Seller in good faith no later than 30 days prior to the anticipated Closing Date
“Event”	includes the death or the winding up or dissolution of any person, and any act, transaction or omission whatsoever, and any reference to an Event occurring on or before a particular date shall include Events which for Tax purposes are deemed to have, or are treated or regarded as having, occurred on or before that date
“Final Dividend”	the proposed distribution of a final dividend of RMB0.11 per Share (tax inclusive) for the year ended 31 December 2018 as described in the final results announcement of the Company dated 28 March 2019
“Final Net Profits”	the consolidated net income of the Target Group for the period commencing on 1 October 2018 and ending on the close of business on the Closing Date, calculated in accordance with the accounting standards agreed between the Buyer and the Seller, minus the aggregate amount of all dividends or other distributions (including the fair market value, as determined by the Buyer, of any non-cash dividend or other distribution) paid or otherwise made in such period other than to a member of the Target Group
“Financial Report”	the 2018 financial report of the Company as set out in Appendix I to this circular, which was approved at the fourth meeting of the fifth session of the Board on 28 March 2019
“Fund”	NCCL Natural Resources Investment Fund LP, a Cayman Islands exempted limited partnership. As at the Latest Practicable Date, (i) the Company indirectly held an approximately 45% interest in the Fund as a limited partner through Natural Resource Elite Investment Limited, a wholly-owned subsidiary of CMOC Limited and (ii) Next Goal Limited, a wholly-owned subsidiary of China Anxing Asset Management Company Limited (中國安星資產管理有限公司), held an approximately 55% interest in the Fund as the other limited partner. The general partner of the Fund is New China Capital Legend Limited, a wholly-owned subsidiary of New China Capital International Management Limited

"Fund Acquisition"	the acquisition of the entire share capital of Louis Dreyfus Company Metals B.V. (now known as IXM) by the Fund from LDC on 22 December 2017, which was completed in May 2018. For detailed information, please refer to the announcements of the Company dated 26 December 2017, 1 January 2018 and 11 May 2018
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Share(s)"	overseas listed foreign share(s) with a nominal value of RMB0.20 each in the share capital of the Company which are listed on the main board of the Hong Kong Stock Exchange and are traded in Hong Kong dollars
"H Shareholder(s)"	holder(s) of H Shares
"H Shareholders' Class Meeting"	the 2019 second class meeting of H Shareholders (and any adjournment thereof) to be held on Friday, 14 June 2019 after the AGM and the A Shareholders' Class Meeting at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City Henan Province, the PRC
"IFRS"	International Financial Reporting Standards
"Independent Valuer"	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), an independent PRC valuer

"Initial Payment"	an initial payment of US$297 million (equivalent to approximately HK$2,330 million) delivered by the Buyer to the Seller on 20 December 2018, or such later date as may be agreed by the Buyer and the Seller, which is fully refundable, and shall be returned to the Buyer within five business days of termination of the Share Purchase Agreement, net of any reasonable costs and expenses (including legal fees) incurred in connection with such return and approved in advance by the Buyer, acting reasonably
"IXM"	IXM B.V. (formerly known as Louis Dreyfus Company Metals B.V.), a company incorporated in the Netherlands with limited liability and an indirect wholly-owned subsidiary of the Fund before the completion of the Pre-Closing Reorganization. It is a wholly-owned subsidiary of the Target Company as at the Latest Practicable Date
"IXM Group"	IXM and its subsidiaries
"Latest Practicable Date"	23 April 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
"LDC"	Louis Dreyfus Company B.V., a company incorporated in the Netherlands with limited liability, the previous controlling shareholder of IXM and the seller in relation to acquisition of the 100% equity interests in IXM by the Fund
"Listing Rules" or "Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Long Stop Date"	30 September 2019, or such other date as agreed by the Buyer and the Seller in writing
"NDRC"	the National Development and Reform Commission of the PRC
"PRC" or "China"	the People's Republic of China (for the purposes of this circular, excluding Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan)

"Pre-Closing Reorganization"	a transaction conducted by the Seller and completed on 18 April 2019 in which the Seller contributed all of the shares of IXM to the Target Company. Upon such restructuring, the Seller indirectly holds all of the equity interests in IXM through the Target Company
"Proposed Acquisition"	the acquisition of the Target Shares by the Buyer from the Seller pursuant to the Share Purchase Agreement
"Purchase Price"	the aggregate consideration of US$495 million (equivalent to approximately HK$3,883 million) plus the Final Net Profits to be paid by the Buyer to the Seller for the Target Shares
"Relevant Claim(s)"	any claim, demand, action, proceeding or suit by the Buyer under or in connection with or arising out of the Seller's warranties under the Share Purchase Agreement or any Tax Claims
"Repurchase Mandate"	subject to the conditions set out in the proposed resolution approving the repurchase mandate to be approved at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, the general mandate to authorize the Board to exercise its authority to repurchase H Shares of an aggregate number of not exceeding 10% of the number of H Shares in issue as at the date of passing of the said resolution
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC and its local representative offices
"Seller" or "NSR"	New Silk Road Commodities Limited, a wholly-owned subsidiary of the Fund incorporated in Hong Kong with limited liability
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	A Share(s) and H Share(s)

"Share Mandate"	subject to the conditions set out in the proposed resolution approving the share mandate to be proposed at the AGM, the general mandate to authorize the Board to exercise its authority to issue additional A Shares not exceeding 20% of the number of the A Shares in issue and additional H Shares not exceeding 20% of the number of the H Shares in issue as at the date of passing of the said resolution
"Shareholder(s)"	shareholder(s) of the Company, including both A Shareholder(s) and H Shareholder(s)
"SSE"	the Shanghai Stock Exchange
"Share Purchase Agreement"	the share purchase agreement dated 4 December 2018 entered into between the Buyer and the Seller, pursuant to which the Buyer agrees to purchase and the Seller agrees to sell the Target Shares for the Purchase Consideration, subject to the terms and conditions set forth therein
"Target Company"	New Silk Road Commodities SA, a company incorporated in Switzerland with limited liability and a direct wholly-owned subsidiary of NSR, holding 100% of the equity interests of IXM as at the Latest Practicable Date
"Target Group"	(i) IXM, the Target Company and their respective subsidiaries prior to the completion of the Pre-Closing Reorganization; or (ii) the Target Company and its subsidiaries upon the completion of the Pre-Closing Reorganization
"Target Shares"	100% of the issued and outstanding shares of the Target Company free and clear of all Encumbrances
"Tax Claim(s)"	a claim by the Buyer in connection with a Tax Matter
"Tax Matter(s)"	any matter described above under the heading "Tax Matter" in the section entitled "Principal Terms of the Share Purchase Agreement" of this circular

"Taxation" or "Tax"	all forms of tax, levy, duty, charge, impost, withholding or other amount whenever created or imposed and whether of Switzerland or elsewhere, payable to or imposed by any taxation authority
"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Report"	the valuation report prepared by the Independent Valuer in respect of the simulated aggregated total equity interests of the Target Company and IXM
"%"	per cent

Unless otherwise indicated, the translation between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.8445 to US$1.00, being the exchange rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on 19 April 2019.

洛陽欒川鉬業集團股份有限公司

China Molybdenum Co., Ltd. *

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

(Stock Code: 03993)

Executive Directors:
LI Chaochun *(Chairman)*
LI Faben

Non-executive Directors:
YUAN Honglin
CHENG Yunlei
GUO Yimin

Independent non-executive Directors:
WANG Gerry Yougui
YAN Ye
LI Shuhua

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

Principal place of business in Hong Kong:
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

27 April 2019

To the Shareholders

Dear Sir/Madam,

FINANCIAL REPORT AND BUDGET REPORT
PROPOSED DISTRIBUTION OF FINAL DIVIDEND
PROPOSED SUBSCRIPTIONS OF STRUCTURED DEPOSIT WITH INTERNAL IDLE FUNDS
PROPOSED PURCHASE OF WEALTH MANAGEMENT PRODUCTS WITH INTERNAL IDLE FUNDS
PROPOSED PROVISION OF FINANCIAL GUARANTEE TO WHOLLY-OWNED SUBSIDIARIES
PROPOSED GENERAL MANDATE FOR ISSUE OF SHARES
PROPOSED GENERAL MANDATE FOR REPURCHASE OF H SHARES
VERY SUBSTANTIAL ACQUISITION OF THE TARGET COMPANY WHICH HOLDS IXM
AND
NOTICE OF THE ANNUAL GENERAL MEETING
NOTICE OF THE 2019 SECOND CLASS MEETING OF H SHAREHOLDERS

1. INTRODUCTION

We refer to the announcement of the Company dated 28 March 2019, in relation to, among others, the Budget Report and proposed distribution of the Final Dividend and the announcement of the Company dated 4 December 2018 in relation to, among other things, the Proposed Acquisition of the Target Company which holds IXM.

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

AGM

(i) Financial Report and Budget Report;

(ii) proposed distribution of Final Dividend;

(iii) proposed subscriptions of structured deposit with internal idle funds;

(iv) proposed purchase of wealth management products with internal idle funds;

(v) proposed provision of financial guarantee to wholly-owned subsidiaries;

(vi) proposed Share Mandate;

(vii) proposed Repurchase Mandate; and

(viii) Proposed Acquisition.

H Shareholders' Class Meeting

(i) proposed Repurchase Mandate.

2. FINANCIAL REPORT AND BUDGET REPORT

As stated in the overseas regulatory announcement of the Company dated 18 January 2019, the Company convened the fourth interim meeting of the fifth session of the Board on 18 January 2019, and considered and approved the resolution in relation to the Budget Report, details of which are as follows:

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

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

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

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

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

The Board also approved the Financial Report on 28 March 2019, a copy of which is set out in Appendix I to this circular.

An ordinary resolution regarding the consideration and approval of the Budget Report and the Financial Report will be proposed at the AGM.

3. PROPOSED DISTRIBUTION OF FINAL DIVIDEND

As stated in the final results announcement of the Company for the year ended 31 December 2018 and the overseas regulatory announcement of the Company both dated 28 March 2019 in relation to, among other things, the recommendation of a payment of a final cash dividend for the year ended 31 December 2018, the Board proposed to distribute the Final Dividend of RMB0.11 per Share (tax inclusive) subject to the approval of the Shareholders at the AGM and an ordinary resolution will be proposed to the Shareholders for voting at the AGM.

The Company will make further announcement regarding the proposed distribution of Final Dividend to A Shareholders.

Tax

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

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

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

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

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

H Shareholders are 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.

An ordinary resolution regarding the consideration and approval of the resolution in relation to the proposed distribution of the Final Dividend will be proposed at the AGM.

4. PROPOSED SUBSCRIPTIONS OF STRUCTURED DEPOSIT WITH INTERNAL IDLE FUNDS

As stated in the overseas regulatory announcement of the Company dated 28 March 2019, the Company convened the fourth meeting of the fifth session of the Board on 28 March 2019, and considered and approved the resolution in relation to the subscriptions of structured deposit with internal idle funds, details of which are as follows:

According to the Company's business plan and the use of funds, under the premise of ensuring liquidity and safety of funds, the Company and its subsidiaries intend to use the internal idle funds to purchase structured deposit products from banks and their branches. It is expected that product yields of the structural deposit products purchased by the Company are higher than the bank deposit rates for the same period. The plan of subscriptions of structured deposit does not constitute a connected transaction nor constitute a major asset restructuring. Details are as follows:

(1) The counterparties of the structured deposit products are banks and their branches, with whom the Company have no other relationships in the aspects of property rights, assets, creditor's rights, debts and personnel.

(2) The structured deposit products purchased by the Company are mainly short term products, and each separate product shall not exceed 12 months. The accumulated cap of the structured deposit products for a consecutive 12-month shall not exceed RMB35 billion (or equivalent amount in foreign currency). The validity term shall be effective from the date of the passing of this resolution at the AGM to the date of convening the 2019 annual general meeting, and the Board is authorized to exercise relevant right of decision-making within the abovementioned validity term and size of the structured deposit products.

(3) The structured deposit products to be purchased are free from any guarantee.

(4) Subject to the guarantee of sufficient working capital for operational income and expenses, the usage of short-term idle funds of the Company for investment in short-term structured deposit to receive additional investment income and lower the financial cost of the Company will not affect the needs of daily cash flow and ordinary operation of the Company's principal businesses.

(5) The Company will select the banks and their branches with large scale and high credibility for the structured deposit business and will perform normative management, stringently control risks, and regularly pay attention to relevant conditions of the structured deposit products. The Company will adopt responsive measures in a timely manner to control investment risks once discovering risks may probably be incurred.

An ordinary resolution regarding the consideration and approval of the resolution in relation to the proposed subscriptions of structured deposit with internal idle funds will be proposed at the AGM.

As certain structured deposit to be subscribed by the Group under such resolution will not be treated as cash and cash equivalent or bank balances in the consolidated balance sheet of the Group, therefore, the subscription of such kind of structured deposit will be deemed as a transaction under the Chapter 14 or Chapter 14A of the Hong Kong Listing Rules where applicable, and the Company will comply with relevant rules and requirements when purchasing such kind of structured deposit in accordance with such resolution.

5. PROPOSED PURCHASE OF WEALTH MANAGEMENT PRODUCTS WITH INTERNAL IDLE FUNDS

As stated in the overseas regulatory announcement of the Company dated 28 March 2019, the Company convened the fourth meeting of the fifth session of the Board on 28 March 2019, and considered and approved the resolution in relation to the purchase of wealth management or entrusted management products with internal idle funds, details of which are as follows:

In order to improve the efficiency of internal idle funds and maximize the practical value of the funds, under the premise of ensuring the Company's daily operations, capital security, operational compliance, and control of risks, the Company uses the temporary internal idle funds to invest in wealth management or entrusted wealth management products to maximize the benefits of capital management. Details are as follows:

(1) Size of Investment: not more than RMB5 billion (or equivalent amount in foreign currency) calculated in consecutive 12 months in aggregate.

(2) Investment Targets: financial instruments with high credit rating and good liquidity, including but not limited to, national debt, central bank bill, financial debts, bank subordinate debts, repurchase of bonds and enterprise bonds, corporate bonds, short-term financing notes and medium-term notes with investment level or above; interbank deposits of banks, placements in monetary market, various financial products secured by banks and non-bank financial institutions and other legal financial assets trust plan as well as wealth management or entrusted management products (excluding structured deposit products).

(3) Validity Term: from the date of the passing of this resolution at the AGM to the date of convening the 2019 annual general meeting.

On the premise of ensuring the Company's daily operations and capital security, the use of the Company's internal idle funds for wealth management and entrusted wealth management businesses will be implemented. It will not affect the normal turnover of the Company's daily funds nor affect the normal development of the Company's main business. Through the modest capital-guaranteed wealth management, it can improve the efficiency of use of the Company's capital, increase capital gains, and obtain more return on investment for the Shareholders.

An ordinary resolution regarding the consideration and approval of the resolution in relation to the proposed purchase of wealth management or entrusted management products with internal idle funds will be proposed at the AGM.

As the purchase of wealth management or entrusted management products with internal idle funds will be deemed as a transaction under the Chapter 14 and Chapter 14A of the Hong Kong Listing Rules, where applicable, the Company will comply with relevant rules and requirements when purchasing wealth management or entrusted management products in accordance with such resolution.

6. PROPOSED PROVISION OF FINANCIAL GUARANTEE TO WHOLLY-OWNED SUBSIDIARIES

As stated in the overseas regulatory announcement of the Company dated 28 March 2019, the Company convened the fourth meeting of the fifth session of the Board on 28 March 2019, and considered and approved the resolution in relation to the provision of financial guarantee to the direct and indirect wholly-owned subsidiaries of the Company, details of which are as follows:

In order to provide a better support to the development of the direct or indirect wholly-owned subsidiaries of the Company, response more quickly to their financial needs and reduce their financial costs, based on the Company's operation situation, the Company proposed to provide financial guarantee credit up to a maximum amount of RMB15 billion (or an equivalent amount of a foreign currency) to its direct or indirect wholly-owned subsidiaries. Such credit facilities may be revolving in nature with effect from the date of approval at the AGM to the date of convening the 2019 annual general meeting.

The Company proposed to authorize the Board to decide and deal with matters in relation to the provision of financial guarantee to the direct or indirect wholly-owned subsidiaries of the Company within the aforesaid credit limit. Details of the authorization shall include:

(1) to authorize the Board to decide and deal with matters in relation to the provision of financial guarantee to the direct or indirect wholly-owned subsidiaries of the Company within a credit of RMB15 billion (or equivalent amount in foreign currency). Such credit facilities may be revolving in nature with effect from the date of approval at the AGM to the date of convening the 2019 annual general meeting;

(2) to determine and implement the concrete plan in relation to the provision of financial guarantee to the direct or indirect wholly-owned subsidiaries by the Company in accordance with specific conditions, including, among others, the targets, the amounts, the terms and the methods of guarantee and other specific matters;

(3) to perform the approval procedures (if any) in relation to the aforesaid guarantee and disclose information in a timely manner in accordance with the requirements of the SSE, the Hong Kong Stock Exchange and the relevant regulatory authorities;

(4) to deal with all other matters in relation to the aforesaid guarantee.

A special resolution regarding the consideration and approval of the resolution in relation to the proposed provision of financial guarantee to the direct and indirect wholly-owned subsidiaries of the Company will be proposed at the AGM.

7. PROPOSED GENERAL MANDATE FOR ISSUE OF SHARES

As stated in the overseas regulatory announcement of the Company dated 28 March 2019, the Company convened the fourth meeting of the fifth session of the Board on 28 March 2019, and considered and approved the resolution in relation to the proposed general mandate for issue of Shares.

In view of the Company's development needs, the Board proposed a special resolution to grant to the Board the Share Mandate to issue, allot and deal with additional A Shares and H Shares not exceeding 20% of the number of each class of such Shares in issue, on the date of passing of the resolution proposed for approval of the Share Mandate, or securities convertible into Shares, details of which are as follows:

(1) To grant a general and unconditional mandate to the Board and then to delegate to the Chairman of the Board and his authorized person(s) by the Board to determine separately or jointly allot, issue and deal with A Shares and/or H Shares (not exceeding 20% of the outstanding Shares in issue as at the date of passing of the resolution proposed for approval of the Share Mandate for each class of such Shares) and to grant rights to subscribe for, or convert any security into, Share (the issue of A Shares shall still be subject to the approval of Shareholders at the general meeting of the Company in accordance with the relevant regulations of the PRC) and the terms and conditions for the allotment, issuance and dealing of new Shares, including but not limited to:

(a) class and number of new shares to be issued;

(b) price determination method of new shares and/or issue price (including price range);

(c) the starting and closing dates for the issue;

(d) class and number of the new shares to be issued to existing shareholders; and/or

(e) the making or granting of offers, agreements, options which might require the exercise of such powers.

(2) The numbers of A Shares or H Shares (excluding shares issued in form of capital conversion from capital reserve) to be separately or jointly allotted, issued and dealt with (whether pursuant to an option or otherwise) pursuant to the Share Mandate, shall not exceed 20% of the A Shares or H Shares in issue at the time when this resolution is passed at the AGM, respectively, by the Board or the Chairman of the Board and his authorized person(s).

(3) If the Board or the Chairman of the Board and his authorized person(s) have resolved to separately or jointly to allot, issue and deal with A Shares and/or H Shares within the Relevant Period as defined below, and the Company has also obtained the relevant approval, permission or registration (if applicable) from the competent regulatory authorities within the validity term of the Share Mandate, the Board or the Chairman of the Board and his authorized person(s) may complete the relevant allotment, issuance and dealing works within the validity term of such approval, permission or registration.

(4) To grant the Board or the Chairman of the Board and his authorized person(s) to obtain approvals from the relevant government authorities and/or regulatory authorities (if applicable) in accordance with applicable laws (including but not limited to the Company Law, the Hong Kong Listing Rules and the Listing Rules of the SSE) for the exercising of the Share Mandate.

(5) The Share Mandate will become effective from the date of passing of this resolution at the AGM until the earlier of (the "**Relevant Period**"):

(a) the expiration of 12 months from the date of passing of this resolution at the AGM;

(b) the conclusion of 2019 annual general meeting; or

(c) the revocation or amendment of the Share Mandate granted under this resolution by the approval of special resolution at a general meeting by Shareholders.

(6) To grant the Board or the Chairman of the Board and his authorized person(s) to approve, execute and make or procure to execute and make any documents, deeds and matters, complete necessary formalities, adopt other necessary actions in connection with the allotment, issuance and dealing of any new Shares in accordance with the Share Mandate as considered fit.

(7) To grant the Board or the Chairman of the Board and his authorized person(s) to increase the registered capital of the Company and to make appropriate and necessary amendments to the Articles of Association after completion of the allotment and issuance of new Shares according to the method, type and number of the allotment and issuance of new Shares by the Company, and the then shareholding structure of the Company.

As at the Latest Practicable Date, the Company had an aggregate of 21,599,240,583 Shares in issue, comprising 3,933,468,000 H Shares and 17,665,772,583 A Shares. Subject to the passing of the proposed resolution in relation to the general mandate for issue of Shares, the Company will be allowed to issue, allot and deal with up to a maximum of 4,319,848,116 Shares (comprising 786,693,600 H Shares and 3,533,154,516 A Shares), representing 20% of the Shares in issue on the date of the passing of such resolution, on the basis that no further Shares will be issued by the Company prior to the AGM.

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

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

A special resolution regarding the consideration and approval of the resolution in relation to the general mandate for issue of Shares will be proposed at the AGM.

8. PROPOSED GENERAL MANDATE FOR REPURCHASE OF H SHARES

As stated in the overseas regulatory announcement of the Company dated 28 March 2019, the Company convened the fourth meeting of the fifth session of the Board on 28 March 2019, and considered and approved the resolution in relation to the proposed general mandate for repurchase of H Shares.

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

The Company Law (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC shall not repurchase its shares unless such repurchase is effected for the purpose of (a) reducing its registered share capital; (b) merging with another entity holding its shares; (c) using shares for employee stock ownership plan or equity incentives; (d) purchasing the shares from dissent shareholders who opposes to a resolution of the shareholders' meeting on the combination or division of the company; (e) using shares for converting convertible corporate bonds issued by a listed company; or (f) protecting the corporate value and the rights and interests of shareholders by a listed company. The Articles of Association provides that subject to the approval of relevant regulatory authorities and in compliance with the Articles of Association, the Company shall repurchase its Shares for the abovementioned purposes. H Shares repurchased under this general mandate can only be cancelled and the registered capital of the Company shall be reduced accordingly.

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

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

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

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

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

Details of special resolutions to be proposed at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively to grant the Repurchase Mandate to the Board are set out in the Special Resolution No. 13 of the notice of AGM, the special resolution of the notice of A Shareholders' Class Meeting and the special resolution of the notice of H Shareholders' Class Meeting. The number of H Shares which may be repurchased under the Repurchase Mandate shall not exceed 10% of the number of H Shares in issue as at the date of the passing of the proposed resolutions approving the Repurchase Mandate.

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

9. PROFIT DISTRIBUTION PLAN OF THE COMPANY FOR THE NEXT THREE YEARS

In accordance with the "Notice in relation to Further Implementing Cash Dividend 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)) and Regulatory Guidelines for Listed Companies No.3 – Cash Dividends of Listed Companies (Zheng Jian Fa [2013] No.43) (《上市公司監管指引第3號－上市公司現金分紅》(證監發[2013]43號)) issued by the CSRC, other relevant laws, regulations and regulatory documents and provisions of the Articles of Association, the Company formulated the Shareholders' Return Plan for the Next Three Years (Year 2019–2021).

A special resolution regarding the profit distribution plan of the Company for the next three years will be proposed at the AGM. The detailed plan is set out in Appendix XII of this circular.

10. THE PROPOSED ACQUISITION

(1) Introduction

The Board is pleased to announce that on 4 December 2018, CMOC Limited, a wholly-owned subsidiary of the Company, as the Buyer, and NSR, a wholly-owned subsidiary of the Fund, as the Seller, entered into the Share Purchase Agreement, pursuant to which, the Seller has agreed to sell and the Buyer has agreed to purchase the Target Shares.

(2) The Proposed Acquisition

(A) Principal Terms of the Share Purchase Agreement

Date: 4 December 2018

Parties:

(1) CMOC Limited, as the Buyer; and

(2) NSR, as the Seller

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Seller and the ultimate beneficial owner of the Seller are third parties independent of the Company and connected persons of the Company.

Subject Matter: 100% of the issued and outstanding shares of the Target Company, which in turn held 100% of the equity interests of IXM upon completion of the Pre-Closing Reorganization.

Consideration: The Purchase Consideration is an amount equal to US$495 million (equivalent to approximately HK$3,883 million) plus the Final Net Profits, which will be satisfied as described below.

Such consideration was determined on an arm's length basis negotiation following due diligence and financial analysis by the Buyer and its professional advisors while taking into consideration a two-fold valuation analysis (which for the avoidance of doubt is not a valuation report). Such valuation analysis makes reference to, among others: (i) the price to book value analysis of several listed comparable companies in the commodities trading industry, and (ii) the price to book value analysis of several comparable acquisition transactions which involved targets in the energy, mineral and agricultural commodities industries.

As requested by the Shanghai Stock Exchange, a valuation report on the Target Company will be prepared for the shareholders' reference at the upcoming general meeting of the Company. The valuation results of the Valuation Report is not part of the basis for determining the Purchase Consideration of the Proposed Acquisition, rather it serves as an independent reference for the shareholders to consider the Proposed Acquisition.

The Valuation Report was prepared by the Independent Valuer based on the market approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach is regarded as profit forecast under Rule 14.61 of the Listing Rules. For details, please refer to Appendix X to this circular.

Payment Terms: The Buyer shall make an Initial Payment of US$297 million (equivalent to approximately HK$2,330 million) to the Seller on or prior to 20 December 2018, or such later date as may be agreed by the Buyer and the Seller, and the Closing Payment shall be paid at the Closing.

The Buyer will satisfy the consideration mainly through the Buyer's existing cash reserves and if required, bank borrowings or other means.

Final Net Profits: The Final Net Profits shall be determined as follows:

(1) No later than 30 days prior to the anticipated Closing Date, the Seller shall deliver to the Buyer a report setting forth in details of the Estimated Net Profits.

(2) No later than 60 days, after the Closing Date, the Buyer will cause a report to be prepared and delivered to the Seller setting forth the Buyer's calculation of the Final Net Profits.

(3) No later than 30 days, after the delivery of the Buyer's calculation of the Final Net Profits, if a notice of disagreement from the Seller that disagrees with any of the Buyer's calculation is delivered, the Seller and the Buyer shall use their good faith efforts to reach agreement on the disputed items or amounts in order to determine the Final Net Profits. If the Buyer and the Seller are unable to reach such agreement during such period, either party may promptly thereafter cause an independent accountant of internationally recognized standing reasonably satisfactory to the Buyer and the Seller promptly to review the agreement and disputed items or amounts. The accountant shall deliver to the Buyer and Seller a report setting forth such calculations and it shall be final and binding upon the Buyer and the Seller.

Once the amount of the Final Net Profits has been finally determined, the Buyer or the Seller, as applicable, shall make an appropriate adjustment payment to the other.

Conditions Precedent: Closing is conditional upon the satisfaction, or to the extent permissible, waiver by the party entitled to the benefit of the conditions set forth in the Share Purchase Agreement. A list of the major conditions of the Proposed Acquisition is set out below:

(1) PRC Regulatory Approvals: the receipt of regulatory approvals from the following:

(i). the National Development and Reform Commission of the PRC;

(ii). the applicable Commerce Department in the PRC; and

(iii). if determined to be required by the Buyer, acting reasonably, the applicable department of foreign exchange in the PRC.

(2) Shareholder approval: the approval from the Shareholders at the general meeting of the Company called for the purpose of, among other things, considering the Proposed Acquisition;

(3) Anti-trust approval: (i) the customary approvals under relevant Competition Laws, and (ii) the other approvals, consents, authorizations, or expiry termination or waiver of waiting periods that the Buyer determines, acting reasonably, are required under the Competition Laws in order to consummate the Proposed Acquisition;

(4) The approvals, consents or authorizations from any governmental entity or other third party, other than the anti-trust approvals noted above, that the Buyer determines, acting reasonably, are required in order to consummate the Proposed Acquisition;

(5) Each warranty of the Buyer and the Seller set out in the Share Purchase Agreement shall be true in all material respects at and as of immediately prior to Closing on the Closing Date;

(6) Each of the Buyer and the Seller shall have performed, in all material respects, all of its pre-closing undertakings and obligations, including:

(a) the Seller shall take all actions necessary to cause the Target Group to carry on the business in the ordinary course;

(b) the Seller shall procure each member of the Target Group to: (i) grant access to relevant employees, the assets, facilities, books and records of the Target Group to the Buyer, (ii) cooperate with the due diligence and investigation of the Buyer, and (iii) furnish any financial and operation data reasonably requested by the Buyer;

(c) the Seller shall procure that no member of the Target Group shall make any material decision concerning its business, assets or affairs nor do or agree to, among others, (i) pass any resolution which requires shareholders' approval, (ii) make any change to share capital, (iii) declare any distribution, (iv) enter into any contract, indebtedness, transaction, property arrangement which is beyond the agreed scope, and (v) alter any material terms and conditions of employment or engagement of any key employees of the Target Group;

(d) the Seller shall deliver monthly accounts, weekly contract report and activity report based on agreed schedule;

(e) both the Buyer and Seller will use their reasonable best efforts to fulfill the requirements under applicable law to consummate the Proposed Acquisition;

(f) the Seller and the Buyer shall cooperate with one another in determining or making any applicable filing to obtain any such actions, consents, approvals or waivers in respect of the Proposed Acquisition; and

(g) the Seller shall deliver to the Buyer the audited consolidated financial statements of the Target Group for the 12-month period ending on 31 December 2018 as soon as reasonably practicable and in any event by 31 March 2019;

(7) The receipt of a certificate signed by an authorized officer of each of the Buyer and the Seller to the effect of the foregoing clauses (5) and (6); and

(8) The Pre-Closing Reorganization shall have been completed to the satisfaction of the Buyer prior to the Closing.

As at the Latest Practicable Date, conditions precedent (1) and (8) have been achieved.

Closing: The sale and purchase of the Target Shares will be completed on the Closing Date.

Upon Closing, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Enlarged Group.

Termination: The Share Purchase Agreement may be terminated at any time prior to Closing: (a) by mutual written agreement of the Seller and the Buyer; or (b) by either the Seller or the Buyer if the Closing shall not have been consummated on or before the Long Stop Date.

If the Share Purchase Agreement is terminated, the Seller shall return the Initial Payment to the Buyer within five business days, net of any reasonable costs and expenses (including legal fees) incurred in connection with such return and approved in advance by the Buyer, acting reasonably.

Claims against the Seller: The Seller shall be liable for the whole amount and not only the excess of all Relevant Claim(s) (excluding any Tax Claim) whose amount exceeds US$100,000 individually and US$1,000,000 in the aggregate.

The Seller shall also be liable for only the excess of a Tax Claim whose amount exceeds US$100,000 or be liable for the whole amount and not only the excess in all Tax Claims whose amount exceeds US$500,000 in the aggregate.

The maximum liability of the Seller under the Share Purchase Agreement shall not exceed the Purchase Price.

Tax Matters: The Seller shall pay the Buyer for any tax liability rising from (i) any income, profits or gains earned on or before the Closing, (ii) any Events which occurs or occurred on or before the Closing, (iii) the Pre-Closing Reorganization and (iv) the Closing.

Assignment: The Share Purchase Agreement may not be assigned without the consent of the other party, provided that the Buyer may assign all or any portion of its rights or obligations under the Share Purchase Agreement to any member of the Group.

Governing Law: The Share Purchase Agreement and any non-contractual obligations connected with it shall be governed by the English law. The courts of England and Wales are to have exclusive jurisdiction to:

(1) determine any claim, dispute or difference arising under or in connection with the Share Purchase Agreement, any non-contractual obligations connected with it, or in connection with the negotiation, existence, legal validity, enforceability or termination of the Share Purchase Agreement; and

(2) grant interim remedies, or other provisional or protective relief.

(B) Basis of the Purchase Price

Based on an arm's length basis negotiation following due diligence and financial analysis by the Buyer and its professional advisors while taking into consideration a two-fold valuation analysis (which for the avoidance of doubt is not a valuation report) with reference to, among others, (i) the price to book value analysis of several listed comparable companies in the commodities trading industry, and (ii) the price to book value analysis of several comparable acquisition transactions which involved targets in the energy, mineral and agricultural commodities industries, the Purchase Price is determined and equals to an amount of US$495 million (equivalent to approximately HK$3,883 million) plus the Final Net Profits. In particular,

(i) US$495 million was determined with reference to, among others, the book value of IXM Group as at 30 September 2018, i.e., US$449,755,000, and the P/B ratio of 1.1x. Such P/B ratio reflects a moderate discount from the average and median P/B ratios resulting from the valuation analysis adopted by the Company; and

(ii) the Final Net Profits is included as a part of the Purchase Price and allocated to the Seller for the following reasons:

i. such arrangement is a commercial arrangement, as a matter of autonomy of the will of the parties involved, and represents a fair treatment from the perspective of valuation and risk sharing between the Buyer and the Seller;

ii. such arrangement reflects the results of the negotiation between the Buyer and the Seller, taking into consideration of the discounted P/B ratio for the determination of the Purchase Price;

iii. from a valuation point of view, after deducting the Final Net Profits, there will be no material difference in respect of the value of net assets of the Target Group as at the reference date in accordance with the Share Purchase Agreement and the closing date of the Proposed Acquisition, respectively; and

iv. such arrangement is one of the price determination mechanism adopted in the market.

For details of the listed comparable companies in the commodities trading industry taken into consideration by the Company when determining the Purchase Price, please refer to the following table:

No.	Name of the Comparable Company	Place of Incorporation	Place of Listing	Principal Business of the Comparable Company	P/B ratio *(Note)*
1	Glencore plc	Switzerland	London Stock Exchange (stock code: GLEN) Johannesburg Stock Exchange (stock code: GLN)	manufacturing and trading of metal, mineral, energy and agriculture commodities	1.3x
2	Archer Daniels Midland Company	United States	New York Stock Exchange (stock code: ADM)	processing, warehousing, transportation and sales of most varieties of agriculture commodities	1.5x
3	Bunge Limited	Bermuda	New York Stock Exchange (stock code: BG)	manufacturing of vegetable oil, processing of grains and wheat flour and provision of sugar, ethanol and fertilizer	1.8x
4	Olam International Ltd.	Singapore	Singapore Exchange (stock code: O32)	trading of commodities including cocoa, coffee, cashew, rice and cotton	0.9x
5	Adani Enterprises Ltd.	India	National Stock Exchange of India (stock code: ADANIENT)	mining and trading of coal, survey of petroleum and natural gas, port and multimodal transportation, electricity generation and transmission and agri-business	1.0x
				Average:	**1.3x**
				Median:	**1.3x**

Note: the market cap of each comparable company above was calculated based on the closing price on 28 September 2018 and the financial information was extracted from the latest available financial statements as of 28 September 2018.

For details of the listed comparable acquisition transactions taken into consideration by the Company when determining the Purchase Price, please refer to the following table:

No.	Date of Transaction	Purchaser	Target Company	Principal Business of the Target Company	Place of Incorporation of the Purchaser	Consideration	P/B ratio
1	January 2018	Yellowbird Capital Management	Tai United Holdings Limited	Trading of petrochemical and metal commodities	Hong Kong	HK$6.04 billion	0.9x
2	April 2017	HNA Holding Group	CWT Pte.	Provision of logistic and supply chain solutions	Singapore	US$2.60 billion	1.6x
3	October 2016	Changlin Company Limited	Jiangsu SUMEC Group Corporation	trade and service of machinery, textile and other bulk commodity, construction contractor and investment	China	assets with valuation of RMB4.06 billion	1.2x
4	July 2015	Jiangsu High Hope International Group Corporation	Jiangsu High Hope Group	cold-chain logistics, healthcare supply chain, trading in textile, apparel, pulp paper and wood panels, provision of ship and electromechanical equipment	China	shares with valuation of RMB7.94 billion	1.1x
						Average:	**1.2x**
						Medium:	**1.2x**

As disclosed above, the P/B ratio of 1.1x implied by US$495 million (the Purchase Price deducting the Final Net Profits) in the Proposed Acquisition represents (i) a discount of 15.38% and 15.38% as compared to the average and median P/B ratio of the listed comparable companies in the commodities trading industry was 1.3x and 1.3x, respectively; and (ii) a discount of 8.33% and 8.33% as compared to the average and median P/B ratio of the listed comparable acquisition transactions was 1.2x and 1.2x, respectively.

When adopting the price-to-book value analysis, as advised by its professional advises, the Company considered that such analysis is widely adopted for valuation assessment of companies operating in capital-intensive industries, like commodity trading industry and certain financial services industries, since the value of net assets is a significant factor for the valuation of a company in such industry and the comparison among companies in such industry. Besides, as a company operating in the commodity trading industry, the business operation and financial performance of IXM Group could be materially affected by macro-environment, geopolitics and balance of supply and demand from time to time, the revenue and net profit of IXM Group therefore might fluctuated significantly in a short period of time. As such, some other traditional valuation methodologies, such as price-to-earnings ratio, price-to-sales ratio and EV/EBITDA ratio, might not reflect the proper value of IXM Group. Therefore, the Board is of the view that the price-to-book analysis represents an accessible tool and a reasonable method to evaluate IXM Group, which serves as a reference (but not the only basis) for determining the Purchase Price.

When selecting the comparable companies and transactions, as advised by its professional advises, the Company considered (a) listed companies that have a global operation and are engaged in bulk commodity trading business, which are largely similar to the operation and business of IXM Group; and (b) acquisitions involving listed companies and bulk commodity trading business. As the number of listed companies and acquisitions in metal commodity trading industry is limited, although certain comparable companies or acquisitions involved energy, agricultural and other industries differed with IXM Group's operation, these comparable companies and targets under these comparable acquisitions still share a high level of similarity in terms of corporate nature, business model, risk management and financial structure of IXM Group. Therefore, the Board is of the view that the comparable companies and transactions selected above are exhaustive subject to the public information available and the understanding of the Company to the relevant industry and are fair and representable.

Considering the Company's extensive involvement in and familiarity with the upstream and downstream of the natural resources industry, the Purchase Price represented an independent assessment of the value of IXM Group by the Company and was determined based on arm's length basis negotiation with the Seller, thus, the P/B ratio provided a reference for the Board and was not the only factor considered in concluding the Purchase Price. Therefore, the discounts to the referable P/B ratios mentioned above was mainly a result of the negotiation and commercial arrangement of the Proposed Acquisition.

In addition, the Purchase Price is different and represents an increase as compared with the consideration of US$466 million payable under the Fund Acquisition, which was an investment opportunity identified, evaluated and determined in accordance with the independent commercial process of the Fund, due to the following reasons:

i. the difference is determined based on negotiation and evaluation from a commercial perspective of the Buyer and the Seller;

ii. the net assets of IXM Group increased from US$378,397,000 as at 30 September 2017, the reference date of the Fund Acquisition, to US$449,755,000 as at 30 September 2018, the reference date of the Proposed Acquisition. Such increase in net assets was mainly attributed to the following reasons and was slightly netted-off by a decrease in the equity attributable to non-controlling interests of IXM Group: (1) the retained earnings increased from approximately US$362,127,000 to approximately US$423,425,000 due to a net profits achieved of approximately US$61,297,000 for the twelve months ended 30 September 2018; and (2) the issued capital and share premium increased from approximately US$15,020,000 to approximately US$32,289,000 due to the increase in the share premium;

iii. the P/B ratio of 1.1x adopted for the reference of the Purchase Price represents a moderate discount from the P/B ratio adopted in the Fund Acquisition;

iv. the inclusion of the Final Net Profits and its allocation to the Seller is proper and reasonable from commercial perspective based on the reasons as illustrated above;

v. the reduced risks and uncertainties in connection with the inclusion of the Target Group into the Group considering, among others, the stableness of the core management team of the Target Group; and

vi. the potential synergy between the businesses of the Target Group and the existing businesses of the Group based on further understanding by the Company of the business and financial performance of the Target Group.

As such, the Board is of the view that (i) the price-to-book analysis is a reasonable method to determine the Purchase Price; (ii) the comparable companies and transactions selected for the reference are fair and representable; (iii) the Purchase Price (including the applicable discount rate as compared with the comparable companies and transactions) is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(C) Reasons for and Benefits of the Proposed Acquisition

The Board acknowledges that the terms of the transaction and the Proposed Acquisition are fair and reasonable and in the interests of the Shareholders as a whole. The reasons and benefits of the Proposed Acquisition are as follows:

(1) The Proposed Acquisition represents an appropriate opportunity to expand the business of the Group in the resources industry.

Based on the due diligence on IXM and after several months' observation after the acquisition of IXM by the Fund from LDC in May 2018, the Company has gained an overall knowledge of the business and global operation network of IXM and risks associated with it, which would enable the Company to make an informed decision as well as smoothen the integration of IXM's metal trading business into the Group and identify additional growth drivers for the benefit of the Company and the Shareholders.

(2) The Proposed Acquisition will strengthen the Company's ability to counter the business cycle of the conventional resources industry and provide more flexibility for the operation of the Company

By providing access to the information collection and research infrastructure and the procurement and sales channels of IXM and the capability to better hedge the negative effects of the business cycle of the conventional resources business through the expansion of its existing business, the Proposed Acquisition is expected to enable the Company to optimise its resources allocation and strategic decision making, better manage changes in supply and demand in the industry, make timely adjustments to its operations and strengthen the stability of the financial condition of the Company.

(3) *The Proposed Acquisition will generate synergy among the business segments of the Company and facilitate intra-group business integration*

By optimising strategy management and control, the Company will be able to provide a full range of businesses ranging from metal mining services to metal end-sales trading services, which is expected to generate synergy among the business segments and improve overall operating efficiency of the Company through comprehensive services, a broader array of service offerings and increased value to customers.

(4) *The Proposed Acquisition will enhance the Company's reputation and competitiveness in the global resources industry*

The vision of the Company is to enhance its reputation as a respected international resources enterprise. By combining its existing operations with the robust and established business operations of IXM, the Proposed Acquisition is expected to transform the Company into a more recognized and competitive player and enhance the Company's reputation and competitiveness in the global resources industry. As such, the Directors consider that the Share Purchase Agreement is entered into on normal commercial terms, which is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

(D) Reasons for the Implementation of the Proposed Acquisition by the Fund after the Fund Acquisition

After consultation with the relevant parties in the Fund Acquisition, the Company sets out below certain information with respect to the background and reasons for the implementation of the Proposed Acquisition by the Fund after the Fund Acquisition for the information of Shareholders and the investors the Company.

As a limited partner of the Fund, it is the Company's understanding that to realize a reasonable return from an investment, the Fund is open to suitable exit solutions in accordance with the market practice. It is also the Company's understanding that, as long as the exit is considered "suitable" by the Fund, the Fund would consider such opportunity and the investment/exit cycle (including the time in between) is only one of the factors to evaluate such opportunities. In other words, a suitable exit opportunity may arise in a short period of time after the Fund Acquisition, or if no suitable opportunities immediately, take a while to materialize.

As a financial investor, it is necessary for the Fund to improve the business and to enhance the value of IXM on the one hand and look for suitable exit solutions on the other hand. To the understanding of the Company, it is a constant balancing exercise for the Fund. Upon completion of the Fund Acquisition, the Fund is facing increasing challenges in providing timely and sufficient financing supports under the global macro-economic and PRC regulatory environment in the second half of 2018, in particular, (i) the rising expectation of increase in US$ interest rates and the devaluation of RMB tightened the trend of outflow in the capital account of the PRC which may adversely affect the financing capability of the Fund as a RMB fund incorporated in China; and (ii) the PRC regulatory authorities implemented certain new policies to regulate the financing activities of investment funds and imposed more limits on investing and holding overseas industrial assets, which may have adverse impacts on the further investment and financing capability of the Fund. While such challenges were, to certain extent, anticipated by the Fund before making the Fund Acquisition, the subsequent development has certainly affected the Fund's balancing exercise between enhancing the value of IXM Group and finding suitable exit opportunities.

As such, the Fund determined to implement the disposal of the 100% equity interest in IXM under the Proposed Acquisition after the completion of the Fund Acquisition.

(E) Financial Effects on the Proposed Acquisition

Upon completion of the Proposed Acquisition, the Target Company will be 100% owned by the Company and its financial results (including IXM Group) will be consolidated into the financial statements of the Enlarged Group.

The following analysis of financial data is based on the unaudited pro forma financial statements of the Enlarged Group after completion of the Proposed Acquisition as if the Proposed Acquisition had been completed as at 31 December 2018 for pro forma consolidated statement of financial position, and as if the Proposed Acquisition had been completed as at 1 January 2018 for pro forma consolidated statement of profit and loss. Details of the financial effects of the Proposed Acquisition on the financial position and results of the Company together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustrative purpose only, in Appendix VIII to this circular.

i). Analysis of asset structure

As at 31 December 2018, the consolidated total assets of the Group were approximately RMB101,216.1 million. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total assets of the Enlarged Group as at 31 December 2018 would have been increased to approximately RMB119,537.2 million.

ii). Analysis of liability structure

As at 31 December 2018, the consolidated total liabilities of the Group were approximately RMB51,618.2 million. According to the unaudited pro forma financial information, the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 31 December 2018 would have been increased to approximately RMB69,891.6 million.

iii). Analysis of total equity

As at 31 December 2018, the total equity attributable to shareholders of the Company was approximately RMB40,948.9 million. According to the unaudited pro forma financial information, the unaudited pro forma total equity attributable to shareholders of the Company of the Enlarged Group as at 31 December 2018 would have been increased to approximately RMB40,996.6 million.

iv). Analysis of earnings

As at 31 December 2018, the net profit attributable to shareholders of the Company was approximately RMB4,635.6 million. According to the unaudited pro forma financial information, the unaudited pro forma net profit attributable to shareholders of the Enlarged Group as at 31 December 2018 would have been increased to approximately RMB4,873.1 million.

v). Analysis on information on a per share basis and other financial indicators

	The Group (before the Proposed Acquisition)	The Enlarged Group (after completion of the Proposed Acquisition)	Change
Basic earnings per share *(RMB)*	0.21	0.23	0.02
Equity per share attributable to the Shareholders of the Company *(RMB)*	1.90	1.90	–
Net profit margin *(%)*	19.84	4.81	-15.04

Notes:

Basic earnings per share = net profit attributable to the Shareholders of the Company/number of shares issued.

Equity per share attributable to the Shareholders of the Company = equity attributable to the Shareholders of the Company/number of shares issued.

Net profit margin = net profit for the year/revenue of the year.

(F) Profit Forecast of the Target Company

The Valuation Report was prepared by the Independent Valuer based on the market approach as the fundamental valuation approach and income approach was also used as the secondary approach as there is a mandatory requirement for the use of two different valuation approaches according to applicable PRC laws and regulations. Such income approach is regarded as profit forecast under Rule 14.61 of the Listing Rules.

The principal assumptions upon which the valuation is based are set out below:

General assumptions

1. Transaction assumption

   Transaction assumption refers to the assumption that all assets to be evaluated have been in the transaction process and that the appraised value is derived by the valuer by making reference to simulation markets such as transaction conditions of the assets to be evaluated. Transaction assumption is the fundamental prerequisite for asset valuation.

2. Open market assumption

   Open market assumption refers to the assumption that both parties involved in a transaction on assets which are traded or to be traded on the market shall rank equally and shall both have sufficient chance and time to obtain market information so as to make precise judgement on such assets in terms of function, purpose, transaction price, etc. Open market assumption shall be made on the basis that the assets are tradable in open markets.

3. Subsisting asset assumption

   Subsisting asset assumption refers to the assumption that the assets to be evaluated are being used, based on the current purpose and the method, scale, frequency and condition of usage, or with minimal change in the intended usage, on an ongoing basis in the valuation process, in order to determine the approach, parameter and basis for valuation accordingly.

Special assumptions

1. There is no material change in the macro-economy in the countries and regions where the valuation target operates nor in multi-national economic and trade relations following the reference date of the Valuation Report;

2. A stable political status and international relationship is maintained in the countries where the major operating entities of the valuation target operate, with no material change in the respective prevailing macro-economy as well as industrial policies, trade policies and tax policies, during the forecast period;

3. There is no material change in the foreign exchange rate between the countries where the valuation target and its subsidiaries operate during the forecast period;

4. There is no material change in the market and competition conditions in which the valuation target and its subsidiaries operate their principal businesses after the reference date of the Valuation Report;

5. Ongoing operation will be maintained by the valuation target in the future according to the established business objectives with diligent work performed by the management and stable composition of core members;

6. Normal business relationship will be maintained between the valuation target and its existing suppliers and customers to ensure no significant impact on the business operation, cost control and other relevant business activities of the valuation target;

7. The basic information and the financial information provided by the client and the valuation target for the purpose of this valuation are true, legal and complete;

8. There is no obvious seasonality in the businesses of the valuation target and the valuation target has a relatively balanced cash inflow and outflow;

9. The valuation target will make reasonable use of its capital and, to the extent possible, will attribute its profit to its shareholders in a timely manner, on the basis of sustaining adequate reserve for its casual operation;

10. There is no material change in the market from the reference date of the Valuation Report and up to the date of the latest financial statements of comparable companies nor in the standard of value measurement accepted by market participants;

11. The valuer selects the dimensions of comparison and indicators only based on the relevant information on comparable companies available in the open market and does not take into consideration the impact on the value of the valuation target caused by other matters;

12. The securities trading markets in which the comparable listed companies operate are valid markets and the trading price of their shares are fair and valid. Market differentiation does no impose significant impact on enterprise value as at the reference date of the Valuation Report;

13. Information disclosed by comparable listed companies is true, accurate and complete with no false representation, inaccurate statement or material omission which would affect judgement on valuation;

14. There is no significant difference in surplus assets/liabilities of each comparable company as there is no detailed breakdowns on each of the financial items of such comparable companies available; and

15. There is liquidity difference between the equity of the valuation target and the ordinary shares of the listed companies and the information on liquidity discount in the relevant securities market is able to reflect such difference.

It shall be noted that results of such valuation report is not part of the basis for determining the Purchase Price of the Proposed Acquisition, rather it serves as an independent reference for the Shareholders to consider the Proposed Acquisition. For further details, please refer to Appendix X to this circular. A letter from each of Deloitte HK and the Board has been submitted to the Hong Kong Stock Exchange, and is included in Appendices IV and V, respectively, to this circular pursuant to Rule 14.62 of the Listing Rules.

(G) Financial and Trading Prospects of the Group

I. Prospects and Future Plan

As explained in the section headed "Information of the Parties" to this circular, the Company is one of the leading mining company engaging in non-ferrous metal mining with a relatively integrated industrial value chain and IXM is a global merchant that is dedicated in the business of base and precious metals trading. Upon completion of the Proposed Acquisition, the Company will extend its industrial chain towards downstream businesses on original business foundations such as the selection, smelting, and deep processing of copper, molybdenum, tungsten, cobalt, niobium and phosphate, expand into the field of bulk transaction metals, venture into new submarkets, and initiate new growth points of business and income while speeding up sales turnover with the aid of IXM's globalized business network.

Although the Proposed Acquisition is going to consume a certain portion of the Company's capital, with sufficient cash, unobstructed financing channels and good business relationship with financial institutes, the financial security of the Company would not be materially affected by the Proposed Acquisition, and the possibility of liquidity risks, such as shortage of funds, is relatively low. Upon completion of the Proposed Acquisition, the Company is going to extend its business operation, and its scale of operating revenue is expected to experience substantial growth. The Company will also adopt corresponding measures to ensure normal operation of IXM, strengthen the sustainability and risks aversion capability of the Enlarged Group, which in turn will benefit the Company's sustainable development.

In the context of periodical adjustments in the global mining resources industry, the Company will go all out to promote the development of IXM, seize the development opportunity of the industry, expedite the integration of various businesses of both parties and continuously consolidate the Company's advantages in mining resources such as molybdenum, tungsten, cobalt, niobium, phosphate and copper, and further expand the business of bulk metal transactions, multiply points of business growth for the Company and continuously broaden its scale of business. In the meantime, the Company will take advantage of IXM's experienced industry research and market forecasting capabilities to acquire an in-depth insight into the macro conditions and trends of non-ferrous metals, apprehend the supply-and-demand patterns of bulk commodities, optimize resources allocation and strategic decision-making, mitigate the negative impact on the Company's performance caused by periodic fluctuation of non-ferrous metal price. In addition, the Company will integrate the global inventories and the layout of logistic system of IXM in order to increase its footholds in overseas markets, and procure a fast growth of its overseas income on the strength of IXM's global layout and acclaimed standing in the industry, extend the global reach of the Company and build up its business capacity, promote the comprehensive strength of the Company in various parts of the entire industry chains and thus further enhance the Company's status and right to discourse in the field of global resources.

In order to ensure the operation stability and maintain the management and business continuity of IXM, the Company proposes to maintain the independence and stability of IXM's assets, business and personnel. After the completion of the Proposed Acquisition, IXM will still exist as an independent legal entity and no material adjustments will be made to the operational structure and personnel of IXM to keep its independence in operation and management.

Risks Factors with respect to the Enlarged Group

1. Operational risks

   The principal business of IXM is the physical trade of copper concentrates, zinc concentrates, lead concentrates and refined metals. Typically, the operating results of bulk commodity traders are easily affected by the fluctuation in the transaction prices of those commodities and other relevant factors. Currently, IXM is operating under a sound condition with promising development prospects. Upon completion of the Proposed Acquisition, the Company will also provide full support to facilitate the development of IXM. However, due to various factors, including but not limited to global price fluctuation of the underlying commodities, adjustments to regulatory policies, changes in macro-economic trend, and international trade conflicts, the operating performance of the Target Group might be influenced, which will cause the Enlarged Group to be exposed to risks on fluctuation or decline in committed operating results.

2. Political risks and market fluctuation risks

As a global base metal trader, IXM has branches in 13 countries worldwide. Where there is a material change in the operating environment, legal regime and national or industrial policies in the countries where IXM and its subsidiaries are located, the operating results of the Enlarged Group may be affected.

3. Technology risks

At present, IXM primarily conducts its physical and future transactions through utilizing various IT systems and web based software. In spite of the sound information technology support possessed by IXM and the extensive experience in cooperating with major information technology companies, the Enlarged Group may be threatened by significant interruption in normal operation if there are serious deficiencies in information technology system or other technical problems.

4. Risks on talent loss

The business model of IXM mainly comprises physical trade of copper concentrates, zinc concentrates, lead concentrates and refined metals. IXM possesses a competitive edge through precise judgement on the pricing and price trend of the products it trades. As a global base metal trader, IXM employs a pool of talents with abundant experience in the base metal business. Upon completion of the Proposed Acquisition, where there is a loss of such talents from IXM, the operation of the Enlarged Group will face a potential impact on the business.

5. Taxation risks

IXM is subject to different tax policies when it operates in different countries. Where there is a change in local tax regulations or the interpretation thereof, the business, operating results and/or financial condition of the Enlarged Group may be adversely affected.

6. Risks on potential intensified business competition

Each business segment of IXM and the Company operates in a competitive environment. In addition, certain competitors or existing manufacturers may, by capitalizing on resources available, enter the market in which IXM or the Company operates, increase competition and impact margins. The increasing competition may result in a decrease in market share of IXM or the Company, which may have adverse and material impact on the business, operating results and financial condition of the Enlarged Group.

(H) Information of the Parties

a) The Target Company

The Target Company is incorporated in Switzerland with limited liability on 18 May 2018 and is a wholly-owned subsidiary of the Seller. The Target Company mainly serves as an investment holding vehicle of the Seller. Upon completion of the Pre-Closing Reorganization, IXM will be a wholly-owned subsidiary of the Target Company and its principal asset.

According to the accountants' report on the Target Company, the net assets of the Target Company as at 31 December 2018 was US$78,000 (equivalent to approximately HK$612,000), and the net loss (before and after tax) of the Target Company for the period from 18 May 2018 to 31 December 2018 was US$24,000 (equivalent to approximately HK$188,000) and US$24,000 (equivalent to approximately HK$188,000), respectively.

b) IXM

IXM Group is a global merchant that is dedicated in the business of base and precious metals trading. Headquartered in Geneva with expert teams on the major continents, IXM Group sources, blends, exports, transports and merchandizes copper, zinc, lead concentrates, copper blister and refined base metals and the majority of its sales are to Asia and Europe. As one of the top merchandizers in the industry, IXM Group has more than 250 employees located in 15 countries and regions and maintains an international logistical presence, notably in Peru, Mexico, Taiwan (China) and Mainland China. Currently, IXM Group operates warehouses in Peru, Mexico and Taiwan (China) and has a minority interest in a logistics business in Namibia.

According to the accountants' report on IXM Group, certain key financial data of IXM Group prepared under the IFRS for the two years ended 31 December 2018 are set out below:

Unit: thousand

	For the year ended			
	31 December 2017 (audited)		**31 December 2018 (audited)**	
	US$	*HK$*	*US$*	*HK$*
Total assets	3,667,880	28,772,685	3,105,540	24,361,409
Total liabilities	3,260,869	25,579,887	2,651,815	20,802,163
Net assets	407,011	3,192,798	453,725	3,559,246
Revenue	12,278,353	96,137,540	13,004,441	102,013,337
Consolidated net profit after taxation	92,267	723,788	34,490	270,557
Consolidated net profit before taxation	101,546	796,578	45,582	357,568

For each of the year ended 31 December 2017 and 2018, the sales volume of IXM Group was 4,436,971 tons and 3,982,687 tons, and the unit gross profit of IXM Group was US$42.43/ton and US$45.07/ton, respectively.

c) The Seller

NSR, as the Seller, is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Fund. NSR mainly serves as an investment vehicle and platform for the Fund.

d) The Buyer

CMOC Limited, as the Buyer, is a wholly-owned subsidiary of the Company and was established under the laws of Hong Kong with limited liability. It mainly engages in investment holding activities.

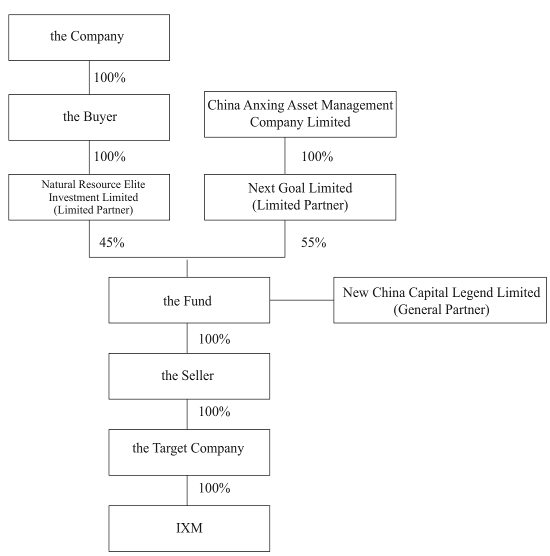
e) *The Company*

China Molybdenum Co., Ltd. is a joint stock company established in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the main boards of the Hong Kong Stock Exchange (stock code: 03993) and the Shanghai Stock Exchange (stock code: 603993), respectively.

The Group engages in non-ferrous metal mining, mainly the beneficiation, smelting, and deep processing of copper, molybdenum, tungsten, cobalt, niobium and phosphate. With a relatively integrated industrial value chain, the Company is one of the top five molybdenum manufacturers, one of the largest tungsten manufacturer, the second largest cobalt and niobium manufacturer, and a leading copper manufacturer in the world, as well as the second largest phosphate fertilizer manufacturer in Brazil.

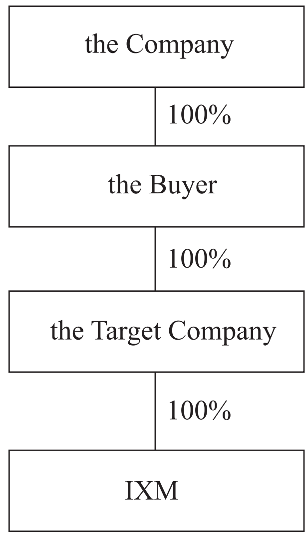
(I) The Simplified Corporate Structure Charts Immediately Before and After the Proposed Acquisition

The simplified corporate structure chart of the Company and the Target Company immediately before the Proposed Acquisition and after the completion of the Pre-Closing Reorganization:



To the best knowledge, information and belief of the Company and after making all reasonable enquiries, the Company confirms that each of (i) Next Goal Limited; (ii) China Anxing Asset Management Company Limited; and (iii) New China Capital Legend Limited (the general partner of the Fund) is an independent third party of the Company.

The simplified corporate structure chart of the Company and the Target Company immediately after the Proposed Acquisition:



(J) *Listing Rules Implications*

According to the accountants' report on IXM Group, the highest applicable ratio calculated under Rule 14.07 of the Listing Rules with respect to the Proposed Acquisition exceeds 100%, the Proposed Acquisition therefore constitutes a very substantial acquisition of the Company for purposes of the Listing Rules, and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

(K) *Waiver from Strict Compliance with Rule 4.03 of the Listing Rules*

As disclosed in the announcement of the Company dated 4 December 2018, the Company applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange granted, a waiver from strict compliance with Rule 4.03 of the Listing Rules to allow Deloitte SA in Geneva to prepare an accountants' report for inclusion in the circular.

However, after the internal discussion between Deloitte HK and Deloitte SA in Geneva, Deloitte HK has accepted the engagement to act as the reporting accountants in relation to the financial information of the Target Company and IXM Group and the Company has concluded that such dispensation granted by the Stock Exchange is no longer required as Deloitte HK is certified public accountants qualified under the Professional Accountants Ordinance.

(L) Resolution to be Proposed at the AGM According to Relevant PRC Laws and Regulations

The consideration of the Proposed Acquisition comprises cash, and no new Shares will be issued. However, pursuant to the requirements under the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》)(國辦發[2013]110號)) and the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Material Asset Restructuring) (CSRC [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》)(證監會[2015]31號)), the Board has reviewed and passed the resolution in relation to the effect on major financial indicators from the dilution of current returns as a result of the Proposed Acquisition and its remedial measures. A special resolution regarding the effect on major financial indicators from the dilution of current returns as a result of the Proposed Acquisition and its remedial measures will be proposed at the AGM. The detailed resolution is set out in Appendix XI of this circular.

11. AGM, A SHAREHOLDERS' CLASS MEETING AND H SHAREHOLDERS' CLASS MEETING

The Board proposed to seek the Shareholders' approval at the AGM to approve, among others: (i) the Financial Report and the Budget Report; (ii) the proposed distribution of the Final Dividend; (iii) the proposed subscriptions of structured deposit with internal idle funds; (iv) the proposed purchase of wealth management products with internal idle funds; (v) the proposed provision of financial guarantee to wholly-owned subsidiaries; (vi) the proposed Share Mandate; (vii) the proposed Repurchase Mandate; and (viii) the Proposed Acquisition. The Board also proposed to seek the approval from A Shareholders and H Shareholders at the A Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively to grant a general mandate to the Board to repurchase H Shares.

Notices convening the AGM and the H Shareholders' Class Meeting to be held at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the PRC on Friday, 14 June 2019 are set out on pages AGM-1 to NOTICE-4 of this circular. The forms of proxy and reply slips for use in connection with the AGM and the H Shareholders' Class Meeting are enclosed herewith.

According to the requirements under the "Rules of Shareholders' Meeting of Listed Companies" of the CSRC, independent Directors shall issue a work report at the annual general meeting. Such report will be submitted to the shareholders' general meeting for consideration but not for shareholders' approval. The 2018 Work Report of Independent Directors of the Company is set out in Appendix II to this circular for Shareholders' information.

12. PROXY ARRANGEMENT

Forms of proxy applicable to the AGM and the H Shareholders' Class Meeting are enclosed with this circular and such forms of proxy are also published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinamoly.com).

For H Shareholders, whether or not you are able to attend the AGM and the H Shareholders' Class Meeting in person, you are requested to complete, sign and return the reply slips and forms of proxy applicable to the AGM and the H Shareholders' Class Meeting in accordance with the instructions printed thereon. For H Shareholders, the forms of proxy applicable to the AGM and the H Shareholders' Class Meeting should be returned to the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 1:00 p.m. on Thursday, 13 June 2019 (or if the AGM and the H Shareholders' Class Meeting are adjourned, not less than 24 hours before the time appointed for holding the relevant meetings or any adjournments thereof (as the case may be)). Completion and return of the form of proxy applicable to the AGM and the H Shareholders' Class Meeting will not preclude you from attending and voting in person at the AGM and the H Shareholders' Class Meeting or any adjournments thereof should you so wish.

H Shareholders who intend to attend the AGM and the H Shareholders' Class Meeting in person or by proxy should return the reply slips to the office of the Board at the Company's principal place of business in the PRC, at North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC, 20 days before the relevant meeting, i.e. before Friday, 24 May by hand, by post or by facsimile.

13. CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of H Shareholders who will be entitled to attend and vote at the AGM and the H Shareholders' Class Meeting, the H Share Register of Members of the Company will be closed from Wednesday, 15 May 2019 to Friday, 14 June 2019 (both days inclusive) during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the H Shares Register of Members at 4:30 p.m. on Tuesday, 14 May 2019 shall be entitled to attend and vote at the AGM. In order for the H Shareholders to qualify for attending and voting at the AGM and the H Shareholders' Class Meeting, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 14 May 2019.

14. VOTING AT THE AGM

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

As at the Latest Practicable Date, all of the Shareholders shall be entitled to vote on the resolutions to be proposed at the AGM and the H Shareholders' Class Meeting and there is no Shareholders shall be abstained from the voting.

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

15. RECOMMENDATIONS

The Directors are of the view that, the (i) Financial Report and Budget Report; (ii) proposed distribution of Final Dividend; (iii) proposed subscriptions of structured deposit with internal idle funds; (iv) proposed purchase of wealth management products with internal idle funds; (v) proposed provision of financial guarantee to wholly-owned subsidiaries; (vi) proposed Share Mandate; (vii) proposed Repurchase Mandate; and (viii) Proposed Acquisition is on normal commercial terms which are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting (as the case maybe) as set out in the notices of AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting.

16. OTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular.

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

I. MAJOR FINANCIAL INFORMATION AND FINANCIAL INDICATORS

Unit: RMB'000

Major accounting information	2018	2017 After adjustment	2017 Before adjustment	Increase or decrease as compared to the same period last year (%)
Operating revenue	25,962,863	24,147,558	24,147,558	7.52
Net profit attributable to shareholders of listed companies	4,635,582	2,727,796	2,727,796	69.94
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed companies	4,560,177	3,125,343	3,125,343	45.91
Net cash flow from operating activities	9,434,533	8,428,813	8,428,813	11.93

Major accounting information	At the end of 2018	At the end of 2017 After adjustment	At the end of 2017 Before adjustment	Increase or decrease as compared to the end of same period last year (%)
Net assets attributable to the shareholders of listed companies	40,948,875	38,132,684	38,157,185	7.39
Total assets	101,216,117	97,812,745	97,837,246	3.48

Major financial indicators	2018	2017 After adjustment	2017 Before adjustment	Increase or decrease as compared to the same period last year *(%)*
Basic earnings per share ("EPS") *(RMB per share)*	0.215	0.14	0.14	53.57
Basic EPS after deduction of non-recurring profits or losses *(RMB per share)*	0.211	0.16	0.16	31.88
Weighted average return on net assets *(%)*	11.72	9.89	9.89	Increased by 1.83 percentage points
Weighted average return on net assets after deduction of non-recurring profits or losses *(%)*	11.54	11.25	11.25	Increased by 0.29 percentage point

II. COMPLETION OF INDICATORS IN THE MAJOR ESTIMATED MEDIAN

1. Copper and cobalt sector

During the year 2018, TFM Copper and Cobalt Mine achieved a production volume of 168,300 tonnes of copper metal, representing a decrease of 29,200 tonnes or -15% as compared with 197,500 tonnes of the estimated median.

It achieved a production volume of 18,700 tonnes of cobalt metal, representing an increase of 2,000 tonnes or 12% as compared with 16,800 tonnes of the estimated median.

C1 integrated cash cost of copper was negative US$0.31 per pound, representing an increase of US$0.11 per pound or 25% as compared with negative US$0.42 per pound of the estimated median.

2. Molybdenum and tungsten sector

During the year 2018, the Company achieved a production volume of molybdenum metal of 15,400 tonnes, representing an increase of 1,200 tonnes or 8% as compared with 14,200 tonnes of the estimated median. The unit cash production cost was RMB64,500/tonne, representing an increase of RMB1,300/tonne or 2% as compared with RMB63,200/tonne of the estimated median.

The Company achieved a production volume of tungsten metal of 11,700 tonnes (excluding Yulu Mining), representing an increase of 200 tonnes or 2% as compared with 11,500 tonnes of the estimated median. The unit cash production cost was RMB21,900/tonne, representing a decrease of RMB700/tonne or -3% as compared with RMB22,600/tonne of the estimated median.

3. Niobium and phosphate sector

During the year 2018, production of phosphate fertilizers in Brazil (high concentration fertilizer and low concentration fertilizer) reached 1,120,000 tonnes, representing an increase of 44,000 tonnes or 4% as compared with 1,070,000 tonnes of the estimated median.

The Company achieved a production volume of niobium metal of 9,000 tonnes, representing a decrease of 400 tonnes or -5% as compared with 9,400 tonnes of the estimated median.

4. Copper and gold sector

During the year 2018, where calculated based on 80% of equity interests, NPM copper and gold mine achieved a production volume of copper metal of 31,900 tonnes, representing an increase of 900 tonnes or 3% as compared with 31,000 tonnes of the estimated median.

The Company achieved a production volume of 25,300 ounces of gold, which reduced by 1,900 ounces or -7% as compared with 27,200 ounces of the estimated median.

C1 integrated cash cost of copper reached US$1.08 per pound, representing a decrease of US$0.05 per pound or -4% as compared with US$1.13 per pound of the estimated median.

Please refer to the 2018 Annual Report of the Company for details.

CHINA MOLYBDENUM CO., LTD.
2018 WORK REPORT OF INDEPENDENT DIRECTORS

As the independent Directors of China Molybdenum Co., Ltd.* (hereinafter referred to as the "Company"), we have honestly, diligently, responsibly and independently performed the duties of independent Directors in strict compliance with the Company Law, the Provisions on Strengthening the Protection of Rights and Interests of Public Shareholders, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Guidelines on the Establishment of Independent Directorship of Listed Companies and other relevant laws, regulations, regulatory documents, and the stipulations and requirements of the Articles of Association of China Molybdenum Co., Ltd.*, the Working Rules for Independent Directors and relevant rules. We have actively attended the relevant meetings, issued our independent opinions in an objective and fair manner on significant matters of the Company, played an important role as the independent Directors and safeguarded the legal interest of the Company and Shareholders and, in particular, the minority Shareholders. The performance description for the year 2018 is set out as follows:

I. BASIC INFORMATION

(i) Changes of Independent Directors at Expiration of Term of Office

Name	Title	Date of expiration of term of office	Remarks
Bai Yanchun	Independent Director of the fourth session of the Board	3 August 2018	Resignation at expiration of term of office
Xu Shan	Independent Director of the fourth session of the Board	3 August 2018	Resignation at expiration of term of office
Cheng Gordon	Independent Director of the fourth session of the Board	3 August 2018	Resignation at expiration of term of office
Wang Gerry Yougui	Independent Director of the fifth session of the Board	3 August 2018	Election at expiration of term of office
Yan Ye	Independent Director of the fifth session of the Board	3 August 2018	Election at expiration of term of office
Li Shuhua	Independent Director of the fifth session of the Board	3 August 2018	Election at expiration of term of office

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

1. Wang Gerry Yougui (王友貴), born in May 1962, Hong Kong resident, Canadian citizen. Mr. Wang received his Bachelor's degree in Navigation from Shanghai Maritime University in 1983 and was awarded his Master's degree in International Economics and Management from the program sponsored by the United Nations Economic and Social Commission in 1986. In 1993, he obtained his Master of Science degree in Business Administration from the University of British Columbia (Vancouver) in Canada. Mr. Wang was the Company Secretary & Business Development Deputy Manager at China Merchants Group from 1986 to 1989. He joined Seaspan Canada in 1990 and founded its containership business. In 2005, Mr. Wang successfully took Seaspan's containership business public, trading on the New York Stock Exchange as SSW. The offering was the largest shipping IPO in North America history. Mr. Wang worked as the Chief Executive Officer and Co-chairman for 12 years, during which he enabled Seaspan to become the world's largest leasing company in terms of containership. Mr. Wang retired from Seaspan at the end of 2017 to turn his focus on developing new business ventures in Asia. Late on Mr. Wang founded the Tiger Gas Group (Tiger Clean Energy). Mr. Wang was named 2016 the Most Influential Person of Shipping in the world. Mr. Wang is serving on the Asia Campaign Leadership Committee of the University of Pennsylvania in Asia.

2. Yan Ye (嚴冶), born in May 1958, holds a degree of Master of Laws and is a registered lawyer. Ms. Yan graduated from the faculty of law in Peking University in 1982 with a bachelor's degree in law specialising in politics and law. She received a master's degree in civil law from the faculty of law of Renmin University of China in 1984. She served as a lecturer and associate professor of the school of law of the Party School of the Central Committee of C.P.C. from 1984 to 1994. She served as a lawyer in Shaanxi Xiehui Law Firm from 1994 to 2003 and served as a lawyer in Shaanxi Win Law Firm from 2003 to 2008 and has served as a lawyer and a partner in Shaanxi Yanfeng Law Firm since 2008. She has concurrently served as an independent Director of Zhejiang Chint Electrics Co., Ltd. (浙江正泰電器股份有限公司) (a company listed on the Main Board of Shanghai Stock Exchange, stock code: 601877) since May 2013.

3. Li Shuhua (李樹華先生), born in 1971, obtained a bachelor's degree in management majoring in auditing from Southwest University in 1993, a master's degree in economics majoring in accounting from Xiamen University in 1996, and a doctor's degree in management majoring in accounting from Shanghai University of Finance and Economics in 1999. During 2002 and 2004, he pursued his postdoctoral research in Finance and Law in Peking University, and obtained a Finance Executive Master of Business Administration (EMBA)'s degree from Shanghai Advanced Institute of Finance during 2013 and 2015. He served consecutively as director-level clerk

of general office division, deputy division director of auditing division, deputy division director of general office division, division director of financial budgeting management division and division director of general office division of accounting department in CSRC during 1999 and 2010. During 2010 and 2018, he had worked for China Galaxy Securities Co., Ltd. and acted as Chief Risk Officer/Chief Compliance Officer and member of the Executive Committee. Since February 2018, he has been concurrently serving as a chair professor of practice at Xiamen National Accounting Institute and Renmin University of China.

(iii) Statement on whether the independence is affected

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

II. OVERVIEW OF THE PERFORMANCE OF DUTIES FOR THE YEAR

We have conducted necessary and adequate communication with the independent Directors of the fourth session of the Board of the Company before performance of duties to understand material matters in corporate governance of compliance and business operations that should be brought to our attention, and confirmed that the work independence of independent Directors of the fourth session of the Board was not subject to any impact during the period of performing duties, and independent Directors raised no objection against the resolutions and other matters considered by the Company.

Since we were appointed as independent Directors of the Company, we performed our duties as independent Directors and safeguarded the interests of the Company and Shareholders, especially minority Shareholders, with the principle of being independent and objective and with diligent and responsible attitude.

(i) Attendance at meetings during the reporting period

	Attendance in Person/Required Attendance					
	Meetings of the Board	Meetings of the Remuneration Committee	Meetings of the Audit and Risk Committee	Meetings of the Nomination and Governance Committee	Meetings of the Strategic and Sustainable Development Committee	General Meeting
Mr. Wang Gerry Yougui	6/6	1/1	N/A	2/2	2/2	1/1
Ms. Yan Ye	6/6	N/A	3/3	2/2	N/A	1/1
Mr. Li Shuhua	6/6	1/1	3/3	2/2	N/A	1/1

We conducted adequate communication with independent Directors of the fourth session of the Board, reviewed relevant meeting materials of the Company, and confirmed the attendance of independent Directors of the fourth session of the Board at meetings as follows:

	Attendance in Person/Required Attendance						
	Meetings of the Board	Meetings of the Remuneration Committee	Meetings of the Audit Committee	Meetings of the Nomination Committee	Meetings of the Strategic Committee	General Meeting	Other meetings
Mr. Bai Yanchun	4/4	2/2	N/A	3/3	1/1	0/1	3/3
Mr. Xu Shan	4/4	N/A	2/2	3/3	N/A	0/1	3/3
Mr. Cheng Gordon	4/4	2/2	2/2	3/3	N/A	0/1	3/3

Note: Other meetings include special meetings of independent Directors, special meetings of independent Directors, Chairman and non-executive Directors, communication meetings of the Audit Committee and the auditors attended by the independent Directors.

Since we were appointed as the independent Directors of the Company, the Board meetings and general meetings of the Company have been convened in compliance with statutory requirements, and all significant matters have passed relevant approval procedures. As for the matters to be submitted to the Board and Board committees for consideration, we made adequate preparation prior to meeting, and earnestly read relevant documents, actively acquired relevant information, listened to proposal presentation in details, and expressed relevant independent opinions and review opinions. After meeting, we ensured strict implementation through effective supervision over execution.

Prior to the date of this report, we also attended the special meeting of independent Directors, the special meeting of Chairman and non-executive Directors and the communication meeting of the Audit and Risk Committee and the auditors, and conducted adequate exchange and communication in respect of corporate governance, strategies, internal control, audit, etc., respectively.

We are of the view that the Board meetings convened by the Company for the year 2018 in compliance with legal procedures, all major matters of operational decisions and other material matters were performed in accordance with relevant procedures and were legitimate and valid, and all resolutions did not impair the rights and interests of Shareholders, in particular, minority Shareholders. We voted in favor of all relevant resolutions considered by the Board, and raised no objection against other matters of the Company.

(ii) Expression of independent opinions

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

No.	Date	Issues involved in independent opinions	Type of opinion
1	4 August 2018	Considering the relevant matters in respect of appointment of senior management of the Company, including general manager and deputy general manager; Considering the relevant matters in respect of determination of the remuneration plan of the directors, supervisors and the senior management of the Company.	Affirmative
2	27 August 2018	Considering the relevant matters in respect of changes in accounting policies of the Company in view of execution of new accounting standards.	Affirmative

3	26 December 2018	Considering the matters in respect of nomination of candidate for non-executive Director of the fifth session of the Board of the Company; Considering the matters in respect of amendments to the Articles of Association; Considering the matters in respect of issuing overseas bonds.	Affirmative
4	26 December 2018	Considering the relevant matters in relation to issuance of H Share convertible corporate bonds by the Company	Affirmative

After conducting adequate communication with independent Directors of the fourth session of the Board and reviewing relevant meeting materials of the Company, we confirmed the expression of independent opinions by independent Directors of the fourth session of the Board as follows:

No.	Date	Issues involved in independent opinions	Type of opinion
1	31 January 2018	Considering the relevant matters in respect of appointment of deputy general manager of the Company.	Affirmative
2	29 March 2018	Considering the matters in respect of re-appointment of the external auditor for the year 2018; Considering the matters in respect of self-evaluation report on internal control for the year 2017; Considering the matters in respect of bonus distribution of the Company for the year 2017; Considering the matters in respect of addition of authorization for provision of guarantee on the operating loans to the direct or indirect wholly-owned subsidiaries and extension of authorization term; Considering the matters in respect of routine related party transactions of the Company for the year 2018; Considering the matters in respect of the subscriptions of structured deposit with internal idle fund; Considering the matters in respect of the purchase of wealth management or entrusted wealth management products with internal idle fund; Considering the matters in respect of changes in accounting policies of the Company.	Affirmative

3	14 June 2018	Considering the matters in respect of nomination of candidate for a Director of the fifth session of the Board of the Company; Considering the matters in respect of seeking authorization from the general meeting to the Board for determination of remuneration of the members of the fifth session of the Board and the Supervisory Committee of the Company.	Affirmative

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

The Company has provided us with the necessary conditions to perform the duties of independent Directors according to the regulatory requirements of mainland China and Hong Kong where the Company is listed.

1. The office of the Board of the Company regularly provided us with monthly summary reports on the Company's operation and training materials of laws and regulations;

2. On-site research and survey on molybdenum and tungsten business segments of the Company have been conducted and the actual research plan for business operations for the year 2019 was formulated;

3. When we visited the Company and attended the meetings, the Company could provide relevant materials and information in a timely manner and reported its operating performance, thus protecting rights of independent Directors to know;

4. Prior to giving our independent opinions, the Company was able to provide the intermediaries with professional opinions on related matters as well as special instructions and other materials issued by the responsible department of the Company, thus providing the supporting basis for our independent opinions;

5. The Company delivered to us the resolutions and records of general meetings, Board meetings and meetings of specialized committees and the status of implementation thereof for our review and inspection in a timely manner;

6. The Company promptly notified us on significant events and material information via telephone, emails, WeChat and other various manners, which helped us to keep abreast of the Company's condition and provided us with important reference for decision-making.

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

(i) Connected transactions

We are of the view that the connected transactions in which the Company was involved fall within the scope of normal business and were necessary for future production and operation, which will subsist. The transactions are fair and legitimate without prejudice to the interests of the Company and Shareholders. The Company is independent from the connected parties in terms of business, personnel, finance, assets, organisations, etc. and the normal connected transactions would have no impact on the independence of the Company.

According to relevant laws and regulations, including the Guidelines on the Establishment of Independent Directorship of Listed Companies, the Company Law, the Securities Law, and relevant provisions, including the Articles of Association, we earnestly reviewed daily connected transactions and expressed the following opinions on daily connected transactions of the Company for the year 2018:

1. Daily connected transactions of the Company for the year 2018 were in compliance with relevant provisions and requirements of relevant laws and regulations and the Articles of Association, and decision making procedures were legitimate and valid;

2. We are of the view that the connected transactions in which the Company was involved fall within the scope of normal business and were necessary for future production and operation, which will subsist. The transactions are fair and legitimate without prejudice to the interests of the Company and Shareholders. The Company is independent from the connected parties in terms of business, personnel, finance, assets, organisations, etc. and the daily connected transactions would have no impact on the independence of the Company;

3. We agreed to the estimates in relation to daily operation connected transactions of the Company for the year 2019.

(ii) External guarantee and funds occupation

1. External Guarantee of the Company

Unit: RMB thousand

External Guarantee of the Company (excluding those provided to subsidiaries)								
Guarantor	**Relationship of the guarantor with the Company**	**Guaranteed party**	**Guaranteed amount**	**Date of guarantee (Date of signing agreement)**	**Commencement date of guarantee**	**Expiry date of guarantee**	**Type of guarantee**	**Connected relationship**
The Company	Headquarter of the Company	BHR Newwood Investment Management Limited	4,804,240.00	5 April 2017	5 April 2017	5 April 2024	Joint liability guarantee	Other
Total guarantee incurred during the reporting period (excluding those provided to subsidiaries)								0.00
Total balance of guarantee as at the end of the reporting period (A) (excluding those provided to subsidiaries)								4,804,240.00
Guarantees given by the Company and its subsidiaries for its subsidiaries								
Total guaranteed amount for subsidiaries during the reporting period								3,186,075.20
Total balance of the guaranteed amount for subsidiaries at the end of the reporting period (B)								20,344,075.20
Total guarantee given by the Company (including the guarantees for subsidiaries)								
Total guaranteed amount (A+B)								25,148,315.20
Percentage of the total guaranteed amount to absolute net assets of the Company (%)								50.70
Among which:								
Guaranteed amount provided to the Shareholders, the de facto controller and its connected parties (C)								0.00
Guaranteed amount directly or indirectly provided on liabilities to guaranteed targets with gear ratio of over 70% (D)								0.00
Excess amount of guarantee with total amount exceeding 50% of total net assets (E)								41,686.37
Total of the above three guaranteed amounts (C+D+E)								41,686.37

2. Fund Occupancy of the Company

There was no occupancy of fund of the Company in 2018.

(iii) Nomination of candidate for non-executive Director, and nomination and remuneration of the senior management

1. Nomination of the senior management

On 4 August 2018, as nominated by the Nomination and Governance Committee and the general manager, the fifth session of the Board of the Company agreed to appoint Mr. Li Faben, Ms. Wu Yiming, Mr. Wang Chun and Mr. Yue Yuanbin as the senior management of the Company. After examining the information provided by the Nomination and Governance Committee, we considered that the qualifications of the candidate were legitimate and in compliance with the provisions of the Company Law and the Articles of Association; the nomination eligibility of the nominators was in compliance with the provisions of the Company Law and the Articles of Association; the nomination and consideration procedures were also in compliance with the provisions of the Articles of Association and the Company Law.

2. Remuneration of senior management

On 4 August 2018, the Remuneration Committee of the fifth session of the Board of the Company considered and approved the Resolution on Determination of the Remuneration Plan of the Members of the Fifth Session of the Board and the Supervisory Committee of the Company and the Resolution on Determination of the Remuneration Plan of the Senior Management of the Company, which determined the annual bonus for certain Directors and senior management and basic remuneration of the secretary to the Board. We considered that: the remuneration packages of the Directors and senior management disclosed in 2018 Annual Report of the Company were in compliance with the administrative provisions on the performance evaluation and remuneration system of the Company and the actual payment was in accordance with the disclosure in 2018 Annual Report of the Company. The annual bonus and basic remuneration of some Directors and senior management are in compliance with the requirements on management of the Company's remuneration system, which did not impair the interests of the Company and Shareholders.

3. Nomination of candidate for non-executive Director

On 26 December 2018, as nominated by the Nomination and Governance Committee, the fifth session of the Board of the Company agreed to nominate Mr. Guo Yimin as a candidate for non-executive director of the Company. After examining the information provided by the Nomination and Governance Committee, we considered that the qualification of the candidate was legitimate and in compliance with the provisions of the Company Law and the Articles of Association; the nomination eligibility of the nominator was in compliance with the provisions of the Company Law and the Articles of Association; the nomination and consideration procedures were also in compliance with the provisions of the Articles of Association and the Company Law.

(iv) Preliminary results announcement and results updates

On 31 January 2018 and 31 July 2018, the Company issued the Announcement on Estimated Profit Increase for the Annual Results 2017 of China Molybdenum Co., Ltd. and the Announcement on Estimated Profit Increase for the Interim Results 2018 of China Molybdenum Co., Ltd., respectively. The disclosure of estimated results was in compliance with relevant provisions of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

(v) Appointment or change of auditors

During the reporting period, the Company continued to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as its external auditor, with the terms of office until the conclusion of the 2018 annual general meeting of the Company; the Company did not change its accounting firm.

(vi) Cash dividends and other returns to investors

On 25 May 2018, the 2017 profit distribution plan was considered and approved at the 2017 annual general meeting of the Company. The particulars of the profit distribution were as follows: the Company distributed a total cash dividend of RMB1,641,542,284.31 (RMB0.076 per Share (tax inclusive)) based on the total share capital of 21,599,240,583 shares of the Company. The said profit distribution plan had been completely implemented.

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

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

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

(viii) Execution of information disclosures

During the reporting period, we continued to pay attention to information disclosure of the Company, strictly supervised the Company to fulfill the obligation of information disclosure in accordance with relevant laws and regulations and the system of the Company. Relevant information disclosure personnel of the Company were able to perform information disclosure work according to the requirements of laws and regulations, thereby to enable investors to be aware of the recent development of the Company more rapidly through these announcements and protect the interests of investors.

(ix) Execution of internal control

The Board of the Company attaches great importance to the construction and implementation of the internal control and regulatory system, appoints external professional organisations to assist in the comprehensive commencement of the construction of the internal control of the Company, authorises the general manager, in accordance with laws and regulations and provisions of the Articles of Association of the Company, to optimize and revise the internal control document of the Company based on the evaluation results and the actual operation. During the reporting period, we have carefully verified the internal control system of the Company, and reviewed the 2018 Self-Evaluation Report on Internal Control issued by the Company. We considered that: the Company had basically established a relatively comprehensive internal control system, which could be effectively executed. The 2018 Self-Evaluation Report on Internal Control objectively and truly reflected the establishment and operation of the internal control system of the Company.

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

After reviewing, we are of the view that all Directors have actively attended relevant meetings and participated in the Company's affairs, and have allocated sufficient time to perform their duties; all Directors received and read the relevant materials including updates of laws and regulations provided by the office of the Board of the Company. During the year 2018, the Directors, Supervisors and senior management of the Company attended various trainings organised by the Shanghai Stock Exchange, China Securities Regulatory Committee, Henan Branch, Association of Listed Companies in Henan and the Company. The Company encouraged all Directors and senior management to participate in continuous professional development in order to develop and update their knowledge and skills, so as to ensure their continuous contributions to the Board with comprehensive and required information; the corporate governance policies and practice of the Company are relatively completed, and the detailed policies and practice are set out in the Section of Corporate Governance of Annual Report. During the year 2018, the Directors and employees of the Company have all complied with the requirements in the Corporate Governance Code and internal system. The Company has complied with the Corporate Governance Code, the Listing Rules and all of the laws and regulations applicable to the Company, and the Company did not receive any report on the deviation of the above codes, the Corporate Governance Code, the Listing Rules and all of the applicable laws and regulatory requirements. Relevant information on the compliance with the Corporate Governance Code has been fully disclosed in the Section of Corporate Governance of Annual Report; the Company has strictly executed Shareholders Communication Policy, encouraging Shareholders to actively develop a close relationship with the Company, thereby improving effective communications with Shareholders and other stakeholders and facilitating Shareholders to effectively exercise their rights as Shareholders. During the reporting period, the Company has reviewed the effectiveness of internal control system, including the sufficiency of resources, qualifications and experience of the Company's employees from accounting and financial reporting department and their training courses and budgets. During the review period, we did not discover any material problems, and we are satisfied with the results of the review of all of the above matters.

(xi) Operation of the Board and its specialized committees

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

IV. OVERALL EVALUATION AND RECOMMENDATIONS

During the term of office in 2018, as independent Directors of the Company, we could be in compliance with relevant provisions of laws, regulations and the Articles of Association in view of actively attending the Board meetings of the Company, and earnestly considering all relevant matters considered by the Board, made use of our professional knowledge and experience to provide independent, objective and reasonable opinions and recommendations on the production, operation and relevant matters of the Company, perform the function of independence of independent Directors, and earnestly safeguarded the legal interest of all Shareholders especially of the minority Shareholders. Our independent performance of duties was not influenced by the substantial Shareholders, the de facto controller and other companies or individuals that are interested parties of the Company. We would hereby express our heartfelt gratitude to the full cooperation and substantial support extended by all Shareholders, the Board, the Supervisory Committee and the management when the independent Directors were performing their duties.

In 2019, we will, in strict accordance with the relevant provisions and requirements of laws and regulations, adhere to the principles of being objective, fair and independent, keep improving our performance ability, fully utilize our professional advantages as independent Directors, offer advice and suggestions for operation and development of the Company, and continuously enhance the scientific decision-making ability and leadership of the Board to promote the sustainable and sound development of the Company.

Independent Directors of the fifth session of the Board of CMOC:
Wang Gerry Yougui, Yan Ye, Li Shuhua

28 March 2019

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

1. HONG KONG LISTING RULES

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

2. SHARE CAPITAL

As at the Latest Practicable Date, the share capital of the Company was RMB4,319,848,116.60 comprising 3,933,468,000 H Shares of RMB0.20 each and 17,665,772,583 A Shares of RMB0.20 each.

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

3. REASONS FOR REPURCHASE OF H SHARES

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

4. EXERCISE OF THE REPURCHASE MANDATE

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

5. FUNDING OF REPURCHASES

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

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

There might be an adverse impact on the working capital or gearing ratio of the Company as compared with the position disclosed in the audited consolidated accounts contained in the annual report of the Company for the year ended 31 December 2018 in the event that the repurchase of H Shares were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the repurchase of H Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company.

6. H SHARES PRICES

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

	Highest	**Lowest**
	HK$	*HK$*
2018		
April	6.22	5.20
May	6.01	4.81
June	5.18	3.50
July	4.16	3.19
August	4.07	3.16
September	3.40	2.73
October	3.32	2.62
November	3.65	2.86
December	3.35	2.85
2019		
January	3.22	2.71
February	3.98	3.11
March	3.91	3.10
April (up to the Latest Practicable Date)	3.72	3.02

7. GENERAL INFORMATION

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

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

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

8. TAKEOVERS CODE

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

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Cathay Fortune Corporation and Luoyang Mining Group Co., Ltd. held approximately 24.69% and 24.68% of the total share capital of the Company, respectively. In the event that the Directors should exercise the proposed Repurchase Mandate in full, the shareholding of Cathay Fortune Corporation and Luoyang Mining Group Co., Ltd. would be increased to approximately 25.15% and 25.13% of the total share capital of the Company, respectively (if both parties do not participate in such repurchase). The Directors are not aware of any consequences which will arise under the Takeovers Code and/or other relevant applicable laws, as a result of any repurchases to be made under the Repurchase Mandate. Moreover, the Directors will not repurchase Shares on the Hong Kong Stock Exchange if such repurchase would violate the requirements under Rule 8.08 of the Hong Kong Listing Rules.

9. H SHARES REPURCHASED BY THE COMPANY

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

10. OTHER MATTERS IN RELATION TO THE REPURCHASE OF H SHARES

(I) The Price Range for Repurchase

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

(II) Disposal of Shares Repurchased

Pursuant to the Hong Kong Listing Rules, H Shares repurchased under this general mandate can only be cancelled and the registered capital of the Company shall be reduced accordingly.

(III) Time Constraint for Repurchase

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

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN NEW SILK ROAD COMMODITIES SA WHICH HOLDS IXM B.V.

TO THE DIRECTORS OF CHINA MOLYBDENUM CO., LTD.

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by China United Assets Appraisal Group Co., Ltd. dated 25 April 2019, of the entire equity interest in New Silk Road Commodities SA which holds IXM B.V. as at 31 December 2018 (the "**Valuation**") is based. New Silk Road Commodities SA is a company incorporated in Switzerland whose principal activities are investments in metal and mining industry and international metal trading. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in a circular dated 27 April 2019 to be issued by China Molybdenum Co., Ltd. (the "**Company**") in connection with the acquisition of the entire equity interest in New Silk Road Commodities SA (the "**Circular**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the section headed "VII. Valuation Assumptions in Appendix X – Summary of Valuation Report of the Target Company" of the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of New Silk Road Commodities SA.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 April 2019

The following is the text of a letter received from the Board, which is presented herein for Shareholders' information.

Listing Division
The Stock Exchange of Hong Kong Limited
12/F Two Exchange Square
8 Connaught Place, Central
Hong Kong

27 April 2019

Dear Sirs,

We refer to the circular of China Molybdenum Co., Ltd.* (the "**Company**") dated 27 April 2019 in relation to, among other things, the Proposed Acquisition which constitutes a very substantial acquisition under the Listing Rules (the "**Circular**") and also the valuation report dated 25 April 2019 prepared by China United Assets Appraisal Group Co., Ltd., the independent valuer of the Company (the "**Independent Valuer**"), in respect of valuation of 100% equity interest in New Silk Road Commodities SA (the "**Valuation**"), the Valuation based on the discounted future estimated cash flows constitutes a profit forecast (the "**Forecast**") under Rule 14.61 of the Listing Rules. Unless otherwise defined or if the context otherwise requires, all terms defined in the Circular shall have the same meaning when used in this letter.

We have reviewed the bases and assumptions based upon which the Forecast have been prepared and reviewed the valuations by the Independent Valuer for which it is responsible. We have also considered the report from the reporting accountants of the Company, Deloitte Touche Tohmatsu, regarding whether the discounted future estimated cash flows as set out in the Forecast, so far as the calculations are concerned, have been properly complied, in all material respects, in accordance with their respective bases and assumptions.

Based on the above, we hereby confirm that the Forecast is determined after the due and careful enquiries.

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

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2016, 2017 and 2018, respectively, are disclosed in the annual report of the Company for the three years ended 31 December 2016, 2017 and 2018, respectively, which are incorporated by reference into this circular. The aforementioned annual reports of the Company are available on the Company's website at http://www.chinamoly.com and the website of the Hong Kong Stock Exchange at http://www.hkexnews.hk.

1. Hyperlink to the annual report of the Company for the year ended 31 December 2018:

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0424/LTN201904241400.pdf

2. Hyperlink to the annual report of the Company for the year ended 31 December 2017:

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0420/LTN201804201324.pdf

3. Hyperlink to the annual report of the Company for the year ended 31 December 2016:

   http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704271126.pdf

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account the financial resources available to the Enlarged Group including its internally generated funds, cash and cash equivalents on hand as well as the effect of the Proposed Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

STATEMENT OF INDEBTEDNESS

As at 28 February 2019, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows: (in this statement of indebtedness, the translation between Euro and RMB were made at the rate of RMB7.6082 to EUR1.00, and the translation between U.S. dollars and RMB were made at the rate of RMB6.6901 to US$1.00, both being the median foreign exchange rates published by the People's Bank of China on 28 February 2019.)

The Group

1. Bank loans

	As at 28 February 2019
	RMB '000
Unsecured and unguaranteed	15,638,623
Secured and unguaranteed	10,200,049
Total	25,838,672

2. Debt securities

	As at 28 February 2019
	RMB '000
Unsecured and unguaranteed	
Bonds	2,007,030
Medium term notes	2,000,000
Total	4,007,030

3. Other borrowings

	As at 28 February 2019
	RMB '000
Unsecured and unguaranteed	
Gold lease liabilities measured at fair value	2,886,139

4. Lease Liabilities

As at 28 February 2019, the Group, as a lessee, has outstanding unpaid contractual lease payments for the remainder of the relevant lease terms amounting to RMB134 million in aggregate. All the amounts are secured by rental deposits and unguaranteed.

5. Financial liabilities measured at fair value through profit or loss

	As at 28 February 2019
	RMB '000
Unsecured and unguaranteed	
Contingent consideration	539,270
Secured and unguaranteed	
Liabilities for floating interest rate, foreign currency loan contract and forward foreign exchange contracts measured at fair value and forward interest and exchange rate swap contracts	690,010
Total	1,229,280

6. Other non-current liabilities

	As at 28 February 2019
	RMB '000
Unsecured and unguaranteed	
Acquisition consideration payable	3,225,704

7. *Contingent liabilities and guarantee*

Contingent liabilities

1) On 30 January 2013, the Group received litigation documents from the Intermediate People's Court of Luoyang City, Henan Province, stating that Luanchuan Yangshuao West Lead Mine("**Yangshuao**"), an independent third party, filed a lawsuit accusing that the tailing storage built by the No. 3 Ore Processing Branch, a branch of the Group's subsidiary, was in the mining area owned by Yangshuao which causing the damage of Yangshuao's mining facilities and equipment. Accordingly, Yangshuao lodged a submission to the court that No. 3 Ore Processing Branch shall cease the infringement and demand for a compensation 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 is only RMB1.724 million. The litigation is still in process. The directors of the Company believed that the infringement claimed by Yangshuao is ungrounded. The directors of the Company have assessed and considered that the litigation would not have significant impact on the financial position of the Group, accordingly, no provision has been made as at 28 February 2019.

2) At the end of 2015, Tenke Fungurume Mining S.A. ("**TFM**"), a subsidiary of the Group, negotiated a settlement plan with Société Nationale d' Electricité ("**SNEL**"), an independent third party, relating to the issues of electricity supply. In accordance with the amended items of the power agreement included in the 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 US$0.0350 per kilowatt-hour) and to pay US$10 million settlement compensation for continuous supply of electricity by SNEL. As at the date of this report, no formal agreement has been signed, and the negotiations are still in progress. In response to this highly probable contingent liability, TFM has accrued US$10 million settlement compensation in prior years.

3) The Group's Copper-Cobalt business in the Democratic Republic of the Congo ("**DRC**") may result in some lawsuits and claims in carrying out its business operations. 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, as such, no provision has been made as at 28 February 2019.

4) In accordance with the new mining code issued and implemented by the government of DRC in 2018, the notion of Super Profits Tax ("**SPT**") was introduced. SPT will apply only if the effective selling price of certain products for an accounting year exceed more than 25% of its average selling price for the same year as forecasted in its Bankable Feasibility Study ("**BFS**"). The tax base of SPT is determined by the difference between actual Earnings before Tax Depreciation and Amortization ("**EBITDA**") of the business in a given year and EBITDA as presented in the BFS for the same year. Given that no practical application and related guidelines have been published, the management of the Group is unclear on the basis of calculation of the tax base of SPT for mining companies in DRC. The management is monitoring the progress and development and will make appropriate provision once the tax base calculation is certain.

5) The Group's Niobium-Phosphorus business in Brazil might encounter various litigations and disputes in running its daily business. At 28 February 2019, no provision has been made in respect of these litigations as the directors of Company considered those litigations are ungrounded and remote which would not have significant impact on the consolidated financial statements of the Group.

Save as disclosed above or as otherwise mentioned herein, and apart from intragroup liabilities and normal accounts payables in the ordinary course of business, as at 28 February 2019, the Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, and term loans, other borrowings or indebtedness in the nature of borrowing including liabilities under acceptances or acceptance credits or hire purchase commitments, and any mortgages and charges, guarantees and material contingent liabilities.

Target Group

1. Bank loans

	As at 28 February 2019
	RMB '000
Unsecured and unguaranteed	2,577,954
Secured and unguaranteed	11,147,754
Total	13,725,708

2. Related party borrowings

	As at 28 February 2019
	RMB '000
Unsecured and unguaranteed	877,520

3. Lease liabilities

As at 28 February 2019, the Group, as a lessee, has outstanding unpaid contractual lease payments for the remainder of the relevant lease terms amounting to RMB20 million in aggregate. All the amounts are secured by rental deposits and unguaranteed.

4. Contingent liabilities and guarantee

Guarantee

1) The Target Group entered into agreements with its supplier, Nandan Nanfang Non-ferrous Metal Co., Ltd., ("**Nandan**") and the lender of Nandan whereby the Target Group provided a 10% guarantee to this lender for Nandan's performance obligation under a prepayment facility. As at 28 February 2019, the total amount of guarantee and the amount utilised are USD11.50 million (equivalent to RMB76.94 million) and USD5.60 million (equivalent to RMB37.46 million) respectively.

2) The Target Group entered into agreements with its suppliers, Dongying Lufang Metals Material Co., Ltd., ("**Dongying Lufang**"), Dongying Fangyuan Nonferrous Metals Co., Ltd. ("**Dongying Fangyuan**") and the lenders of Dongying Lufang and Dongying Fangyuan whereby the Target Group provided a 10% guarantee to these lenders for Dongying Lufang and Dongying Fangyuan's performance obligation under a prepayment facility. As at 28 February 2019, the total amount of guarantee and the amount of guarantee utilised are USD15.00 million (equivalent to RMB100.35 million) and USD8.41 million (equivalent to RMB56.26 million) respectively.

Save as disclosed above or as otherwise mentioned herein, and apart from intragroup liabilities and normal accounts payables in the ordinary course of business, as at 28 February 2019, the Target Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, other borrowings or indebtedness in the nature of borrowing including liabilities under acceptances or acceptance credits or hire purchase commitments, and any mortgages and charges, guarantees and material contingent liabilities.

The Directors confirmed that there was no material change in the indebtedness of the Enlarged Group since 28 February 2019 up to the Latest Practicable Date.

MATERIAL ADVERSE CHANGE

Save and except as disclosed below and in the announcement of the Company dated 22 April 2019, there had been no material adverse change in the financial and trading position or outlook of the Company since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis as extracted from the annual reports of the Group for the three years ended 31 December 2016, 2017 and 2018, respectively, and as modified as appropriate.

ANNUAL REPORT OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

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 for the year ended 31 December 2015.

Operating Results

For the year ended 31 December 2016, 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	2,815,657,614.65	1,511,570,037.60	46.32	16.29	1.91	Increase by 7.57 percentage points
Products Copper and gold-related	1,381,203,392.40	1,013,663,409.49	26.61	-4.27	8.85	Decrease by 8.84 percentage points
Products Niobium-related products	410,653,115.36	306,579,395.96	25.34	N/A	N/A	N/A
Phosphorus-related	729,610,629.70	584,775,039.30	19.85	N/A	N/A	N/A
Products Copper and cobalt-related	1,296,146,914.20	996,305,846.03	23.13	N/A	N/A	N/A
Products 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

Production and Sales Volume of Principal Products

Principal products	Production volume	Sales volume	Inventory	Increase or decrease of production volume as compared to last year	Increase or decrease of sales volume as compared to last year	Increase or decrease of inventory as compared to last year
	(Tonnes)	*(Tonnes)*	*(Tonnes)*	*(%)*	*(%)*	*(%)*
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% WO3)	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 year ended 31 December 2016.

Component of Cost of Principal Products

Unit: Yuan Currency: RMB

By Product

Product	Component of cost	Amount for the current period	Percentage over total cost for the current period	Amount for the same period last year	Percentage over total cost for the same period last year	Percentage of changes in amount during the 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.

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

As at 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 as at 31 December 2016 increased by RMB1,384.6 million or 8.0% to RMB18,738.1 million from RMB17,353.5 million as at 31 December 2015. Such increase was mainly due to larger scope of business combinations for the period.

Current Assets

As at 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 as at 31 December 2015. Such increase in the current assets was mainly attributable to larger scope of business combinations for the period.

Non-current Assets

As at 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 as at 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

As at 31 December 2016, 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	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

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

As at 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 as at 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

As at 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 as at 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.

Capital Structure

(I) Financial Instruments

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) of the Auditor's Report set forth in the Company's 2016 Annual Report.

(II) Short-term Borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	**Closing balance**	Opening balance
Secured borrowings *(Note)*	**806,773,100.00**	2,906,199,075.88
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.

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

(III) 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	**567,060,088.80**	2,467,524,610.28
Total	**23,376,879,939.49**	1,941,586,400.00

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 provided a joint guarantee. According to the agreement between the Group and the banks of syndicate loans, the Group shall fulfill a series of requirements of financial indicators, if there is any breach in 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) acquisition 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 provided a joint guarantee. According to the agreement between the Group and the banks of syndicate loans, the Group shall fulfill a series of requirements of financial indicators, if there is any breach in 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.

(IV) 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	Issue amount for the year	Interest Based on par Value	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 CMCC 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 CMOC 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.

*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.

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.

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

As at 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 as at 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

Items	2016	2015	Increase or decrease *(%)*
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

(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.

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.

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 predicated 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 ecofriendly 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.

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 "**Ludin Shell Company SPA**") on the acquisition of 100% equity held by THL in Lundin DRC Holdings Ltd. (the "**Lundin 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)).

EMPLOYEES

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

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.

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%

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.

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.

ANNUAL REPORT OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017

Overview

For the year ended 31 December 2017, the net profit of the Group increased from RMB1,019.24 million for the year ended 31 December 2016 to RMB3,595.62 million, representing an increase of RMB2,576.38 million or 252.77%, in which the net profit attributable to the owners of the parent company of the Group for the year ended 31 December 2017 was RMB2,727.80 million, representing an increase of RMB1,729.76 million or 173.32% from RMB998.04 million for the year ended 31 December 2016. The increase in profit of the Group was mainly attributable to the inclusion of newly-added copper and cobalt business in the DRC and niobium and phosphates businesses in Brazil as compared with that of last year as a result of completion of overseas mergers and acquisitions by the Group in the fourth quarter of 2016, as well as the increase in sales prices of molybdenum, tungsten, copper and cobalt as compared with that of last year.

Operating Results

The revenue and gross profit of the Group increased due to the completion of the mergers and acquisitions of copper and cobalt business in the DRC and niobium and phosphates businesses in Brazil during the fourth quarter of 2016, representing a year-on-year increase as compared to the consolidated reporting period, as well as the increase in sales prices of molybdenum, tungsten, copper and cobalt. In 2017, the principal business income of the Group amounted to RMB23,968.55 million, representing a year-on-year increase of RMB17,171.26 million. For the year ended 31 December 2017, the gross profit of the Group amounted to RMB8,905.47 million, representing a year-on-year increase of RMB6,612.47 million.

The table below sets out the principal business income, cost, gross profit and gross profit margin of our products in 2017 and 2016:

Principal businesses by industry, product and region

Unit: RMB million

Principal businesses by industry						
By industry	**Operating revenue**	**Operating cost**	**Gross profit Margin**	**Increase or decrease in operating revenue as compared to last year**	**Increase or decrease in operating cost as compared to last year**	**Increase or decrease in gross profit margin as compared to last year**
			(%)	*(%)*	*(%)*	*(%)*
Non-ferrous metal mining	23,968.55	15,063.08	37.15	252.62	234.42	Increased by 3.42 percentage points

Principal businesses by product

By product	Operating revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
Molybdenum and tungsten-related products	3,772.29	1,819.36	51.77	33.98	20.36	Increased by 5.45 percentage points
Copper and gold-related	1,663.82	1,145.76	31.14	20.46	13.03	Increased by 4.53 percentage points
Niobium-related products	1,670.08	1,251.48	25.06	306.69	308.21	Decreased by 0.28 percentage points
Phosphate-related products	2,834.19	2,462.08	13.13	288.45	321.03	Decreased by 6.72 percentage points
Copper and cobalt-related products	13,844.64	8,302.17	40.03	968.14	733.29	Increased by 16.90 percentage points
Others	183.53	82.23	55.19	11.90	-10.03	Increased by 10.92 percentage points

Principal businesses by region

By region	Operating revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating cost as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
China	3,955.82	1,901.59	51.93	32.76	18.63	Increased by 5.73 percentage points
Australia	1,663.82	1,145.76	31.14	20.46	13.03	Increased by 4.53 percentage points
Brazil	4,504.27	3,713.57	17.55	295.02	316.62	Decreased by 4.28 percentage points
DRC	13,844.64	8,302.17	40.03	968.14	733.29	Increased by 16.90 percentage points

The Company completed the mergers and acquisitions of copper and cobalt business in the DRC and the niobium and phosphates businesses in Brazil in the fourth quarter of 2016, representing a year-on-year increase as compared to the consolidated reporting period.

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	16,717	19,252	2,620	2.55	-6.07	-14.99
Tungsten	11,744	12,062	602	16.07	5.09	-46.68
Copper metal of NPM (Based on 80% of equity interests)	34,913	35,168	2,407	-5.00	-2.21	-10.59
Copper metal of TFM	213,843	214,866	16,931	827.78	685.44	-5.72
Cobalt metal	16,419	15,326	3,307	943.14	739.78	49.23
Niobium metal	8,674	8,548	1,842	366.59	327.83	7.33
Phosphates fertilizer (HA+LA)	1,152,554	1,137,978	54,462	279.36	275.08	578.23

Explanation on Production and Sales Volume

The increase in the production and sales volume of copper, cobalt, niobium and phosphates fertilizer was mainly attributable to the completion of mergers and acquisitions of copper and cobalt business in the DRC and the niobium and phosphates businesses in Brazil in the fourth quarter of 2016, representing a year-on-year increase as compared to the consolidated reporting period.

Component of Cost of Principal Products

Unit: RMB million

By Industry

Industry	Component of cost	Amount for the current period	Percentage over total cost for the current period (%)	Amount for the same period last year	Percentage over total cost for the same period last year (%)	Percentage of changes in amount as compared to the same period last year (%)
Non-ferrous metal mining	Materials	6,958.96	46.48	1,187.97	28.06	485.78
	Labor	1,559.26	10.42	767.78	18.14	103.09
	Depreciation	4,243.10	28.34	1,002.73	23.69	323.16
	Energy	767.56	5.13	402.88	9.52	90.52
	Manufacturing fees	1,441.70	9.63	871.98	20.60	65.34

By Product

By product	Component of cost	Amount for the current period	Percentage over total cost for the current period (%)	Amount for the same period last year	Percentage over total cost for the same period last year (%)	Percentage of changes in amount as compared to the same period last year (%)
Molybdenum and tungsten-related products	Materials	614.38	36.17	403.32	29.70	52.33
	Labor	300.90	17.72	237.42	17.48	26.73
	Depreciation	159.34	9.38	152.91	11.26	4.21
	Energy	240.32	14.15	222.31	16.37	8.10
	Manufacturing fees	383.60	22.58	341.95	25.18	12.18

By Product

By product	Component of cost	Amount for the current period	Percentage over total cost for the current period (%)	Amount for the same period last year	Percentage over total cost for the same period last year (%)	Percentage of changes in amount as compared to the same period last year (%)
Copper and gold-related products	Materials	210.53	18.14	192.73	19.05	9.24
	Labor	177.82	15.32	193.11	19.09	-7.92
	Depreciation	516.40	44.50	489.82	48.42	5.43
	Energy	84.96	7.32	84.45	8.35	0.60
	Manufacturing fees	170.81	14.72	51.56	5.10	231.27
Niobium-related products	Materials	623.44	47.92	57.18	19.80	990.28
	Labor	167.76	12.89	43.12	14.93	289.08
	Depreciation	294.64	22.65	73.11	25.31	303.04
	Energy	59.51	4.57	14.22	4.92	318.43
	Manufacturing fees	155.65	11.96	101.19	35.04	53.81
Phosphates-related products	Materials	1,596.90	61.78	277.55	50.94	475.35
	Labor	305.58	11.82	97.37	17.87	213.83
	Depreciation	342.14	13.24	33.80	6.20	912.31
	Energy	148.26	5.74	35.16	6.45	321.64
	Manufacturing fees	191.87	7.42	101.01	18.54	89.96
Copper and cobalt-related products	Materials	3,913.72	47.58	257.20	24.97	1,421.69
	Labor	607.21	7.38	196.76	19.10	208.61
	Depreciation	2,930.59	35.63	253.10	24.57	1,057.88
	Energy	234.52	2.85	46.74	4.54	401.78
	Manufacturing fees	539.77	6.56	276.27	26.82	95.38

Overseas mergers and acquisitions were completed in the fourth quarter of 2016, representing a year-on-year increase as compared with the consolidated reporting period. The figures for the same period of last year were not comparable.

Selling Expenses

For the year ended 31 December 2017, the selling expenses of the Group amounted to RMB214.84 million, representing an increase of RMB124.22 million or 137.08% from RMB90.62 million for the same period in 2016. It was mainly due to the expansion of sales scale arising from the increase in the newly-added business of the Group, resulting in an increase in selling expenses.

Administrative Expenses

For the year ended 31 December 2017, the administrative expenses of the Group amounted to RMB1,159.09 million, representing an increase of RMB444.36 million or 62.17% from RMB714.73 million for the same period in 2016. It was mainly due to the increase of administrative expenses as a result of the scale expansion of the Group's overseas business.

Finance Expenses

For the year ended 31 December 2017, the finance expenses of the Group amounted to RMB1,416.97 million, representing an increase of RMB1,009.30 million or 247.58% from RMB407.67 million for the same period in 2016, mainly due to the increase in interest expenses and exchange gains and losses of the Group for the period.

Income Tax Expenses

For the year ended 31 December 2017, the income tax expenses of the Group amounted to RMB1,786.20 million, representing an increase of RMB1,615.30 million or 945.17% from RMB170.90 million for the same period of 2016. Such increase was mainly attributable to the increase of the total profit of the Group for the period.

Net Profit Attributable to Owners of the Parent Company

For the year ended 31 December 2017, the net profit of the Group attributable to owners of the parent company increased by RMB1,729.76 million or 173.32% from RMB998.04 million for the year ended 31 December 2016 to RMB2,727.80 million for the year ended 31 December 2017. Such increase was mainly attributable to the inclusion of newly-added copper and cobalt business in the DRC and niobium and phosphates businesses in Brazil as compared with that of last year as a result of completion of overseas mergers and acquisitions by the Group in the fourth quarter of 2016, as well as the increase in sales prices of molybdenum, tungsten, copper and cobalt as compared with that of last year.

Financial Position

As at 31 December 2017, the total assets of the Group amounted to RMB97,837.25 million, comprising non-current assets of RMB58,788.45 million and current assets of RMB39,048.80 million. Equity attributable to shareholders of the parent company as at 31 December 2017 increased by RMB19,419.12 million or 103.63% to RMB38,157.18 million from RMB18,738.06 million as at 31 December 2016. Such increase was mainly due to the increase in shareholders' equity after the completion of private placement of A Shares in July 2017.

Current Assets

As at 31 December 2017, the current assets of the Group increased by RMB19,245.84 million or 97.19% to RMB39,048.80 million from RMB19,802.96 million as at 31 December 2016. Such increase in the current assets was mainly attributable to the increase in the net cash flow from operating activities and increase in capital fund for the period.

Non-current Assets

As at 31 December 2017, the non-current assets of the Group decreased by RMB9,332.95 million or 13.70% to RMB58,788.45 million from RMB68,121.40 million as at 31 December 2016. Such decrease in the non-current assets was mainly because the time-deposit, wealth management products and structured deposits with a term of more than one year expired in 2017.

Scope of Restricted Assets

As at 31 December 2017, among other bank and cash balance, the structured bank deposits amounted to RMB4,700.00 million (opening balance for the year: RMB400.00 million), the bank acceptance bond deposits amounted to RMB300.00 million (opening balance for the year: RMB450.00 million), the loan guarantee deposits amounted to RMB1,701.42 million (opening balance for the year: RMB630.00 million), the special security deposits for the mine environment restoration and rehabilitation amounted to RMB24.42 million (opening balance for the year: RMB20.02 million), and other deposits amounted to RMB1.50 million (opening balance for the year: RMB50.00 million). The above structured deposits cannot be withdrawn in advance during the deposit period.

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

Entrusted Wealth Management

Unit: RMB million

Entrustee	Types	Amount	Start date	Expiry date	Capital sources	Capital investment	Payment methods of remuneration	Annualized rate of return	Expected return (if any)	Actual gain or loss	Actual recovery	Statutory procedure or not	Entrusted wealth management plan or not in the future	Provision amount of devaluation reserve (if any)
Shenwan Hongyuan	Asset management plan	200.00	2014/6/5	2018/6/5	Funds in hand	Standardised credit assets	Floating revenue	6.50%		33.26		Yes		0
Ping An Huitong	Asset management plan	350.00	2015/5/18	2018/5/18	Funds in hand	Standardised credit assets	Floating revenue	5.84%		53.82		Yes		0
Ping An Huitong	Asset management plan	250.00	2015/7/29	2018/7/29	Funds in hand	Standardised credit assets	Floating revenue	5.24%		31.88		Yes		0
NEW CHINA CAPITAL MANAGEMENT	Asset management plan	1,763.47	2017/9/8	2019/9/7	Funds in hand	Portfolio investment	Payment in due	–		–		Yes		0
Luoyang branch of China CITIC Bank	Principal guaranteed structured deposits	300.00	2015/4/10	2018/4/10	Funds in hand	Wealth management funds from banks	Floating revenue	3.60%		–		Yes		0
Tianshan sub-branch of China Merchants Bank	Principal guaranteed structured deposits	1,500.00	2017/7/27	2018/1/29	Funds in hand	Wealth management funds from banks	Floating revenue	3.90%		–		Yes		0

Entrustee	Types	Amount	Start date	Expiry date	Capital sources	Capital investment	Payment methods of remuneration	Annualized rate of return	Expected return (if any)	Actual gain or loss	Actual recovery	Statutory procedure or not	Entrusted wealth management plan or not in the future	Provision amount of devaluation reserve (if any)
Business department of Henan branch of Bank of China	Principal guaranteed structured deposits	2,000.00	2017/7/28	2018/1/29	Funds in hand	Wealth management funds from banks	Floating revenue	3.81%		–		Yes		0
Luanchuan sub-branch of Bank of China	Principal guaranteed structured deposits	2,500.00	2017/7/28	2018/1/29	Funds in hand	Wealth management funds from banks	Floating revenue	3.81%		–		Yes		0
Shanghai branch of China Development Bank	Principal guaranteed structured deposits	300.00	2017/8/4	2018/2/5	Funds in hand	Wealth management funds from banks	Floating revenue	4.00%		–		Yes		0
Luoyang branch of China Minsheng Bank	Principal guaranteed structured deposits	500.00	2017/10/27	2018/1/26	Funds in hand	Wealth management funds from banks	Floating revenue	4.30%		–		Yes		0
Luoyang branch of China CITIC Bank	Principal guaranteed structured deposits	800.00	2017/10/27	2018/1/26	Funds in hand	Wealth management funds from banks	Floating revenue	4.55%		–		Yes		0
Luoyang branch of Ping An Bank	Principal guaranteed structured deposits	2,000.00	2017/10/30	2018/5/2	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0

Entrustee	Types	Amount	Start date	Expiry date	Capital sources	Capital investment	Payment methods of remuneration	Annualized rate of return	Expected return (if any)	Actual gain or loss	Actual recovery	Statutory procedure or not	Entrusted wealth management plan or not in the future	Provision amount of devaluation reserve (if any)
Luoyang branch of Industrial Bank	Principal guaranteed structured deposits	100.00	2017/10/30	2018/2/1	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Huangpu sub-branch of Ping An Bank	Principal guaranteed structured deposits	300.00	2017/11/1	2018/2/1	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Luoyang branch of Zhongyuan Bank	Principal guaranteed structured deposits	100.00	2017/11/2	2018/2/1	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Luoyang branch of China CITIC Bank	Principal guaranteed structured deposits	700.00	2017/11/1	2018/1/30	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Luoyang branch of Industrial Bank	Principal guaranteed structured deposits	100.00	2017/12/18	2018/12/18	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Zhengzhou branch of Hengfeng Bank	Principal guaranteed structured deposits	400.00	2017/12/13	2018/12/13	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Xiamen International Bank	Principal guaranteed structured deposits	200.00	2017/12/20	2018/12/20	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0

Entrustee	Types	Amount	Start date	Expiry date	Capital sources	Capital investment	Payment methods of remuneration	Annualized rate of return	Expected return (if any)	Actual gain or loss	Actual recovery	Statutory procedure or not	Entrusted wealth management plan or not in the future	Provision amount of devaluation reserve (if any)
Luoyang branch of Bank of Communications	Principal guaranteed structured deposits	100.00	2017/12/22	2018/12/21	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Luoyang branch of Ping An Bank	Principal guaranteed structured deposits	1,500.00	2017/12/21	2018/6/21	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Suzhou branch of CGB	Principal guaranteed structured deposits	100.00	2017/12/22	2018/3/22	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Xiamen International Bank	Principal guaranteed structured deposits	150.00	2017/12/20	2018/3/20	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Fengtai sub-branch of Industrial Bank	Principal guaranteed structured deposits	100.00	2017/12/29	2018/9/25	Funds in hand	Wealth management funds from banks	Floating revenue			–		Yes		0
Total		16,713.47								157.65				0

Amount in aggregate of principal and income that have not been recovered overdue *(RMB)*	Not applicable
Description on entrusted wealth management	Not applicable

Current Liabilities

As at 31 December 2017, the current liabilities of the Group decreased by RMB2,478.56 million or 15.51% to RMB13,503.11 million from RMB15,981.67 million as at 31 December 2016. Such decrease in the current liabilities was mainly attributable to the repayment of partial short-term borrowings in 2017 and the repayment of super short-term financing bonds in due in 2017.

Non-current Liabilities

As at 31 December 2017, the non-current liabilities of the Group increased by RMB819.24 million or 2.18% to RMB38,425.00 million from RMB37,605.76 million as at 31 December 2016. Such increase in the non-current liabilities was mainly attributable to the confirmation of the payment obligations to BHR shareholders in 2017.

Capital Structure

(I) Financial Instruments

The Group's major financial instruments include cash and bank balances, financial assets held-for-trading, accounts receivable, notes receivable, other receivables, interest receivable, 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) of the Auditor's Report set forth in the Company's 2017 Annual Report.

(II) Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	–	806,773,100.00
Credit loan	**1,478,132,364.60**	3,565,660,377.73
Total	**1,478,132,364.60**	4,372,433,477.73

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

(III) Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings *(Note)*	**16,935,905,304.91**	17,972,067,402.29
Unsecured and non-guaranteed loans	**9,878,342,377.70**	5,971,892,626.00
Less: Long-term borrowings due within one year	**4,780,399,163.34**	567,080,088.80
Total	**22,033,888,519.27**	23,376,879,939.49

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 provided a joint guarantee.

In November 2016, CMOC DRC LIMITED (hereinafter referred to as "CMOC DRC"), a subsidiary of the Group, obtained a total of US $1.59 billion (equivalent to RMB11 billion) acquisitions syndicated loan for the payment of the consideration of acquisition of the Congo Copper-Cobalt business, which will be repaid by the agreed installments during the period from 15 March 2018 to 15 November 2023, with interest rates range from 3-month USD libor + 1.7% to 3-month USD libor + 2.2%; the Group pledged the 100% equity interest in CMOC DRC to the bank and provided a joint guarantee.

On 6 April 2017, the Group's subsidiary BHR signed a syndicated credit loan agreement of a total loan commitment amount of USD690 million for the acquisition of 30% equity in TFHL. The syndicated loan will be repaid in instalments between 6 July 2019 and 6 April 2024 according to the agreement, and interest rate ranges from 3-month USD LIBOR plus 2.50% to 3-month USD LIBOR plus 2.64%.

(2) Analysis of long-term borrowings due over one year:

Unit: RMB

Expiration date	Closing balance	Opening balance
1 to 2 years	**4,681,724,845.18**	3,989,536,037.20
2 to 5 years	**7,647,569,834.09**	10,448,558,302.29
More than 5 years	**9,704,593,840.00**	8,938,785,600.00
Total	**22,033,888,519.27**	23,376,879,939.49

As at 31 December 2017, the annual interest rate for the above loans was 0.5153% to 4.5125% (31 December 2016: 0.9% to 4.5125%).

As at 31 December 2017, there is no outstanding long-term borrowing of the Group in due but not paid.

(IV) Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium-term note	**2,000,000,000.00**	4,000,000,000.00
Less: Middle-term note due within 1 year	**–**	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	Term	Issue amount	Opening balance	Payment in this period year	Issues amount for the year	Accrued interest for the year	Closing interest payable	Amortization of Premium and for discount	Exercise of Convertibility the Period	Payment In the period	Closing balance
12 CMCC MTN1 *(Note 1)*	2,000,000,000.00	2 August 2012	5 years	2,000,000,000.00	2,000,000,000.00	2,000,000,000.00	–	57,625,575,.36	56,500,000.00	–	–	–	–
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	–	–	64,566,666.54	64,400,000.00	66,132,602.14	–	–	**2,000,000,000.00**
Total	4,000,000,000.00			4,000,000,000.00	4,000,000,000.00	2,000,000,000.00	–	142,468,242.00	183,200,000.00	66,132,602.14	–	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 CMOC 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. The bonds has been paid on 3 August 2017.

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.

Contingency

As at 31 December 2017, the contingent liabilities of the Group are as follows:

(1) Outstanding lawsuits

The Group's business in China

On 30 January 2013, the Group received relevant documents from Luoyang Intermediate People's Court of Henan Province stating that Yangshuwa West Lead Mine ("**Yangshuwa**"), located at Luanchuan County, sued a tailings pond built by the Third Mineral Processing Company, a branch of a subsidiary of the Group. The tailing pond is located within the mining areas of the Yangshuwa. Due to the increase in the dam of the tailings pond, the tailings pond is invaded and the groundwater level is increased, causing the mining facility and equipment to be destroyed and the abandonment of the mining project, making the proven lead-zinc ore body incapable of mining, thus bringing economic losses to the accuser. Therefore, the Third Mineral Processing Company was required to stop infringement and compensate for direct economic losses of approximately RMB18 million and related loss of available profits. According to the result of the judicial appraisal, Yangshuwa's mining rights assessment value involved in this lawsuit was RMB1.724 million. The relevant litigation is currently pending. The Group considers that the fact of the infringement asserted by Yangshuwa cannot be confirmed based on the existing circumstances and the evidence submitted. It is therefore believed that the litigation matter will not have a material impact on the financial position of the Group currently. The related amount of compensation was not included in the financial statements as at 31 December 2017.

The Group's copper and cobalt business in the DRC

At the end of 2015, TFM negotiated with Société Nationale d' Electricité ("**SNEL**") to resolve the effectiveness, power supply quality and quantity of the current power supply. According to the revised terms of the power agreement contained in the settlement plan, TFM agreed to pay an electricity price of US$0.0569 per kWh from the beginning of January 2016 (the previous electricity price was US$0.0350 per kWh) and paid US$10 million in settlement compensation to obtain more continuous power supply from SNEL. As at 31 December 2017, the two sides have not yet signed any formal agreement and the negotiation is still in progress. For this contingent liability, TFM has already made a provision of US$10 million in expenditure in previous years.

In addition, the Group's copper and cobalt salesmen in the DRC may have some legal actions, claims and liabilities claims in their daily operations. The management believes that based on the currently available information, the results of these contingent events will not have a material adverse effect on the financial status, operating results or cash flow of the related business.

The Group's cerium and phosphate business in Brazil

The Group's cerium and phosphate business in Brazil may face various lawsuits in its daily business activities. The management judged the loss of relevant lawsuits and the possibility of outflow of economic benefits based on the information they possess and the professional opinions of external legal experts. For outflow of economic benefits which is less likely to happen, it shall be represented as a contingent event. The outcome of such contingent events will not have a material adverse effect on the financial position, operating results or cash flows of the related business.

(2) Guarantees

As at 31 December 2017, the Group's Northparkes copper and gold mining business in Australia provided guarantees for its related business operations to the government agencies of New South Wales, with a guarantee amount of A$32.92 million (equivalent to RMB167.76 million). The joint venture of relevant business had agreed that any liability arising out of this business shall be enforced from this guarantee. As at 31 December 2017, no major guarantee responsibility occurred.

Gearing Ratio

The gearing ratio (total liabilities divided by total assets) of the Group decreased to 53.08% as at 31 December 2017 from 60.95% as at 31 December 2016. The decrease in the gearing ratio was mainly due to the increase in operating cash flow and the increase in capital fund in 2017.

Cash Flow

As at 31 December 2017, cash and cash equivalents of the Group increased by RMB11,361.21 million or 134.93% to RMB19,781.42 million from RMB8,420.21 million as at 31 December 2016.

For the year ended 31 December 2017, net cash inflow generated from operating activities was RMB8,428.81 million; net cash outflow from investment activities was RMB4,109.23 million; and net cash inflow generated from financing activities was RMB7,372.04 million.

Unit: RMB million

Items	**2017**	2016	**Increase or decrease** *(%)*
Cash received from sales of goods and provision of services	**24,594.25**	7,644.88	221.71
Other cash receipts relating to operating activities	**654.82**	424.66	54.20
Cash for purchasing goods, receiving labor services	**11,736.23**	3,270.94	258.80
Cash paid to employees and paid for employees	**1,770.19**	807.88	119.12
Taxes and fees paid	**2,040.13**	679.11	200.41
Other cash payments relating to operating activities	**1,273.70**	396.78	221.01
Cash receipts from recovery of investments	**2,002.81**	3,335.93	-39.96
Cash received from investment income	**93.33**	270.86	-65.54
Cash paid for acquisitions or disposals of subsidiaries and other business units	**–**	28,104.66	-100.00
Cash paid for investment	**4,834.29**	1,416.19	241.36
Cash receipts from borrowings	**10,560.51**	29,429.21	-64.12
Other cash receipts relating to financing activities	**1,485.20**	3,027.28	-50.94
Cash repayments of indebtedness	**11,038.95**	5,186.64	112.83
Cash payments for distribution of dividends or profits and settlement of interests	**2,147.31**	1,108.37	93.73
Other cash payments relating to financing activities	**9,346.04**	2,170.79	330.54

(1) The increase in cash flow relating to operating activities was mainly due to the completion of the mergers and acquisitions of copper and cobalt business in the DRC and niobium and phosphates businesses in Brazil by the Company during the fourth quarter of 2016, representing a year-on-year increase as compared to the consolidated reporting period.

(2) The decrease in cash receipts from recovery of investments and cash received from investment income were mainly due to the year-on-year decrease in wealth management in due in 2017.

(3) The decrease in cash paid for acquisition or disposal of subsidiaries and other business units was mainly due to the merger and acquisition of overseas asset of the Company during the fourth quarter of 2016 in contrast to no investment expense in acquisition of subsidiaries in 2017.

(4) The increase in cash paid for investment was mainly due to the significant increase in purchase of structured deposits from bank and other wealth management products from other financial institutions in 2017.

(5) The decrease in cash receipts from borrowings was mainly due to the increase in loans for merger and acquisition as a result of the merger and acquisition of oversea asset by the Company during the fourth quarter of 2016, while no material financing activity in 2017.

(6) The decrease in other cash receipts relating to financing activities was mainly due to the significant year-on-year decrease in the gold leasing business matured in 2017.

(7) The increase in cash repayments of indebtedness was mainly due to the repayment of partial short-term borrowings in 2017 and the repayment of super short-term financing bonds in due in 2017.

(8) The increase in cash payments for distribution of dividends or profits and settlement of interests was mainly due to the increase in borrowing interests paid in 2017.

(9) The increase in other cash payments relating to financing activities was mainly due to the payment for acquisition of minority interests within the consolidated scope in 2017.

BUSINESS PROSPECTS FOR 2018

Based on future economic and market dynamics, we set the following budgeted targets:

1. **Molybdenum Sector**

The budgeted production volume of molybdenum is 13,500 tonnes to 14,900 tonnes, and the production cost in unit cash will be RMB60,000/tonne to RMB66,300/tonne.

2. **Tungsten Sector**

The budgeted production volume of tungsten is 11,000 tonnes to 12,000 tonnes (excluding Yulu Mining), and the production cost in unit cash will be RMB21,500/tonne to RMB23,700/tonne.

3. **Copper and Cobalt Sector**

Where calculated based on 80% of equity interests, the budgeted production volume of available-for-sale copper metal of NPM is 30,000 tonnes to 32,000 tonnes with a C1 cash cost at US$1.07 to US$1.19 per pound, and it expects a production volume of 26,400 ounces to 28,000 ounces of gold available for sale.

The budgeted production volume of copper from TFM Copper and Cobalt Mine is 190,000 tonnes to 205,000 tonnes with C1 cash cost at US$-0.44 to US$-0.4 per pound, and it will realize a production volume of 16,000 tonnes to 17,500 tonnes of cobalt metal.

4. **Niobium and Phosphate Sector**

The production volume and costs of niobium and phosphate remained stable.

The above production plans do not constitute substantive commitments to investors and investors should pay attention to investment risks.

Material Events

1. Exclusive agreement with BHR to indirectly hold 24% interest in TFM

On 15 November 2016, BHR, Tenke Holdings LTD. (hereinafter referred to as "**THL**") and Lundin Mining Corporation (hereinafter referred to as "**Lundin**") entered into a stock purchase agreement for the acquisition of 100% equities held by THL in Lundin DRC Holdings Ltd (hereinafter referred to as "**Lundin Shell Company**") from THL by BHR or its wholly-owned subsidiary. Upon the completion of the purchase, BHR will hold 24% interests in TFM indirectly.

On 20 January 2017, the Company and BHR entered into the "Cooperation Framework Agreement between China Molybdenum Co., Ltd. and BHR Newwood Investment Management Limited on the Investment Cooperation Regarding Tenke Fungurume Mining Area", pursuant to which the Company intends to cooperate with BHR regarding the introduction of an ultimate investor in BHR, the indirect investment of BHR in a total of 24% of equities of TFM and the subsequent exit of such investment. BHR exclusively and irrevocably granted the Company the exclusive option to buy the 24% interest in TFM.

On 20 April 2017, the acquisition of 100% of equities originally held by THL in Lundin Shell Company from THL by BHR through its wholly-owned subsidiary was completed. BHR directly held 100% of equities in Lundin Shell Company through its wholly-owned subsidiary, and indirectly held a 24% interest in TFM.

For details of the above transactions, please refer to the announcements of the Company dated 22 January 2017 and 6 March 2017.

2. Completion of the non-public issuance of A Shares

On 18 January 2017, the Company passed the China Securities Regulatory Commission ("**CSRC**") review for the non-public issuance of A shares, and on 23 June 2017 received the "Approval in Relation to the Non-Public Issuance of Shares by China Molybdenum Co., Ltd." (Zheng Jian Xu Ke [2017] No. 918) from CSRC that the Company was approved to issue no more than 5,769,230,769 new A shares.

On 18 July 2017, the 8 target subscribers for the non-public issuance remitted all subscription payments in full to the account designated by the sponsor. Relevant payments were verified in the Capital Verification Report issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership). In fact, the Company issued 4,712,041,884 A shares at RMB3.82 per share, and the total subscription payments made by the target subscribers for the non-public issuance amounted to RMB17,999,999,996.88.

On 20 July 2017, as verified by the "Capital Verification Report on the Increase in Registered Capital and Share Capital of China Molybdenum Co., Ltd. upon its Non-public Issuance of RMB Ordinary Shares (A Shares)" (De Shi Bao (Yan) Zi (17) No. 00317) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), net proceeds from the issuance were RMB17,858,632,663.30 after deducting issuance fees of RMB141,367,333.58 from the total proceeds.

On 24 July 2017, the Company completed the registration and custody procedures with the Shanghai Branch of China Securities Depository and Clearing Company Limited for the newly-increased A shares, and its share capital increased from 16,887,198,699 shares to 21,599,240,583 shares.

For details of the above non-public issuance of A shares, please refer to the announcements of the Company dated 18 January 2017, 23 June 2017 and 26 July 2017.

Utilization of Proceeds Raised

As noted from the "Approval in Relation to the Non-Public Issuance of Shares by China Molybdenum Co., Ltd." (Zheng Jian Xu Ke [2017] No. 918) issued by the CSRC, the Company was approved to issue non-publicly 4,712,041,884 ordinary A shares with issue price of RMB3.82 per share. The total proceeds raised from issuance of shares amounted to RMB18 billion. The actual net proceeds raised after deducting issuance fees of RMB141.37 million was RMB17,858.63 million. The Company has received the entire fund above by 19 July 2017.

The proceeds raised and the yields of the Company were used for replacement of the internal financed funds initially contributed at the asset acquisition projects of niobium and phosphates in Brazil and copper and cobalt in the DRC. As at 31 December 2017, the Company has utilized a total of RMB17,865.23 million (including yields generated from the proceeds raised of RMB6.60 million) of proceeds raised from the non-public issuance of RMB ordinary shares. The proceeds raised have been utilized in full.

3. *Participation and establishment of investment fund by subsidiaries*

On 17 November 2017, the 27th extraordinary meeting of the fourth session of the Board of the Company considered and approved the "The proposal for the Company's wholly owned subsidiary to establish a natural resources investment fund in cooperation with New China Capital Legend Limited" (《關於公司全資子公司擬與New China Capital Legend Limited 合作設立自然資源投資基金的議案》), CMOC Limited or its designated wholly-owned subsidiary would participate and establish the "NCCL Natural Resources Investment Fund" (the "**Fund**") as a limited partner, in which New China Capital Legend Limited ("**NCCL**") or its designated wholly-owned subsidiary would act as a general partner. The size of the fund is US$1 billion. CMOC Limited or its designated wholly-owned subsidiary, being a limited partner, contributes fund which did not exceed 45% of the total fund size (i.e. US$450 million), and assumes responsibility for such contribution limit.

On 15 December 2017, Natural Resource Elite Investment Limited ("**NREIL**", a 100% owned company by CMOC Limited) entered into the Second Amended and Restated Exempted Limited Partnership Agreement (the "**Partnership Agreement**") with NCCL and Next Goal Limited ("**NGL**"). According to the Partnership Agreement, NREIL and NGL, as limited partners, subscribed for the limited partnership shares of NCCL Natural Resources Investment Fund, in which NCCL was a general partner. The fund raised in the first phrase amounted to US$500.10 million, of which NREIL subscribed for US$225.00 million, NGL subscribed for US$275 million and NCCL subscribed for US$100,000.

On 22 December 2017, the Fund and Louis Dreyfus Company B.V. ("**LDC**") entered into the Sales and Purchase Agreement, pursuant to which, the Fund acquired 100% equity interests in Louis Dreyfus Company Metals B.V., a company engaging in basic metals and precious metals trading platform. The transaction is expected to be completed in the first half of 2018.

For details of the establishment of the investment fund, please refer to the announcements of the Company dated 17 November 2017, 15 December 2017 and 26 December 2017.

Employees and Pension Plan

As at 31 December 2017, the Group had approximately 11,226 full-time employees, classified as follows by function and department:

Department	Employees	Proportion
Management & administration	1,616	14.40%
Quality control, research and development	1,565	13.94%
Production	7,006	62.41%
Finance, sales and other support	1,039	9.26%
Total	11,226	100%

The remuneration policy for the employees of the Company principally consists of a salary point and performance remuneration system, based on employees' positions and responsibilities and their quantified assessment results. The employees' remuneration is evaluated in line with the Company's operating results and personal performance in order to provide a consistent, fair and equitable remuneration system for all employees. The 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 to the total basic monthly salary of our Chinese employees are as follows: the pension insurance, health insurance, unemployment insurance, maternity insurance, work injury insurance and the contribution to housing provident fund represent 19%, 7%, 0.7%, 0.5%, 0.4% to 1.9% and 5% to 12%, respectively. In accordance with applicable PRC regulations, the Company currently participates in pension contribution plans organized by the governments. The overseas employees are enrolled in the requisite pension and/or healthcare plans under the requirement of the laws in the countries where they reside.

Exposure to Risks Related to Exchange Rate

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

The exchange rate risks arising from assets and liabilities with balances denominated in foreign currencies may affect the operating results of the Group. The Company has paid close attention to the effect of the changes in exchange rates, and made use of forward foreign exchange contracts to hedge foreign exchange rate risk in due course.

As at 31 December 2017, the Company has not entered into any hedging arrangement for the exchange rate risks.

ANNUAL REPORT OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

Overview

For the year ended 31 December 2018, the net profit of the Group increased from RMB3,595,620 thousand for the year ended 31 December 2017 to RMB5,150,040 thousand, representing an increase of RMB1,554,420 thousand or 43.23%, in which the net profit attributable to the owners of the parent company of the Group for the year ended 31 December 2018 was RMB4,635,580 thousand, representing an increase of RMB1,907,780 thousand or 69.94% from RMB2,727,800 thousand for the year ended 31 December 2017. The increase in profit of the Group was mainly attributable to the year-on-year increase in the market prices of major metal products of the Company such as copper, cobalt, molybdenum and tungsten in 2018, and the year-on-year decrease in financial expenses upon the raise of proceeds from the completion of non-public issuance of A shares by the Company in July 2017.

Operating Results

In 2018, the Group achieved an income of RMB25,800 million with its principal businesses due to the increase in the prices of its major products during the period, which led to a year-on-year increase of RMB 1,800 million in operating revenue. For the year ended 31 December 2018, the gross profit of the Group amounted to RMB9,800 million, representing a year-on-year increase of RMB900 million.

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

Principal Businesses by Industry, Product and Region

Unit: RMB thousand

Principal businesses by industry

By industry	Operating revenue	Operating cost	Gross profit Margin	Increase or decrease in operating revenue as compared to last year	Increase or decrease in operating cost as compared to last year	Increase or decrease in gross profit margin as compared to last year
			(%)	*(%)*	*(%)*	*(%)*
Non-ferrous metal mining	25,785,918	16,010,716	37.91	7.58	6.29	Increased by 0.76 percentage point

Principal businesses by product

By product	Operating Revenue	Operating cost	Gross profit Margin	Increase or decrease in operating revenue as compared to last year	Increase or decrease in operating cost as compared to last year	Increase or decrease in gross profit margin as compared to last year
			(%)	*(%)*	*(%)*	*(%)*
Molybdenum and tungsten-related products	4,749,130	1,888,847	60.23	25.9	3.82	Increased by 8.46 percentage points
Copper and gold-related products	1,458,264	1,030,876	29.31	-12.35	-10.03	Decreased by 1.83 percentage points
Niobium-related products	4,976,722	3,832,223	23.00	10.49	3.20	Increased by 5.45 percentage points
Copper and cobalt related products	14,373,798	9,172,220	36.19	3.82	10.48	Decreased by 3.84 percentage points
Others	228,004	86,550	62.04	24.23	5.25	Increased by 6.85 percentage points

Principal businesses by region

By Region	Operating Revenue	Operating cost	Gross profit Margin (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in operating revenue as compared to last year (%)	Increase or decrease in gross profit margin as compared to last year (%)
China	4,977,134	1,975,397	60.31	25.82	3.88	Increased by 8.38 percentage points
Australia	1,458,264	1,030,876	29.31	-12.35	-10.03	Decreased by 1.83 percentage points
Brazil	4,976,722	3,832,223	23.00	10.49	3.20	Increased by 5.45 percentage points
DRC	14,373,798	9,172,220	36.19	3.82	10.48	Decreased by 3.84 percentage points

Production and Sales Volume of Principal Products

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

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

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

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

Component of Cost of Principal Products

Unit: RMB thousand

By Industry

By industry	Component of cost	Amount for the current period	Percentage over total cost for the current period (%)	Amount for the same period last year	Percentage over total cost for the same period last year (%)	Percentage of changes in amount as compared to the same period last year (%)	Explanation
Non-ferrous metal mining	Materials	**7,410,043**	**46.81**	5,827,441	38.93	27.16	
	Labor	**1,600,048**	**10.11**	17,707,147	11.40	-6.27	
	Depreciation	**3,696,336**	**23.35**	4,239,607	28.32	-12.81	
	Energy	**765,587**	**4.84**	766,421	5.12	-0.11	
	Manufacturing fees	**2,356,862**	**14.89**	2,429,984	16.23	-3.01	

By Product

By product	**Component of cost**	**Amount for the current period**	**Percentage over total cost for the current period** *(%)*	Amount for the same period last year	Percentage over total cost for the same period last year *(%)*	Percentage of changes in amount as compared to the same period last year *(%)*	Explanation
Molybdenum and tungsten-related products	Materials	**596,810**	**35.07**	614,380	36.17	-2.86	
	Labor	**296,106**	**17.40**	300,897	17.72	-1.59	
	Depreciation	**157,581**	**9.26**	159,343	9.38	-1.11	
	Energy	**227,576**	**13.37**	240,318	14.15	-5.30	
	Manufacturing fees	**423,537**	**24.89**	383,602	22.58	10.41	
Copper and gold-related products	Materials	**166,253**	**16.88**	210,530	18.14	-21.03	
	Labor	**141,875**	**14.41**	177,817	15.32	-20.21	
	Depreciation	**408,549**	**41.49**	516,398	44.50	-20.88	
	Energy	**131,604**	**13.37**	84,956	7.32	54.91	Increase in electric charge
	Manufacturing fees	**136,381**	**13.85**	170,808	14.72	-20.16	
Niobium and phosphate-related products	Materials	**1,190,151**	**31.25**	1,088,813	28.02	9.31	
	Labor	**596,838**	**15.67**	621,221	15.99	-3.92	
	Depreciation	**587,819**	**15.43**	633,280	16.30	-7.18	
	Energy	**205,660**	**5.40**	206,625	5.32	-0.47	
	Manufacturing fees	**1,228,580**	**32.25**	1,335,802	34.88	-8.03	
Copper and cobalt-related products	Materials	**5,456,829**	**58.46**	3,913,718	47.58	39.43	Increase in cost of purchase
	Labor	**565,229**	**6.06**	607,213	7.38	-6.91	
	Depreciation	**2,542,387**	**27.24**	2,930,587	35.63	-13.25	
	Energy	**200,747**	**2.15**	234,523	2.85	-14.40	
	Manufacturing fees	**568,363**	**6.09**	539,771	6.56	5.30	

Selling Expenses

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

Administrative Expenses

For the year ended 31 December 2018, the administrative expenses of the Group amounted to RMB933,346 thousand, representing a decrease of RMB123,954 thousand or -11.72% from RMB1,057,300 thousand for the same period in 2017. It was mainly due to a year-on-year decrease of the Group's consulting and agency fees, and that the research and development expenses were individually listed pursuant to the new format of Financial Statements issued by the Ministry of Finance, while the figures of the same period last year were not adjusted.

Finance Expenses

For the year ended 31 December 2018, the finance expenses of the Group amounted to RMB634,046 thousand, representing a decrease of RMB773,928 thousand or -54.62% from RMB1,416,974 thousand for the same period in 2017, mainly due to the increase in interest revenue and exchange gains of the Group for the period.

Financial Position

As at 31 December 2018, the total assets of the Group amounted to RMB101,216,117 thousand, comprising non-current assets of RMB62,051,733 thousand and current assets of RMB39,164,384 thousand. Equity attributable to shareholders of the parent company as at 31 December 2018 increased by RMB2,816,191 thousand or 7.39% to RMB40,948,875 thousand from RMB38,132,684 thousand as at 31 December 2017.

Current Assets

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

Non-current Assets

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

Scope of Restricted Assets

As at 31 December 2018, the bank acceptance bond deposits of the Group amounted to RMB882,340 thousand (opening balance for the year: RMB300,000 thousand), the loan guarantee deposits amounted to RMB1,903,364 thousand (opening balance for the year: RMB1,701,421 thousand), the special security deposits for the mine environment restoration and rehabilitation amounted to RMB39,534 thousand (opening balance for the year: RMB24,421 thousand), and other deposits amounted to RMB500 thousand (opening balance for the year: RMB1,500 thousand).

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

Current Liabilities

As at 31 December 2018, the current liabilities of the Group increased by RMB2,475,628 thousand or 18.33% to RMB15,978,735 thousand from RMB13,503,107 thousand as at 31 December 2017.

Non-current Liabilities

As at 31 December 2018, the non-current liabilities of the Group decreased by RMB2,785,558 thousand or 7.25% to RMB35,639,445 thousand from RMB38,425,003 thousand as at 31 December 2017.

Explanation to the Balance Sheet Items

Unit: RMB thousand

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

CONTINGENCY

The Group's Business in China

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

Copper and Cobalt Businesses of the Group in the DRC

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

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

Niobium-phosphate Business of the Group in Brazil

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

GUARANTEES

As at 31 December 2018, the Group's Northparkes copper and gold mining business in Australia provided guarantees for its related business operations to the government agencies of New South Wales, with a guarantee amount of AUD32.92 million (equivalent to RMB159.22 million). The joint venture of relevant business had agreed that any liability arising out of this business shall be enforced from this guarantee. As at 31 December 2018, no major guarantee responsibility occurred.

GEARING RATIO

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

CASH FLOW

As at 31 December 2018, cash and cash equivalents of the Group increased by RMB3,459,286 thousand or 17.49% to RMB23,240,705 thousand from RMB19,781,419 thousand as at 31 December 2017.

For the year ended 31 December 2018, net cash inflow generated from operating activities was RMB9,434,533 thousand; net cash outflow from investment activities was RMB2,397,187 thousand; and net cash outflow generated from financing activities was RMB3,846,449 thousand.

The following table sets forth our cash flow position

Unit: RMB thousand

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

CAPITAL STRUCTURE

Financial Instruments

The Group's major financial instruments include cash and bank balances, notes and accounts receivable, other receivables, other current assets, other equity instrument investment, other non-current financial assets, non-current derivative financial assets, other non-current assets, held-for-trading financial liabilities, derivative financial liabilities, notes and accounts payable, other payables, borrowings, other current liabilities, non-current liabilities due within one year, bonds payable, and other non-current liabilities, etc. Details of these financial instruments are disclosed in Note (V) of the Auditor's Report set forth in the Company's 2018 Annual Report.

Short-term Borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	**31 December 2018**	31 December 2017
Credit loan	**4,588,452,515.23**	1,478,132,364.60
Total	**4,588,452,515.23**	1,478,132,364.60

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

Long-term Borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	31 December 2018	31 December 2017
Secured borrowings *(Note 1)*	**16,268,306,635.19**	16,935,905,304 .91
Unsecured and non-guaranteed loans *(Note 2)*	**6,850,970,277.55**	9,878,382,377.70
Less: Long-term borrowings due within one year	**2,922,422,080.00**	4,780,399,163.34
Total	**20,196,854,832.74**	22,033,888,519.27

Note 1: Borrowings obtained by the Group are through pledge of fixed deposits and equity of subsidiaries, including:

In September 2016, CMOC LUXEMBOURG S.À.R.L (hereinafter referred to as "CMOC LUXEMBOURG") and CMOC BRASIL SERVICOS ADMINISTRATIVOS E PARTICIPACOES LTDA (hereinafter referred to as "CMOC BRASIL"), the subsidiaries of the Group, obtained a total of USD900 million (equivalent to RMB6.2 billion) acquisition syndicated loan for the payment of the consideration of acquisition of the Brazil Niobium-Phosphorus business, which will be repaid by the agreed installments during the period from 14 September 2018 to 14 September 2023, with interest rates range from 3-month USD libor + 1.8% to 3-month USD libor + 2.75%; the Group pledged the 100% equity interest in CMOC LUXEMBOURG to the Bank of China Luxembourg branch and provided a joint guarantee.

In November 2016, CMOC DRC LIMITED (hereinafter referred to as "CMOC DRC"), a subsidiary of the Group, obtained a total of US $1.59 billion (equivalent to RMB11 billion) acquisitions syndicated loan for the payment of the consideration of acquisition of the Congo Copper-Cobalt business, which will be repaid by the agreed installments during the period from 15 March 2018 to 15 November 2023, with interest rates range from 3-month USD libor + 1.7% to 3-month USD libor + 2.2%; the Group pledged the 100% equity interest in CMOC DRC to the bank and provided a joint guarantee.

Note 2: On 6 April 2017, the Group's subsidiary BHR Newwood Investment Management Limited signed a syndicated credit loan agreement of a total loan commitment amount of USD690 million for the acquisition of 30% equity in TF Holdings Limited. The syndicated loan will be repaid in instalments between 6 July 2019 and 6 April 2024 according to the agreement, and interest rate ranges from 3-month USD LIBOR plus 2.50% to 3-month USD LIBOR plus 2.64%.

The related default clauses have been agreed in the above loan contracts of the Group. The management of the Group verified the link indicators as agreed in the relevant default clauses at the end of each accounting period to determine that no events causing default existed.

(2) Analysis of long-term borrowings due over one year:

Unit: RMB

Expiration date	31 December 2018	31 December 2017
1 to 2 years	**3,512,041,857.17**	4,681,724,S45.18
2 to 5 years	**14,506,433,295.57**	7,647,569,834.09
More than 5 years	**2,178,379,680.00**	9,704,593,840.00
Total	**20,196,854,832.74**	22,033,888,519.27

As at 31 December 2018, the annual interest rate for the above loans was 0.5447% to 4.5225% (31 December 2017: 0.5153% to 4.5125%).

As at 31 December 2018, there is no outstanding long-term borrowing of the Group in due but not paid.

Bonds Payable

(1) Bonds payable

Unit: RMB

Item	31 December 2018	31 December 2017
Medium-term note	**2,000,000,000.00**	2,000,000,000.00
Total	**2,000,000,000.00**	2,000,000,000.00

(2) Changes in bonds payable

Unit: RMB

Name	Par value	Issue date	Term	Issue amount	1 January 2018	Payment in this period year	Issues amount for the year	Accrued interest at par value	interests paid during the year	Amortization of Premium and depreciation	Exercise of convertibility option during the Period	Amount due within one year	31 December 2018
16 Luanchuan Molybdenum MTN001 *(Note 1)*	2,000,000,000.00	17 March 2016	5 years	2,000,000,000.00	2,000,000,000.00	–	–	84,400,000.00	84,400,000.00	–	–	–	2,000,000,000.00
Total	2,000,000,000.00			2,000,000,000.00	2,000,000,000.00	–	–	84,400,000.00	84,400,000.00	–	–	–	2,000,000,000.00

Note 1: The Company issued medium-term notes with a total par value of RMB2 billion on 17 March 2016; and the relevant bonds are permitted to trade and circulate on the National Inter-bank Bond Market. The proceeds from the issue of the medium-term financing bonds were used to supply the Company and its subsidiaries' working capital and repayment of bank borrowings. The annual interest rate of the medium-term notes is a fixed rate, 4.22% with a term of 5 years and the interest is paid once a year in the duration.

EXPOSURE TO RISKS RELATED TO EXCHANGE RATE

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

The exchange rate risks arising from assets and liabilities with balances denominated in foreign currencies may affect the operating results of the Group. The Company has paid close attention to the effect of the changes in exchange rates, and made use of forward foreign exchange contracts to hedge foreign exchange rate risk in due course.

As at 31 December 2017, the Company has not entered into any hedging arrangement for the exchange rate risks.

As at 31 December 2018, the issued shares of the Company was 21,599,240,583 shares, including 17,665,772,583 A shares and 3,933,468,000 H shares.

EMPLOYEES AND PENSION PLAN

As at 31 December 2018, the Group had approximately 10,900 full-time employees, classified as follows by function and department:

Department	**Employees**	**Proportion**
Management & administration	1,571	14.40%
Quality control, research and development	1,540	14.10%
Production	6,777	62.20%
Finance, sales and other support	1,012	9.30%
Total	10,900	100%

The remuneration policy for the employees of the Company principally consists of a salary point and performance remuneration system, based on employees' positions and responsibilities and their quantified assessment results. The employees' remuneration is evaluated in line with the Company's operating results and personal performance in order to provide a consistent, fair and equitable remuneration system for all employees. The subsidiaries of the Company domiciled in China participate in the social insurance contribution plans introduced by China's local governments. In accordance with the laws and regulations regarding the national and local 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, etc. Pursuant to current applicable local regulations in China, the percentages of certain insurances are as follows: the pension insurance, health insurance, unemployment insurance, maternity insurance, work injury insurance and the contribution to housing provident fund of our Chinese employees represent 19%, 7%, 0.7%, 0.5%, 0.2% to 0.95% and 5% to 12% of his or her total basic monthly salary respectively. In accordance with applicable PRC regulations, the Company currently participates in pension contribution plans organized by the governments. The overseas employees are enrolled in pension and/or healthcare plans under the requirement of the laws in the countries where they reside.

BUSINESS PROSPECTS FOR 2019

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

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

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

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

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

The above budgeted targets are based on the judgement of current economic environment and expected economic development trend. Whether it may realize or not depends on the macro-economic environment, industry development, market circumstance, efforts of the management team of the Company and other factors, which is subject to uncertainty.

The Board decided to apply for the authorization at the general meeting of the Company to adjust the above budgeted targets as appropriate based on the market conditions and the business of the Company.

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

Material Investments

The material investments held by the Group and the performance and prospects of such investments during the accounting year, and the substantial acquisition of subsidiaries, associates and joint ventures by the Company are set out in the section headed "Material Events".

Material Events

(I) Acquisition of 100% equity interests of IXM

On 4 December 2018, CMOC Limited ("**CMOC Limited**"), a wholly-owned subsidiary of the Company, and New Silk Road Commodities Limited ("**NSR**"), a wholly-owned subsidiary of NCCL Natural Resources Investment Fund LP, entered into a share purchase agreement. Pursuant to such agreement, CMOC Limited agreed to purchase the 100% equity interests of New Silk Road Commodities SA, which in turn holds the 100% equity interests of IXM (formerly known as Louis Dreyfus Company Metals B.V), from NSR with a consideration of US$495 million plus an agreed final net profits.

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

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

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

On 18 January 2019, CMOC Limited and BHR entered into the Share Purchase Agreement. Pursuant to the agreement, CMOC Limited purchased 100% equity interests in BHR Newwood DRC Holdings Ltd. from BHR, with a consideration of US$1,135,993,578.71. After the transaction is completed, CMOC Limited will hold 100% equity interests of TF Holdings Limited through BHR Newwood DRC Holdings Ltd. and CMOC International DRC Holdings Ltd., an indirect wholly-owned subsidiary of the Company, and will further control a total of 80% equity interests in TFM, which owns the Tenke Fungurume Mining Complex.

At the date of this report, the above transactions were approved by and have filed with MOC. Please refer to the relevant announcements published by the Company for the relevant details.

(III) Issuance of US Dollar denominated bonds

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

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

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

(IV) Large-scale tax cuts in the PRC

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

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

The following is the text of a report set out on pages VII-A-1 to VII-A-22, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF NEW SILK ROAD COMMODITIES SA TO THE DIRECTORS OF CHINA MOLYBDENUM CO., LTD.

Introduction

We report on the historical financial information of New Silk Road Commodities SA (the "**Target Company**") set out on pages VII-A-4 to VII-A-22, which comprises the statement of financial position of the Target Company as at 31 December 2018 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the period from 18 May 2018 (date of incorporation) to 31 December 2018 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information of the Target Company**"). The Historical Financial Information of the Target Company set out on pages VII-A-4 to VII-A-22 forms an integral part of this report, which has been prepared for inclusion in the circular of China Molybdenum Co., Ltd. (the "**Company**") dated 27 April 2019 (the "**Circular**") in connection with the proposed acquisition of 100% equity shares of the Target Company which holds IXM B.V., constituting a very substantial acquisition under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information of the Target Company

The directors of the Target Company are responsible for the preparation of the Historical Financial Information of the Target Company that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of the Target Company, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information of the Target Company that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information of the Target Company and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information of the Target Company in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of the Target Company is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of the Target Company. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information of the Target Company, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information of the Target Company that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of the Target Company in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information of the Target Company.

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

Opinion

In our opinion, the Historical Financial Information of the Target Company gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2018 and of the Target Company's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of the Target Company.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information of the Target Company, no adjustments to the Underlying Financial Statements of the Target Company as defined on page VII-A-4 have been made.

Dividends

We refer to Note 6 to the Historical Financial Information of the Target Company which states that no dividend was declared or paid by the Target Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 April 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information of the Target Company

Set out below is the Historical Financial Information of the Target Company which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Period, on which the Historical Financial Information of the Target Company is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and were audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board ("**Underlying Financial Statements of the Target Company**").

The Historical Financial Information of the Target Company is presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	**For the period from 18 May 2018 (date of incorporation) to 31 December 2018**
		US$'000
Revenue		–
Foreign exchange loss		1
Administrative expenses		23
Loss and total comprehensive expense for the period	5	24

STATEMENT OF FINANCIAL POSITION

	NOTES	31/12/2018 US$'000
Current Asset		
Bank balance	8	101
Current Liabilities		
Other payables		15
Amount due to a fellow subsidiary	9	8
		23
Net Current Asset and total asset less Current Liabilities		78
Capital and Reserves		
Share capital	10	102
Accumulated loss		(24)
Total Equity		78

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Total
	US$'000	*US$'000*	*US$'000*
Shares issued on 18 May 2018 (date of incorporation)	102	–	102
Loss and total comprehensive expense for the period	–	(24)	(24)
At 31 December 2018	102	(24)	78

STATEMENT OF CASH FLOWS

	For the period from 18 May 2018 (date of incorporation) to 31 December 2018
	US$'000
OPERATING ACTIVITIES	
Loss for the period	(24)
Adjustment for:	
Foreign exchange loss	1
Operating cash flows before movements in working capital	(23)
Increase in other payables	15
Increase in amount due to a fellow subsidiary	8
Cash generated from operations	–
NET CASH FROM OPERATING ACTIVITIES	–
CASH FROM A FINANCING ACTIVITY	
Shares issued	102
INCREASE IN CASH AND CASH EQUIVALENTS	102
CASH AND CASH EQUIVALENTS AT 18 MAY 2018	–
Effect of foreign exchange rate changes	(1)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2018, represented by bank balance	101

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

1. GENERAL

New Silk Road Commodities SA (the "**Target Company**") is a company incorporated in Switzerland with limited liability. The Target Company's parent is New Silk Road Commodities Limited, a company with limited liability incorporated in Hong Kong. The Target Company's ultimate parent is New China Capital International Management Limited. The address of the registered office and principal place of business of the Target Company is Le Grand-Saconnex, Geneva, Switzerland.

The principal activities of the Target Company are investments in metal and mining industry and international metal trading. Up to 31 December 2018, the Target Company has not yet commenced its business.

The Historical Financial Information of the Target Company is presented in US$, which is also the functional currency of the Target Company.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

The Historical Financial Information of the Target Company has been prepared based on the accounting policies set out in note 4 which conform with IFRSs.

No statutory financial statements of the Target Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information of the Target Company for the Relevant Period, the Target Company has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 18 May 2018 (date of incorporation), throughout the Relevant Period.

New and revised IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[4]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[5]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015–2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

The directors of the Target Company anticipate that the application of all new and revised IFRSs will have no material impact on the financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information of the Target Company has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information of the Target Company includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information of the Target Company have been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, 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 quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Foreign currencies

In preparing the financial statements of the Target Company, transactions in currencies other than the Target Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial asset and financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial asset are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial asset that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial asset and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial asset and financial liabilities are added to or deducted from the fair value of the financial asset or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial asset

Classification and subsequent measurement of financial asset

Financial asset that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial asset are subsequently measured at fair value through profit or loss (" FVTPL").

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial asset measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial asset that have subsequently become credit-impaired. For financial asset that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Derecognition of financial asset

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments issued by the Target Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including other payables and amount due to a fellow subsidiary are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	For the period from 18 May 2018 (date of incorporation) to 31 December 2018
	US$'000
Auditor's remuneration	–
Directors' remuneration	–

6. DIVIDENDS

No dividend was paid or declared by the Target Company since its incorporation.

7. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

8. BANK BALANCE

Bank balance does not carry interest.

The bank balance which is denominated in Swiss Franc ("**CHF**"):

	31/12/2018
	US$'000
CHF	101

9. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

10. SHARE CAPITAL

	Number of shares 31/12/2018	**Share capital 31/12/2018**
		US$'000
Shares of CHF1 each		
Issued and fully paid		
At 18 May 2018	–	–
Shares issued on 18 May 2018	100,000	102
At 31 December 2018	100,000	102

11. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance.

The capital structure of the Target Company consists of net debt, which includes other payables and amount due to a fellow subsidiary, net of cash and cash equivalents and equity attributable to owners of the Target Company, comprising issued share capital and accumulated loss.

The directors of the Target Company review the capital structure on an on-going basis. As a part of the review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Target Company, the Target Company will balance its overall capital structure through issue of capital as well as the issue of new debt or the settlement of existing debt.

12. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2018
	US$'000
Financial assets	
Amortised cost	101
Financial liabilities	
Amortised cost	23

(b) Financial risk management objectives and policies

The Target Company's major financial instruments include bank balance, other payables and amount due to a fellow subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Target Company has bank balance, other payables and amount due to a fellow subsidiary denominated in CHF, which expose the Target Company to foreign currency risk.

The carrying amounts of the Target Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets	Liabilities
	31/12/2018	**31/12/2018**
	US$'000	*US$'000*
	equivalent	***equivalent***
CHF	101	23

Sensitivity analysis

The following table details the Target Company's sensitivity to a 10% increase and decrease in US$ against relevant foreign currencies, 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an decrease in post-tax loss where a 10% strengthen of US$ against relevant foreign currency. For a 10% weaken of US$ against relevant foreign currency, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

	31/12/2018 *US$'000* ***equivalent***
CHF impact	7

Credit risk and impairment assessment

Bank balance

The credit risk on bank balance is limited because the counterparty is a bank with high credit rating assigned by international credit-rating agencies.

Liquidity risk

In the management of liquidity risk, the Target Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flow.

Liquidity table

The following table details the remaining contractual maturity for the Target Company's financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	**On demand or less than 6 months**	**Total undiscounted cash flows**	**Carrying amounts at 31/12/2018**
	%	*US$'000*	*US$'000*	*US$'000*
Other payables	–	15	15	15
Amount due to a fellow subsidiary	–	8	8	8
		23	23	23

(c) Fair value measurements of financial instruments

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities as at 31 December 2018 recorded at amortised cost in the financial statements approximate their fair values.

13. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period on 17 April 2019, the Target Company entered into a contribution agreement with New Silk Road Commodities Limited ("NSR"), the immediate holding company of the Target Company and IXM B.V., pursuant to which NSR agreed to make a contribution of 100% equity interests of IXM B.V. to the Target Company. IXM B.V. and its subsidiaries is principally engaged in the business of trading diversified commodities and commodity related products. The transaction was completed on 18 April 2019. The transaction would be accounted for using the principles of merger accounting as the Target Company and IXM B.V. have been under common control since incorporation of the Target Company.

14. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 December 2018.

The following is the text of a report set out on pages VII-B-1 to VII-B-106, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF IXM B.V. (FORMERLY KNOWN AS LOUIS DREYFUS COMPANY METALS B.V.) TO THE DIRECTORS OF CHINA MOLYBDENUM CO., LTD.

Introduction

We report on the historical financial information of IXM B.V. and its subsidiaries (together, the "**IXM Group**") set out on pages VII-B-4 to VII-B-106, which comprises the consolidated statements of financial position of IXM Group as at 31 December 2016, 2017 and 2018, the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of IXM Group for each of the three years ended 31 December 2018 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information of IXM Group**"). The Historical Financial Information of IXM Group set out on pages VII-B-4 to VII-B-106 forms an integral part of this report, which has been prepared for inclusion in the circular of China Molybdenum Co., Ltd. (the "**Company**") dated 27 April 2019 (the "**Circular**") in connection with the proposed acquisition of 100% equity shares of the Target Company which holds IXM B.V., constituting a very substantial acquisition under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information of IXM Group

The directors of IXM B.V. are responsible for the preparation of the Historical Financial Information of IXM Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of IXM Group, and for such internal control as the directors of IXM B.V. determine is necessary to enable the preparation of the Historical Financial Information of IXM Group that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the IXM Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information of IXM Group and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of IXM Group is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of IXM Group. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information of IXM Group, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information of IXM Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of IXM Group in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of IXM B.V., as well as evaluating the overall presentation of the Historical Financial Information of IXM Group.

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

Opinion

In our opinion, the Historical Financial Information of IXM Group gives, for the purposes of the accountants' report, a true and fair view of IXM Group's financial position as at 31 December 2016, 2017 and 2018, of the IXM B.V.'s financial position as at 31 December 2016, 2017 and 2018 and of IXM Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information of IXM Group.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information of IXM Group, no adjustments to the Underlying Financial Statements of IXM Group as defined on page VII-B-4 have been made.

Dividends

We refer to Note 25 to the Historical Financial Information of IXM Group which states that no dividend was declared or paid by IXM B.V. in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 April 2019

HISTORICAL FINANCIAL INFORMATION OF IXM GROUP

Preparation of Historical Financial Information of IXM Group

Set out below is the Historical Financial Information of IXM Group which forms an integral part of this accountants' report.

The consolidated financial statements of IXM Group for the Relevant Periods, on which the Historical Financial Information of IXM Group is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and were audited by Deloitte SA, certified public accountants registered in Switzerland in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "**Underlying Financial Statements of IXM Group**").

The Historical Financial Information of IXM Group is presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
		2016	**2017**	**2018**
	Notes	*US$'000*	*US$'000*	*US$'000*
Revenue	8	9,244,584	12,278,353	13,004,441
Cost of sales		(9,109,217)	(12,097,105)	(12,822,578)
Gross profit		135,367	181,248	181,863
Impairment losses, net of reversal	15	(5,210)	6,992	(2,369)
Commercial and administrative expenses		(51,238)	(62,209)	(74,561)
Interest expense	10	(43,259)	(61,031)	(88,310)
Interest income	10	21,240	27,975	28,576
Foreign exchange	10	64	1,239	196
Other financial income and expense	10	415	141	306
Finance costs, net	10	(21,540)	(31,676)	(59,232)
Share of profit of a joint venture		149	195	434
Other gains and losses	13	(295)	6,996	(553)
Profit before tax		57,233	101,546	45,582
Income tax expense	14	(17,419)	(9,279)	(11,092)
Profit for the year	15	39,814	92,267	34,490
Profit for the year attributable to:				
Owners of IXM B.V.		40,298	92,627	34,490
Non-controlling interests		(484)	(360)	–
		39,814	**92,267**	**34,490**

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	2017	2018
	Note	*US$'000*	*US$'000*	*US$'000*
Profit for the year		39,814	92,267	34,490
Other comprehensive income (expense)	25.3			
Item that will not be reclassified to profit or loss:				
Remeasurement of defined benefit pension plans		118	–	(303)
		118	–	(303)
Items that may be reclassified subsequently to profit or loss:				
Fair value gain (loss) on:				
– available-for-sale financial assets		4,388	(4,388)	–
– hedging instruments designated as cash flow hedges		(118)	124	203
Exchange differences arising on translation of foreign operations		(4,057)	4,792	(4,928)
		213	528	(4,725)
Other comprehensive income (expenses) for the year, net of income tax		331	528	(5,028)
Total comprehensive income for the year		40,145	92,795	29,462
Total comprehensive income attributable to:				
Owners of IXM B.V.		40,756	92,992	29,462
Non-controlling interests		(611)	(197)	–
		40,145	92,795	29,462

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2016	**2017**	**2018**
	Notes	*US$'000*	*US$'000*	*US$'000*
NON-CURRENT ASSETS				
Intangible assets	17	10,810	27,956	26,535
Property, plant and equipment	18	11,367	10,688	10,920
Investments in a joint venture		209	199	572
Other investments, deposits and sundry	19	1,161	271	13,824
Deferred tax assets	14	2,803	3,223	1,878
Total non-current assets		26,350	42,337	53,729
CURRENT ASSETS				
Inventories	20	1,382,704	2,014,335	1,579,890
Trade and other receivables	22	1,106,781	1,016,019	1,052,348
Derivative assets	21.7	172,040	201,046	249,649
Margin deposits	21.6	168,740	353,528	141,221
Tax recoverable		4,848	6,734	7,636
Financial advances to related parties	33	15,765	1,129	–
Other financial assets	23	13,588	167	61
Cash and cash equivalents	24	9,714	32,585	21,006
Total current assets		2,874,180	3,625,543	3,051,811
TOTAL ASSETS		2,900,530	3,667,880	3,105,540

		As at 31 December		
		2016	2017	2018
	Notes	*US$'000*	*US$'000*	*US$'000*
EQUITY				
Issued capital		5,021	5,021	5,021
Share premium		9,999	9,999	27,268
Retained earnings		299,810	392,462	426,935
Other reserves		(957)	(467)	(5,495)
Attributable to owners of IXM B.V.		313,873	407,015	453,729
Non-controlling interests		3,353	(4)	(4)
Total equity	25	317,226	407,011	453,725
NON-CURRENT LIABILITIES				
Long-term debt	26	91,609	133,114	132,199
Retirement benefit obligations	28	330	528	871
Deferred tax liabilities	14	28,998	34,028	29,105
Other non-current liabilities	29	–	4,628	13,856
Total non-current liabilities		120,937	172,298	176,031
CURRENT LIABILITIES				
Short-term loans	27	1,652,826	2,287,539	1,947,190
Financial advances from related parties	33	81,417	4,750	–
Trade and other payables	30	532,990	389,438	368,635
Derivative liabilities	21.7	190,128	396,806	156,548
Tax liabilities		5,006	10,038	3,411
Total current liabilities		2,462,367	3,088,571	2,475,784
TOTAL LIABILITIES AND EQUITY		2,900,530	3,667,880	3,105,540

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of IXM B.V.						
	Issued capital US$'000 (note 25.1)	Share premium US$'000	Retained earnings US$'000	Other reserves US$'000 (note 25.2)	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2016	5,021	9,999	258,694	(1,415)	272,299	4,205	276,504
Profit (loss) for the year	–	–	40,298	–	40,298	(484)	39,814
Other comprehensive income for the year	–	–	–	458	458	(127)	331
Total comprehensive income (expense) for the year	–	–	40,298	458	40,756	(611)	40,145
Dividends paid to non-controlling interests	–	–	–	–	–	(241)	(241)
Equity participation plan, net of tax (note a)	–	–	818	–	818	–	818
At 31 December 2016	5,021	9,999	299,810	(957)	313,873	3,353	317,226
Profit (loss) for the year	–	–	92,627	–	92,627	(360)	92,267
Other comprehensive income for the year	–	–	–	365	365	163	528
Total comprehensive income (expense) for the year	–	–	92,627	365	92,992	(197)	92,795
Disposal of subsidiaries (note 13)	–	–	25	125	150	(3,160)	(3,010)
At 31 December 2017	5,021	9,999	392,462	(467)	407,015	(4)	407,011
Profit for the year	–	–	34,490	–	34,490	–	34,490
Other comprehensive expense for the year	–	–	–	(5,028)	(5,028)	–	(5,028)
Total comprehensive income (expense) for the year	–	–	34,490	(5,028)	29,462	–	29,462
Equity participation plan, net of tax (note a)	–	–	(17)	–	(17)	–	(17)
Capital injection – cash (note b)	–	17,269	–	–	17,269	–	17,269
At 31 December 2018	5,021	27,268	426,935	(5,495)	453,729	(4)	453,725

Notes:

(a) IXM Group and Louis Dreyfus Company Holdings B.V. ("**LDCH**"), an intermediate holding company of IXM B.V. before 11 May 2018, entered into reimbursement agreements, under which share-based payments of IXM Group are reimbursed to LDCH. The amount represents the difference between share-based payment expense and reimbursement as a deemed distribution of equity to LDCH. Details were set out in note 32.

(b) In May 2018, IXM B.V. received capital injection of US$17.0 million from Louis Dregfus Company B.V. ("**LDC**"), shareholder of IXM B.V. before 11 May 2018.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
OPERATING ACTIVITIES			
Profit for the year	39,814	92,267	34,490
Adjustments for:			
Depreciation, amortisation and impairment loss on intangible assets and goodwill	3,195	7,515	2,869
Income tax	17,419	9,279	11,092
Interests, net	22,191	33,299	59,734
Impairment losses, net of reversal	5,210	(6,992)	2,369
Share of loss (gain) in investments in a joint venture, net of dividends	164	9	(434)
Loss (gain) on investments and disposal of property, plant and equipment	295	(5,920)	553
Net expense arising from share-based payments	2,703	3,288	–
Operating cash flows before movements in working capital	90,991	132,745	110,673
(Increase) decrease in inventories and derivatives	(314,380)	(443,685)	137,688
(Increase) decrease in margin deposit net of margin deposit liabilities	(105,831)	(179,476)	207,769
(Increase) decrease in trade and other receivables	(290,208)	97,384	(49,601)
Increase (decrease) in trade and other payables	135,681	(154,872)	(2,356)
Cash (used in) generated from operations	(483,747)	(547,904)	404,173
Interest paid	(47,784)	(60,531)	(87,331)
Interest received	25,034	29,554	27,706
Income taxes (paid) received	(7,293)	139	(21,610)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(513,790)	(578,742)	322,938

	Year ended 31 December		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
INVESTING ACTIVITIES			
Purchases of intangible assets	(3,243)	(13,931)	(808)
Purchases of property, plant and equipment	(573)	(375)	(1,225)
Proceeds on disposal of property, plant and equipment and intangible assets	84	17	18
Change in short-term securities	(2,408)	2,367	–
Proceeds on disposal of investments, net	1,978	12,031	–
Change in loans and advances made	600	381	(15,044)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(3,562)	490	(17,059)
FINANCING ACTIVITIES			
Increase (decrease) in short-term loans and related parties advances	311,248	557,994	(332,926)
Increase in long-term debt	2,506	43,200	–
Dividends paid to non-controlling interests	(241)	–	–
Capital injection	–	–	17,269
Repayment of long-term debt	(416)	(463)	(1,320)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	313,097	600,731	(316,977)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(204,255)	22,479	(11,098)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	214,498	9,714	32,585
Effect of foreign exchange rate changes	(529)	392	(481)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
represented by			
Cash and cash equivalents	9,714	32,585	21,006

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF IXM GROUP

1. GENERAL

IXM B.V. is a privately owned company incorporated in the Netherlands on 25 November 2005. With effect from 22 June 2018, the name of the Company was changed from Louis Dreyfus Company Metals B.V. to IXM B.V. The address of its registered office is Westblaak 92, 3012 KM Rotterdam – Netherlands. IXM B.V. was a direct subsidiary of LDC, a company incorporated in the Netherlands. Its ultimate parent was Louis Dreyfus Holding B.V. ("**LDH**"), a privately owned Dutch company controlled by the family foundation established by Robert Louis Dreyfus.

On 26 December 2017, NCCL Natural Resources Investment Fund LP ("**NCCL NRIF"** or the **"Fund**") had entered into a definitive agreement with LDC to acquire 100% interest in Louis Dreyfus Company Metals B.V. The completion of the transaction occurred on 11 May 2018. As of that date, IXM B.V. became a direct subsidiary of New Silk Road Commodities Limited ("**NSR**"), a company incorporated in Hong Kong and an indirect subsidiary of NCCL NRIF. The ultimate parent of IXM B.V. after completion of the transaction is New China Capital International Management Limited.

IXM Group is a trading and service business unit in the field of raw material and refined base metals. It contracts out of offices in Geneva, with commercial offices in all major producing and consuming regions throughout the world. The business scope covers copper, lead and zinc concentrates, refined metals and aluminium along with other minor and associated metals and by-products. IXM Group is also actively involved in organizing the logistics and financing of all parts of the supply chain from the raw material through to the refined metal.

The Historical Financial Information of IXM Group is presented in US$, which is also the functional currency of IXM B.V.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION OF IXM GROUP

The Historical Financial Information of IXM Group has been prepared based on the accounting policies set out in note 6 which conform with IFRSs.

No statutory financial statements of IXM B.V. have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. PARTICULARS OF PRINCIPAL SUBSIDIARIES

During the Relevant Periods and as at the date of this report, IXM B.V. has direct and indirect equity interests in the following principal subsidiaries:

Name of subsidiary	*Place of incorporation/ operations*	*Issued and fully paid capital/ registered capital*	Equity interest attributable to IXM Group as at				*Principle activities*
			31 December			the date	
			2016	2017	2018	of this report	
IXM Pte. Ltd. (Singapore)	Singapore	US$17,000,001	100%	100%	100%	100%	Metals trading and investment holding
IXM Chile Limitada	Chile	Chile an peso $200,000,000	100%	100%	100%	100%	Metals trading
Louis Dreyfus Commodities Metals MEA DMCC	Dubai	Dirham 3,674,000	100%	100%	100%	100%	Investment holding
IXM S.A. (Switzerland)	Switzerland	Swiss Franc 6,565,000	100%	100%	100%	100%	Metals trading
IXM (Shanghai) Corporate Management Company Limited	the People's Republic of China (the "PRC")	US$15,000,000	100%	100%	100%	100%	Metal trading
Compromin S.A. de C.V.	Mexico	Peso Mexicano 97,546,775	100%	100%	100%	100%	Metal trading
IXM Peru S.A.	Peru	Sol23,949,300	100%	100%	100%	100%	Warehouse management
IXM Trading Peru S.A.C.	Peru	Sol1,008,100	100%	100%	100%	100%	Metal trading
IXM Africa (Pty) Ltd	South Africa	Namibian Dollar 4,000	0%	0%	100%	100%	Metal trading
Louis Dreyfus Company Metals Investments Ltd *(note a)*	British Virgin Islands	–	100%	100%	0%	0%	Investment holding
IXM Trading LLC	United States	–	100%	100%	100%	100%	Metal trading
GKE Metal Logistics Pte. Ltd. *(note b)*	Singapore	Singapore Dollar 13,500,000	51%	0%	0%	0%	Logistic services
GKE (Shanghai) Metal Logistics Co., Ltd. *(note b)*	China	RMB6,000,000	33%	0%	0%	0%	Logistic services
Shanghai GKE Logistics Co., Ltd. *(note b)*	China	RMB300,000	33%	0%	0%	0%	Logistic services

Notes:

(a) During the year ended 31 December 2018, Louis Dreyfus Company Metals Investments Ltd has been liquidated with immaterial profit or loss impact.

(b) On 27 November 2017, GKE Metal Logistics Pte. Ltd., GKE Metal Logistics Co., Ltd and Shanghai GKE Metal Logistics Co., Ltd 2 (the "GKE entities") were disposed. Details of the transaction were disclosed in note 13.

All subsidiaries now comprising IXM Group are limited liability companies and have adopted 31 December as their financial year end date.

The statutory financial statements of the principal subsidiaries of IXM Group for the years ended 31 December 2016 and 2017 were audited by local auditors. No statutory audited financial statements of the principal subsidiaries of IXM Group have been prepared for the year ended 31 December 2018 as not yet due.

4. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information of IXM Group for the Relevant Periods, IXM Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2018, including IFRS 15 "Revenue from Contracts with Customers" and the related Amendments, throughout the Relevant Periods except that IXM Group adopted IFRS 9 "Financial Instruments" on 1 January 2018 and adopted IAS 39 "Financial Instruments: Recognition and Measurement" for the two years ended 31 December 2016 and 2017. The accounting policies for financial instruments under IFRS 9 are set out in note 6 below.

IFRS 9 "Financial instruments"

The standard replaces IAS 39 "Financial instruments – Recognition and Measurement" and covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and other items and hedge accounting. IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities and required IXM Group to reassess classification of financial assets from four to three primary categories (amortised cost, fair value through profit and loss ("**FVTPL**"), fair value through other comprehensive income ("**FVTOCI**")) , reflecting the business model in which assets are managed and their cash flow characteristics. Financial liabilities continue to be measured at either FVTPL or amortised cost. In addition, IFRS 9 introduced an expected credit loss ("**ECL**") impairment model, which means that anticipated as opposed to incurred credit losses are recognised resulting in earlier recognition of impairments.

IXM Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9., i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39.

The following table summarises the change in classification and measurement of financial assets and liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018. The adoption of this standard has had no other material impact on IXM Group's consolidated financial statements.

	Original measurement category under IAS 39	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39 as at 31 December 2017**	**Fair value remeasurement under IFRS 9**	**Additional loss allowance recognised under IFRS 9**	**New carrying amount under IFRS 9 as at 1 January 2018**
			US$'000	*US$'000*	*US$'000*	*US$'000*
Financial assets						
Other investments, deposits and sundry	Loans and receivables	Financial assets at amortised cost	271	–	–	271
Financial advances to related parties	Loans and receivables	Financial assets at amortised cost	1,129	–	–	1,129
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	448,066	–	–	448,066
Accrued receivables	Financial assets at FVTPL	Financial assets at FVTPL	439,106	–	–	439,106
Margin deposits	Loans and receivables	Financial assets at amortised cost	353,528	–	–	353,528
Derivative assets	Financial assets at FVTPL	Financial assets at FVTPL	201,046	–	–	201,046
Other financial assets	Available-for-sale investments	Financial assets at FVTOCI	167	–	–	167
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	32,585	–	–	32,585
Financial liabilities						
Long-term debt	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(133,114)	–	–	(133,114)
Other non-current liabilities	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(4,628)	–	–	(4,628)
Short-term loans	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(2,287,539)	–	–	(2,287,539)
Financial advances from related parties	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(4,750)	–	–	(4,750)
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	(213,432)	–	–	(213,432)
Accrued payables	Financial liabilities at FVTPL	Financial liabilities at FVTPL	(146,693)	–	–	(146,693)
Derivative liabilities	Financial liabilities at FVTPL	Financial liabilities at FVTPL	(396,806)	–	–	(396,806)
				–	–	

5. NEW AND AMENDMENTS TO IFRSS IN ISSUE BUT NOT YET EFFECTIVE

New and revised IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[4]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[5]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new IFRSs mentioned below, the directors of IXM B.V. anticipate that the application of all new and amendments to IFRSs and interpretations will have no material impact on the Historical Financial Information of IXM Group in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, IXM Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by IXM Group.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, 2017 and 2018, IXM Group has non-cancellable operating lease commitments of US$1.0 million, US$0.2 million and US$1.3 million as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, IXM Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, IXM Group currently considers refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. IXM Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, IXM Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, IXM Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

6. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information of IXM Group has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information of IXM Group includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information of IXM Group has been prepared on the historical cost basis except for certain inventories and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 another valuation technique. In estimating the fair value of an asset or a liability, IXM B.V. takes in to account the characteristics of the assets or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or purposes in the Historical Financial Information of IXM Group is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, 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 quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

6.1. Basis of consolidation

In accordance with IFRS 10 "Consolidated Financial Statements", the Historical Financial Information of IXM Group include the financial statements of IXM B.V. and all entities that IXM Group controls directly or indirectly, regardless of the level of IXM Group's equity interest in the entity. An entity is controlled when IXM Group has power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to affect those returns through its power over the entity. In determining whether control exists, potential voting rights must be taken into account if those rights are substantive, in other words they can be exercised on a timely basis when decisions about the relevant activities of the entity are to be taken.

IXM Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Entities consolidated by IXM Group are referred to as "subsidiaries".

Consolidation of a subsidiary begins when IXM Group obtains control over the subsidiary and ceases when IXM Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date IXM Group gains control until the date when IXM Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of IXM B.V. and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of IXM B.V. and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intercompany transactions and balances are eliminated in consolidation.

Non-controlling interests in subsidiaries are presented separately from IXM Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

All consolidated subsidiaries prepared their accounts for the Relevant Periods in accordance with the accounting policies and methods applied by IXM Group.

Changes in IXM Group's interests in existing subsidiaries

A change to the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. In the event that IXM Group loses control over a subsidiary, IXM Group:

– Derecognises the assets (including goodwill) and liabilities of the subsidiary;

– Derecognises the carrying amount of any non-controlling interests;

– Derecognises the foreign currency translation recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any benefit or deficit in the income statement; and

– Reclassifies components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

6.2. Foreign currencies

Financial statements of foreign operations are translated from the functional currency into the presentation currency of IXM Group (i.e. US$) using exchange rates in effect at period end for assets and liabilities, and average exchange rates during the period for results of operations and cash flows. However, for certain material transactions, a specific exchange rate is used when considered relevant. Related translation adjustments are reported as a separate component of equity. A proportionate share of translation adjustments relating to a foreign investment is recognised in profit or loss when this investment is sold fully or partially.

When the functional currency is not the local currency, the local statements are first converted using historical exchange rates for inventories, properties, and depreciation, and related translation adjustments are included in the current year's operations.

Exchange differences on monetary items denominated in a foreign currency are recorded in profit or loss in the period in which they arise.

On a regular basis, IXM Group reviews the functional currencies used in measuring foreign operations to assess the impact of recent evolutions of its activities and the environment in which it operates.

6.3. Consolidated statements of profit or loss

Income and expenses are analysed by function in the consolidated statements of profit or loss. Cost of sales includes depreciation and employment costs relating to processing plants. It also includes the net unrealised gain or loss on open contracts of the commodity and freight trading activity. Commercial and administrative expenses include the cost of traders and administrative employees, the depreciation of office buildings and equipment, as well as the charge resulting from the fair value of shares and stock options granted to employees.

6.4. Consolidated statements of financial position

Assets and liabilities are presented separately between current and non-current assets, and current and non-current liabilities.

This classification is based for each asset and liability on the expected recoverability or settlement, before or after twelve months from the financial position.

6.5. Intangible assets

Goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries by IXM Group.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, measured at fair value at acquisition date, and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. For each business combination, IXM Group measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of IXM Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is not amortised. Goodwill is tested for impairment, when circumstances indicate that the carrying value may be impaired, and at the minimum, annually. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised.

At the time of impairment testing, a cash-generating unit to which goodwill has been allocated, there may be an indication of an impairment of an asset within the unit containing the goodwill. In such circumstances, the entity tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment the cash-generating unit containing the goodwill.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When IXM Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Goodwill relating to the acquisition of shares in an equity investment is presented in investments in a joint venture.

Other intangible assets

Other intangible assets of IXM Group represented trademarks, licenses and software, customer relationship and off-take rights. Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, other intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets except for off-take rights with finite life are amortised over periods ranging from one to ten years. Off-take rights are amortised over purchase volume under the off-take agreements.

The useful life of acquired trademarks is assessed to be qualified as finite or indefinite. Trademarks with an indefinite useful life are not amortised but reviewed for impairment annually by comparing their recoverable amount with their carrying amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

6.6. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, incurred during the construction period, are capitalised as part of the cost of that asset. When relevant, property, plant and equipment costs include initial estimate of decommissioning and site restoration costs.

The depreciation of other property, plant and equipment is calculated based on the carrying amount, net of residual value, principally using the straight-line method over the estimated useful lives of the assets, as follows: Buildings, 15 to 40 years; Machinery and Equipment, 5 to 25 years; and Electronic devices and other equipment, 1 to 20 years.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to IXM Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of profit or loss during the financial period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible, intangible assets other than goodwill

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

6.7. Investments in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in a joint venture is accounted for using the equity method and is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in IXM Group's share of net assets of the joint venture since the acquisition date. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by IXM Group. When IXM Group's share of losses of a joint venture exceeds IXM Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of IXM Group's net investment in the joint venture), IXM Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that IXM Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over IXM Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of IXM Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

IXM Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When IXM Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When IXM Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, IXM Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition.

The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, IXM Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, IXM Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal / partial disposal of the relevant associate or joint venture.

IXM Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When IXM Group reduces its ownership interest in a joint venture but IXM Group continues to use the equity method, IXM Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of IXM Group, profits and losses resulting from the transactions with the joint venture are recognised in IXM Group's Historical Financial Information only to the extent of interests in the joint venture that are not related to IXM Group.

6.8. Other investments, deposits and sundry

Other investments, deposits and sundry mainly represent long-term loans and advances. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

6.9. Inventories

Trading inventories are valued at fair value less costs to sell. The "mark-to-market" valuation policy, which is accepted as a commodity industry practice, presents a fair reflection of IXM Group's trading activities. Changes in fair value are recognised in the statement in "cost of sales".

6.10. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest / dividend income which are derived from IXM Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

- on initial recognition it is a part of a portfolio of identified financial instruments that IXM Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with IXM Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Other financial assets at FVTPL include short-term securities with an original maturity greater than three months acquired with the purpose of selling or repurchasing, and bonds relating to the financial trading activity as well as other financial assets designated upon recognition at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 21.5.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. Equity securities held by IXM Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable, are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when IXM Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of other reserve.

Other financial assets classified as available-for-sale investments mainly consist of shares of non-consolidated companies for which IXM Group does not exercise significant influence, joint control or control. Listed shares are valued at fair value corresponding to the listed price. Other shares are generally carried at cost, which is deemed to approximate fair value. Any change in fair value of shares after initial recognition is recorded through other comprehensive income and subsequently recognised in income on disposal of the shares or when the investment is deemed to be impaired.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, financial advances to related parties, other investments, deposits and sundry, margin deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. When there is objective evidence that the initial economic benefits will not flow to IXM Group, a provision for impairment is accounted for. Significant financial difficulties of the debtor, default or delinquency in payments (more than three months overdue) are considered indicators that the trade receivable has to be impaired.

Margin deposits consist of cash with brokers and exchanges, to meet initial and variation margin requirements in respect of futures positions on commodities exchanges.

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at the time of the purchase. Treasury bills, money market funds, commercial paper, bank certificates of deposit and marketable securities having insignificant risk of change in value qualify under that definition. Any difference between the carrying amount of the cash equivalents and its fair value is recognised in the consolidated statements of profit or loss. The consolidated statements of cash flows present the change in cash and cash equivalents. Changes in bank overdrafts that form part of the financing activities are presented in increase (decrease) in loans and related parties advances.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 4)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application / initial recognition of a financial asset IXM Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that IXM Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, IXM Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when IXM Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include IXM Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of other reserves.

Impairment of financial assets (upon application of IFRS 9 with transitions in accordance with note 4)

IXM Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on IXM Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

IXM Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, IXM Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, IXM Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, IXM Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, IXM Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless IXM Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, IXM Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. IXM Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

IXM Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, IXM Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including IXM Group, in full (without taking into account any collaterals held by IXM Group).

Irrespective of the above, IXM Group considers that default has occurred when a financial asset is more than 90 days past due unless IXM Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

IXM Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under IXM Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to IXM Group in accordance with the contract and the cash flows that IXM Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the nature of financial instruments basis (i.e. IXM Group's trade and other receivables are assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis).

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

IXM Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

IXM Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If IXM Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, IXM Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If IXM Group retains substantially all the risks and rewards of ownership of a transferred financial asset, IXM Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which IXM Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an available-for-sale financial asset, the cumulative gain or loss previously accumulated in other reserves is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by IXM B.V. are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that IXM Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with IXM Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9/ IAS 39 permits the entire combined contract to be designated as at FVTPL.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Prior to application of IFRS 9 on 1 January 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

Financial liabilities at amortised cost

Financial liabilities, including long-term debt, other non-current liabilities, short-term loans, financial advances from related parties and trade and other payables, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

IXM Group uses futures and option contracts mostly to hedge trading inventories and open commitments in commodities and securities. Futures and option contracts are recognised at fair value, and the resulting unrealised gains and losses are recognised in the consolidated statements of profit or loss. Undelivered commodities purchase and sale commitments and swap / supply arrangements are recognised at fair value, and the resulting unrealised gain or loss is recognised in the consolidated statements of profit or loss. Foreign exchange hedge contracts are recognised at fair value, and the resulting unrealised gains and losses are recognised in the consolidated statements of profit or loss in "finance costs, net" for the foreign exchange exposure on funding and in "cost of sales", for the foreign exchange gains and losses related to working capital. Expected costs associated with the execution of contracts are accrued.

Hedge accounting

IXM Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship IXM Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, IXM Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness (before application of IFRS 9 on 1 January 2018)

A hedge is regarded as highly effective only if both of the following conditions are met:

- at the inception and in subsequent periods, the hedge is expected to be highly effective; and

- the actual results of the hedge are within a range of 80 to 125 per cent.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if IXM Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Assessment of hedging relationship and effectiveness (under IFRS 9 since 1 January 2018)

For hedge effectiveness assessment, IXM Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that IXM Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, IXM Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Discontinuation of hedge accounting (before application of IFRS 9 on 1 January 2018)

Hedge accounting is discontinued when IXM Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or when it no longer qualifies for hedge accounting.

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Discontinuation of hedge accounting (under IFRS 9 since 1 January 2018)

IXM Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

6.11. Employee benefits

Short-term employee benefits

Short-term employee benefits include wages, salaries, social security contributions, compensated absences, profit-sharing and bonuses and are expected to be settled wholly before twelve months after the end of the reporting period. Short-term employee benefit obligations are measured on an undiscounted basis and are recognised in profit or loss as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if IXM Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Pensions and post-retirement benefits

Defined contribution plans are funded by contributions paid by employees and IXM Group companies to the organisations responsible for managing the plans. IXM Group's obligations are limited to the payment of such contributions.

Defined benefit plans consist of either funded or unfunded plans. Obligations under these plans are generally determined by independent actuaries using the projected unit credit method. IXM Group measures and recognises post-employment benefits in accordance with IAS 19:

– Contributions to defined contribution plans are recognised as an expense;

– Defined benefit plans are measured using actuarial valuations.

IXM Group uses the projected unit credit method as the actuarial method for measuring its post-employment benefit obligations, on the basis of the national or company-wide collective agreements effective within each entity.

Factors used in calculating the obligation include length of service, life expectancy, salary inflation, staff turnover, and macro-economic assumptions specific to countries in which IXM Group operates (such as inflation rate and discount rate).

Actuarial gains and losses relating to defined benefit plans (pensions and other post-employment benefits), arising from the effects of changes in actuarial assumptions and experience adjustments, are recognised net of deferred taxes in other comprehensive income.

The liability recognised in the consolidated statements of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the financial position date less the fair value of plan.

If the value of plan assets exceeds the obligation under the plan, the net amount is recognised as a non-current asset. Overfunded plans are recognised as assets only if they represent future economic benefits that will be available to IXM Group through future refunds from the plan or reductions in future contributions to the plan.

Other long-term benefits

IXM Group's net obligation in respect of long-term benefits, other than post-employment plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The value of the obligation is determined using the projected unit credit method.

Actuarial gains and losses are immediately recognised in the consolidated statements of profit or loss as part of the commercial and administrative expenses.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is recognised in commercial and administrative expenses on a straight-line basis over the vesting period, based on IXM Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, IXM Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. The fair value of the cash-settled share-based payments is determined without taking into consideration all non-market vesting conditions.

At the end of each reporting period until the liability is settled, and at the date of settlement, the liability is remeasured to fair value. For cash-settled share-based payments that are already vested, any changes in fair value are recognised in profit or loss for the year. For cash-settled share based payments which are still subject to non-market vesting conditions, the effects of vesting and non-vesting conditions are accounted on the same basis as equity-settled share based payments.

6.12. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. IXM Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in a joint venture, except where IXM Group is able to control 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 sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which IXM Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and IXM Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

6.13. Revenue from contracts with customers

Under IFRS 15, IXM Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

IXM Group recognises revenue when the amount of revenue can be reliably measured, control of the goods is transferred to the buyer and it is probable that future economic benefits will flow to the entity. Control of an asset is transferred when IXM Group no longer has the ability to direct the use of, nor obtain substantially all the remaining benefits from, the asset. Revenue on provisionally priced sales is recognised at fair-value at reporting date. The fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue and thus reflecting the commodity derivative character of such revenue. Fair value is always calculated by reference to forward market prices.

Revenue is presented after eliminating sales within IXM Group.

A contract liability represents IXM Group's obligation to transfer goods or services to a customer for which IXM Group has received consideration (or an amount of consideration is due) from the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, IXM Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. IXM Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. IXM Group is an agent).

IXM Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

IXM Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, IXM Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When IXM Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

6.14. Related parties

A party is considered to be related to IXM Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over IXM Group;

(ii) has significant influence over IXM Group; or

(iii) is a member of the key management personnel of IXM Group or of a parent of IXM Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and IXM Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and IXM Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either IXM Group or an entity related to IXM Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to IXM Group or to the parent of IXM Group.

6.15. Leases

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.

IXM Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

6.16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

7. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY ESTIMATES

In the application of IXM Group's accounting policies, which are described in note 6, the directors of IXM B.V. are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Price risk management

IXM Group engages in price risk management activities, principally for trading purposes. Activities for trading purposes are accounted for using the mark-to-market method. The market prices used to value these transactions reflect management's best estimate considering various factors including the closing exchange and over-the-counter quotations, parity differentials, time value and price volatility underlying the commitments. The values are adjusted to reflect the potential impact of liquidating IXM Group's positions in an orderly manner over a reasonable period of time under present market conditions.

Fair value measurements (notes 20, 21, 22, 23 and 30)

In addition to recognising derivative instruments at fair value, as discussed below, an assessment of the fair value of assets and liabilities is also required in accounting for other transactions, including trading inventories and disclosures related to fair values of financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the cash flow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions often do not exist.

Derivative instruments are carried at fair value for which IXM Group evaluates the quality and reliability of the assumptions and data used to measure fair value in the three hierarchy levels, Level 1, 2 and 3, as prescribed by IFRS 13 "Fair Value Measurement". Fair values are determined in the following ways: externally verified via comparison to quoted market prices in active markets (Level 1); by using models with externally verifiable inputs (Level 2); or by using alternative procedures such as comparison to comparable instruments and/or using models with unobservable market inputs requiring IXM Group to make market-based assumptions (Level 3).

Goodwill

Goodwill is tested annually for impairment in accordance with the valuation methodology described below. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Cash generating units are defined at the lowest level of independent cash flows generated by the corresponding assets measured. The value-in-use calculations are based on pre-tax cash flow projections set on business plans approved by the management covering a five-year period, and potentially an extrapolation of the cash flows beyond the five-year plan to cover a full life cycle and a terminal value using a perpetual growth rate. The recoverable amount is the sum of the discounted cash flows and the discounted terminal residual value. The discount rate used is based on the weighted average cost of capital of IXM Group before tax.

As at 31 December 2016, 2017 and 2018, the carrying amounts of goodwill were US$1.8 million, nil and nil (net of accumulated impairment loss of US$1.4 million, nil and nil), respectively. Details of the recoverable amount calculation are disclosed in note 17.

Estimated impairment of other intangible assets

Other intangible assets are reviewed at the end of each reporting period to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use, calculated based on its present value of expected future cash flows. In assessing value in use, significant judgments on preparation of future cash flows are exercised over the selling price, the production estimation, related operating expenses and a suitable discount rate to calculate the present value. All relevant information and materials which can be obtained are used for estimation of the recoverable amount, including the selling price, estimation of the utilisation, and related operating expenses based on reasonable and supportable assumptions. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise. On the contrary, a reversal of impairment may become necessary.

As at 31 December 2016, 2017 and 2018, the carrying amounts of other intangible assets were US$9.0 million, US$28.0 million and US$26.5 million (net of accumulated impairment loss of nil, US$3.6 million and US$4.0 million), respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with current tax planning strategies.

As at 31 December 2016, 2017 and 2018, the carrying amounts of deferred tax assets were US$2.8 million, US$3.2 million and US$1.9 million, respectively.

8. REVENUE

Disaggregation of revenue from contracts with customers

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Types of goods or services			
Sales of goods	9,227,311	12,259,912	13,001,229
Income from services rendered	11,877	14,110	2,109
Others	5,396	4,331	1,103
	9,244,584	12,278,353	13,004,441
Timing of revenue recognition			
At a point in time	9,244,584	12,278,353	13,004,441
	9,244,584	12,278,353	13,004,441

9. OPERATING SEGMENTS

Information reported to the executive directors of IXM B.V., being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by geographic location of customers. No other discrete financial information is provided other than IXM Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, geographic information and major customers are presented.

9.1. Geographical information

IXM Group's operations are located in Asia, Europe and Black Sea, Middle East and Africa, North America and Latin America.

(a) Revenue from external customers

Information about IXM Group's revenue from continuing operations from external customers is presented based on the location of the operations.

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Asia	6,817,852	8,605,302	8,286,992
Europe and Black Sea	1,817,067	2,802,770	3,301,352
Middle East and Africa	171,265	245,880	132,938
North America	288,633	456,500	1,063,182
Latin America	149,767	167,901	219,977
	9,244,584	12,278,353	13,004,441

(b) Non-current assets

Information about IXM Group's non-current assets is presented based on the geographical location of the assets.

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Asia	5,699	487	765
Europe and Black Sea	6,202	28,240	27,052
Latin America	10,485	10,116	10,210
	22,386	38,843	38,027

Note: Non-current assets excluded financial instruments and deferred tax assets.

9.2. Information about major customers

No single customer contributed 10% or more of total revenue of IXM Group during each of the years in the Relevant Periods.

10. FINANCE COSTS, NET

	Year ended 31 December		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Interest expense	43,259	61,031	88,310
Interest income *(note)*	(21,240)	(27,975)	(28,576)
Foreign exchange	(64)	(1,239)	(196)
Other financial income and expense	(415)	(141)	(306)
	21,540	31,676	59,232

Note: Interest income mostly derived from commercial activities.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2016

Name of directors	Fee	Salaries and other allowances	Total
	US$'000	*US$'000*	*US$'000*
Executive directors:			
Mr. Paul Akroyd ("**Mr. Akroyd**") *(note a)*	–	350	350
Mr. Maurice Kreft ("**Mr. Kreft**") *(note b)*	–	–	–
	–	350	350

For the year ended 31 December 2017

Name of directors	Fee	Salaries and other allowances	Total
	US$'000	*US$'000*	*US$'000*
Executive directors:			
Mr. Paul Akroyd *(note a)*	–	350	350
Mr. Maurice Kreft *(note b)*	–	–	–
	–	350	350

For the year ended 31 December 2018

Name of directors	Fee	Salaries and other allowances	Total
	US$'000	*US$'000*	*US$'000*
Executive directors:			
Mr. Paul Akroyd *(note a)*	–	350	350
Mr. Maurice Kreft *(note b)*	–	–	–
Mrs. Yongmei Ji *(note c)*	–	237	237
	–	587	587

Notes:

(a) Being chief executive of IXM Group and appointed as a director of IXM B.V. on 27 January 2015.

(b) Mr. Kreft resigned as a director on 11 May 2018. Emoluments of Mr. Kreft for the years ended 31 December 2016 and 2017 and till his resignation in 2018 were borne by LDH and its subsidiaries ("LDH Group") for his services provided to LDH Group as a whole and there is no reasonable basis to allocate the emoluments relating to services to IXM Group during the years ended 31 December 2016 and 2017.

(c) Being appointed as a director of IXM B.V. on 7 June 2018.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of IXM B.V. and IXM Group during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by IXM Group to directors of IXM B.V. as an inducement to join or upon joining IXM Group or as compensation for loss of office. None of the directors of IMX B.V. has waived or agreed to wave any emoluments during the Relevant Periods.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of IXM Group do not include directors of IXM B.V. for the Relevant Periods. Details of the remuneration of the five highest paid employees for the Relevant Periods are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Salaries, allowances and benefits in kind	1,466	1,513	1,515
Performance-related bonuses	3,174	5,266	9,953
Retirement benefits	–	–	518
	4,640	6,779	11,986

The number of the highest paid employees who are not the directors of IXM B.V. whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	No. of *employees*	No. of *employees*	No. of *employees*
Over HK$3,500,001	5	5	5

During the Relevant Periods, no emoluments were paid by IXM Group to the five highest paid individuals of IXM Group as an inducement to join or upon joining IXM Group or as compensation for loss of office.

13. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Gain on disposal of other financial assets *(note 23)*	279	5,205	–
Gain on disposal of investments in subsidiaries *(note)*	–	533	–
Gain (loss) on disposal of property, plant and equipment and other intangible assets	1	17	(447)
Others	(575)	1,241	(106)
	(295)	6,996	(553)

Note: On 27 November 2017, the GKE entities were disposed of for a cash consideration of US$3.1 million. The net assets of GKE entities at the date of disposal were US$2.6 million and realised a gain on disposal of subsidiaries of US$0.5 million. Net cash inflow arising on disposal was US$0.1 million.

14. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS / LIABILITIES

14.1 Income tax expense

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Current tax charge (credit)			
Mexico	1,674	2,582	437
Switzerland	(554)	671	2,368
PRC	1,013	6,647	9,899
Netherlands	693	(6,326)	498
Singapore	1,892	53	89
United States of America	1,683	565	680
Peru	–	606	73
Others	459	299	199
	6,860	5,097	14,243
Deferred tax charge (credit) – current year			
Switzerland	630	8,607	(24)
PRC	11,363	(1,857)	(2,802)
Singapore	(1,505)	(68)	21
Peru	1,015	(1,335)	82
Others	(944)	(1,165)	(428)
	10,559	4,182	(3,151)
	17,419	9,279	11,092

During the Relevant Periods, income tax of IXM B.V. is calculated at 25%, being the statutory tax rate in the Netherlands.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of profit or loss as follows:

	Year ended 31 December		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Profit before tax	57,233	101,546	45,582
Tax at the Netherlands statutory tax rate of 25%	14,308	25,387	11,396
Tax effect of expenses not deductible for tax purpose	1,954	2,321	689
Tax effect of income not taxable for tax purpose	(590)	(127)	(4)
Underprovision in respect of prior years	42	1,272	746
Equity tax	668	688	698
Foreign withholding tax	668	(6,509)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	20	(12,103)	(1,614)
Others	349	(1,650)	(819)
Income tax expense for the year	17,419	9,279	11,092

14.2 Deferred tax assets / liabilities

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Deferred tax assets	2,803	3,223	1,878
Deferred tax liabilities	(28,998)	(34,028)	(29,105)
	(26,195)	(30,805)	(27,227)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the Relevant Periods:

	Unrealised mark-to-market ("MTM") (gains) / losses on derivatives	Unrealised MTM (gains) / losses on inventories	Additional provision under Swiss tax law on inventories	Tax losses	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2016	(83)	(15,955)	–	–	–	(16,038)
Credit (charge) to profit or loss	(11,042)	14,251	(14,944)	422	754	(10,559)
Credit (charge) to other comprehensive income	–	–	–	–	(2)	(2)
Exchange differences	302	102	–	–	–	404
At 31 December 2016	(10,823)	(1,602)	(14,944)	422	752	(26,195)
Credit (charge) to profit or loss	1,986	703	(8,647)	(110)	1,886	(4,182)
Credit (charge) to other comprehensive income	–	–	–	–	(15)	(15)
Disposal of subsidiaries	–	–	–	–	235	235
Exchange differences	(531)	(44)	–	–	(73)	(648)
At 31 December 2017	(9,368)	(943)	(23,591)	312	2,785	(30,805)
Credit (charge) to profit or loss	2,315	200	–	(233)	869	3,151
Credit (charge) to other comprehensive income	–	–	–	–	17	17
Exchange differences	265	–	–	–	145	410
At 31 December 2018	(6,788)	(743)	(23,591)	79	3,816	(27,227)

15. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Depreciation of property, plant and equipment	784	828	978
Amortisation of other intangible assets (included in cost of sales)	1,018	1,361	1,428
Total depreciation and amortisation	1,802	2,189	2,406
Staff salaries and allowances (including equity-settled share-based payment expense)	29,432	37,480	51,742
Expenses related to defined contribution plans	298	407	1,003
Expenses related to defined benefit plan	687	863	774
Total staff costs (including directors)	30,417	38,750	53,519
Auditor's remuneration	297	297	583
Foreign exchange (losses) gains			
Included in:			
Revenue, net of cost of sales	(2,455)	8,979	(8,209)
Commercial and administrative expenses	260	666	(664)
Foreign exchange	64	1,239	196
	(2,131)	10,884	(8,677)
Impairment loss recognised on goodwill (included in cost of sales)	1,393	1,775	–
Impairment loss recognised on other intangible assets (included in cost of sales)	–	3,551	463
Net impairment loss recognised (reversed) on trade and other receivables	4,856	(7,532)	881
Net impairment loss recognised on other investments, deposits and sundry	354	540	1,488
Impairment losses, net of reversal	5,210	(6,992)	2,369
Allowance for inventories	–	267	–
Cost of inventories recognised as an expense	8,781,564	11,505,090	13,026,386

16. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

17. INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
	US$'000	*US$'000*	*US$'000*
		(note a)	
COST			
At 1 January 2016	3,168	10,388	13,556
Additions	–	3,277	3,277
At 31 December 2016	3,168	13,665	16,833
Additions *(note b)*	–	26,576	26,576
Disposal of subsidiaries *(note c)*	(3,168)	(3,297)	(6,465)
At 31 December 2017	–	36,944	36,944
Additions	–	933	933
Write-off	–	(463)	(463)
At 31 December 2018	–	37,414	37,414

	Goodwill *US$'000*	Other intangible assets *US$'000* *(note a)*	Total *US$'000*
AMORTISATION AND IMPAIRMENT			
At 1 January 2016	–	3,627	3,627
Charge for the year	–	1,018	1,018
Impairment loss recognised in the year	1,393	–	1,393
Others	–	(15)	(15)
At 31 December 2016	1,393	4,630	6,023
Charge for the year	–	1,361	1,361
Impairment loss recognised in the year	1,775	3,551	5,326
Disposal of subsidiaries *(note b)*	(3,168)	(2,329)	(5,497)
At 31 December 2017	–	8,988	8,988
Charge for the year	–	1,428	1,428
Impairment loss recognised in the year	–	463	463
At 31 December 2018	–	10,879	10,879
CARRYING AMOUNT			
At 31 December 2016	1,775	9,035	10,810
At 31 December 2017	–	27,956	27,956
At 31 December 2018	–	26,535	26,535

Notes:

(a) Other intangible assets mainly represented the consideration for rights and obligations to an off-take contract, trademarks, licenses and software.

(b) During the year ended 31 December 2017, the additions mainly represented the consideration for rights and obligations to an off-take contract for US$26 million. Relevant commitments were disclosed in note 31(b).

(c) Related to the disposal of the GKE entities. Details are set out in note 13.

The goodwill was generated by the acquisition of the GKE entities. During the year ended 31 December 2016 and 2017, following significant continuing drop of the profit of the GKE entities, goodwill was tested for impairment and impaired by US$1.4 million and US$1.8 million, respectively. The 3 entities were sold in 2017 and the related goodwill was derecognised.

For the purposes of impairment testing, goodwill and trademarks with indefinite useful lives have been allocated to two individual cash generating units (CGUs), comprising two subsidiaries in logistics services. The carrying amounts of goodwill and trademarks (net of accumulated impairment losses) allocated to these units are as follows:

	Goodwill			**Trademarks**		
	As at 31 December			**As at 31 December**		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
GKE Metal Logistics Pte. Ltd.	1,775	–	–	346	–	–
Shanghai GKE Metal Logistics Co., Ltd.	–	–	–	269	–	–

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 9% and 11% for GKE Metal Logistics Pte. Ltd. and Shanghai GKE Metal Logistics Co., Ltd., respectively. GKE Metal Logistics Pte. Ltd.'s and Shanghai GKE Metal Logistics Co., Ltd.'s cash flows beyond the 5-year period are extrapolated using a steady 9% and 11% growth rate, respectively. The growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. The assumptions for the value in use calculations relate to the estimation of cash inflows/ outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of GKE Metal Logistics Pte. Ltd. and Shanghai GKE Metal Logistics Co., Ltd. to exceed the aggregate recoverable amounts.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Electronic devices and other equipment	Construction in progress	Total
	US'000	*US'000*	*US'000*	*US'000*	*US'000*
COST					
At 1 January 2016	12,661	935	1,002	518	15,116
Additions	–	35	119	413	567
Disposals	(1,916)	(48)	(13)	(83)	(2,060)
Disposal of subsidiaries	112	–	294	(427)	(21)
Exchange adjustments	47	(21)	(39)	–	(13)
At 31 December 2016	10,904	901	1,363	421	13,589
Additions	–	4	63	307	374
Disposals	–	(3)	(33)	–	(36)
Disposal of subsidiaries (note)	–	(383)	(93)	–	(476)
Reclassification	550	132	(124)	(558)	–
Exchange adjustments	–	24	45	–	69
At 31 December 2017	11,454	675	1,221	170	13,520

	Buildings	Machinery and equipment	Electronic devices and other equipment	Construction in progress	Total
	US'000	*US'000*	*US'000*	*US'000*	*US'000*
Additions	622	3	330	270	1,225
Disposals	–	(9)	(33)	–	(42)
Reclassification	90	30	(41)	(79)	–
Exchange adjustments	–	(2)	(36)	–	(38)
At 31 December 2018	12,166	697	1,441	361	14,665
DEPRECIATION					
At 1 January 2016	2,720	214	455	–	3,389
Provided for the year	542	57	185	–	784
Eliminated on disposals	(1,916)	(48)	(13)	–	(1,977)
Exchange adjustments	48	(5)	(17)	–	26
At 31 December 2016	1,394	218	610	–	2,222
Provided for the year	578	57	193	–	828
Eliminated on disposals	–	(3)	(33)	–	(36)
Eliminated on disposal of subsidiaries	–	(138)	(80)	–	(218)
Exchange adjustments	–	11	25	–	36
At 31 December 2017	1,972	145	715	–	2,832
Provided for the year	715	73	190	–	978
Eliminated on disposals	–	(7)	(33)	–	(40)
Exchange adjustments	(1)	(2)	(21)	–	(24)
At 31 December 2018	2,686	208	851	–	3,745
CARRYING VALUES					
At 31 December 2016	9,510	683	753	421	11,367
At 31 December 2017	9,482	530	506	170	10,688
At 31 December 2018	9,480	489	590	361	10,920

Note: GKE entities were disposed during the year ended 31 December 2017. Details are set out in note 13.

19. OTHER INVESTMENTS, DEPOSITS AND SUNDRY

	As at 31 December								
	2016			2017			2018		
	Gross value	Allowance for credit losses	Net value	Gross value	Allowance for credit losses	Net value	Gross value	Allowance for credit losses	Net value
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Long-term loans *(note)*	11,858	(10,933)	925	11,473	(11,473)	–	26,785	(12,961)	13,824
Others	236	–	236	271	–	271	–	–	–
	12,094	(10,933)	1,161	11,744	(11,473)	271	26,785	(12,961)	13,824

Note: As at 31 December 2016, 2017 and 2018, the amount of US$9.8 million, US$8.7 million and US$8.7 million was due from one third party supplier and to be settled by cash. The amount was secured by a property as at 31 December 2016, and the property was disposed in 2017. The amount interest bearing at 3-month London Interbank Offered Rate plus 6.5% per annum. As at 31 December 2016, 2017 and 2018, the amount of US$2.1 million, US$2.8 million and US$4.3 million was due from another third party supplier and to be settled by cash. The amount was unsecured, interest bearing at 5% to 9% per annum. As at 31 December 2018, the balance also includes an amount due from a third party supplier and to be settled by cash. The amount was unsecured, interest bearing at 7.5% to 8.5% per annum and final installment repayable in April 2020.

20. INVENTORIES

Inventories are composed of trading inventories that are measured at fair value less cost to sell. The provision on inventories amounts to $0.3 million as at 31 December 2018 and 31 December 2017 and no provision is recorded as at 31 December 2016. As at 31 December 2016, 2017 and 2018, inventories of US$1,274.5 million, US$1,656.6 million and US$1,314.9 million have been pledged as security for borrowings.

21. FINANCIAL INSTRUMENTS

21.1 Categories of financial instruments

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Financial assets			
FVTPL	602,613	439,106	458,658
Derivative financial instruments	172,040	201,046	249,649
Available-for-sale investments	11,288	167	N/A
FVTOCI	–	–	61
Loans and receivables (including cash and cash equivalents)	559,266	835,579	N/A
Financial assets at amortised cost (including cash and cash equivalents)	N/A	N/A	567,993
	1,345,207	1,475,898	1,276,361
Financial liabilities			
FVTPL	276,370	146,693	109,976
Derivative financial instruments	190,128	396,806	156,548
Amortised cost	2,052,727	2,643,463	2,264,599
	2,519,225	3,186,962	2,531,123

21.2 Financial risk management objectives and polices

IXM Group's major financial instruments include other investments, deposits and sundry, financial advances to / from related parties, trade and other receivables, margin deposits, derivative assets / liabilities, other financial assets, cash and cash equivalents, long-term debt, other non-current liabilities, short-term loans, and trade and other payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of IXM Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of assets and liabilities held by IXM Group including financial instruments, physical commodities, industrial and biological assets will fluctuate due to changes in market variables such as spot and forward commodity prices, relative price spreads and volatilities and foreign exchange rates.

IXM Group classifies exposures to market risk into either trading or non-trading activities. IXM Group manages market risk for trading activities by diversifying exposures, controlling position natures, sizes and maturities, performing stress testing, monitoring risk limits under the supervision of its Macro and Risk Committee. Limits are established for the level of acceptable risk at corporate level and are allocated at platform and profit center levels. The compliance with the limits is reported to management daily.

(b) Value at Risk (VaR) analysis

Limits are based on a daily measure of market risk exposure referred to as value at risk (VAR). The VAR that IXM Group measures is a model-based estimate grounded upon various assumptions such as: the returns of risk factors affecting the market environment follow a lognormal distribution, parameters are calculated by using exponentially weighted historical data in order to put more emphasis on the latest market information.

The VAR computed hence represents an estimate, with a confidence level of 95%, of the potential loss that is not expected to be exceeded should the current market risk position remain unchanged for one day. The use of 95% confidence level means that, within a one-day horizon, losses exceeding the VAR figure are not expected to occur statistically more than once every twenty (trading) days.

The VAR may be under or over-estimated due to the assumptions placed on risk factors and historical correlations and volatilities in market prices, and the probability of large market moves may be underestimated per the normal distribution. Calculations are back tested against reported profit or loss on a regular basis.

(i) Currency risk

Several subsidiaries of the IXM B.V. have foreign currency sales and purchases / bank balances / borrowings which expose IXM Group to foreign currency risk.

The operating current assets and liabilities are denominated in the following currencies before hedge at 31 December 2016, 2017 and 2018:

	Liabilities			Assets		
	As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Euro	2,189	1,805	898	20,734	21,018	542
Chinese Yuan	54,839	79,099	91,025	266,284	412,831	405,436
Peru Soles	1,452	2,487	2,400	29,676	26,141	19,218
Mexican pesos	4,238	9,176	604	9,500	8,294	13,344
Other Currencies	5,328	3,614	2,978	4,458	3,266	1,222

Sensitivity analysis

The following table details IXM Group's sensitivity to a 5% increase and decrease in United States dollars against the relevant foreign currencies during the Relevant Periods.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an decrease in post-tax profit and other equity where United States dollars strengthen 5% against the relevant currency. For a 5% weakening of United States dollars against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Euro			Chinese Yuan			Peru Soles			Mexican Pesos			Other Currencies		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Profit or loss	970	982	(296)	4,127	9,252	9,677	60	50	109	277	(46)	671	(46)	(18)	(92)
Equity	970	982	(296)	4,127	9,252	9,677	60	50	109	277	(46)	671	(46)	(18)	(92)

(ii) *Interest rate risk*

IXM Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 26 and 27 for details of these borrowings). IXM Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 27 for details). IXM Group cash flow interest rate risk is mainly concentrated on variable-rate bank and other borrowings. IXM Group aims at keeping borrowings at variable rates. IXM Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Interest expense on financial liabilities not measured at FVTPL:

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Financial liabilities at amortised cost	1,744,435	2,420,653	2,079,389

At 31 December 2016, 2017 and 2018, the allocation of IXM Group financing between fixed and floating interest rates, is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Fixed rate	92,090	134,827	133,507
Floating rate	1,652,345	2,285,826	1,945,882
Total short and long-term financing	1,744,435	2,420,653	2,079,389

IXM Group considers as floating rate any short-term debt which initial contractual maturity is below six months. IXM group primarily borrows short-term working capital at floating rates, with any changes passed along to its customers.

Short and long-term financing carry interests rates which range from 1.56% to 5.99%, 2.16% to 6.30%, 3.15% to 5.07% for the years ended 31 December 2016, 2017 and 2018.

21.3 Credit risk and impairment assessment

As at the end of each reporting period, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, IXM Group's maximum exposure to credit risk which will cause a financial loss to IXM Group arising from the amount of financial guarantees provided by IXM Group is disclosed in note 31. IXM Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts, except that the credit risks associated with other investments, deposits and sundry as at 31 December 2016 is reduced because one long-term loan was secured over a property.

IXM Group is engaged in the business of trading diversified commodities and commodity related products. Accordingly, a substantial portion of IXM Group's trade receivables is with companies across several different industries within the commodity sector. Margin deposits generally consist of US treasury bills and are on deposit with commodity exchanges and brokers which hold such deposits in a custodial capacity. The counterparty credit risk exposure of IXM Group from derivative financial instruments is limited to the current fair value of contracts with a positive fair value.

IXM Group has implemented risk management procedures to monitor its exposures and to minimise credit risk. These procedures include initial credit and limit approvals, credit insurance, margin requirements, master netting arrangements, letters of credit, and other guarantees.

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

For trade receivables, IXM Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. IXM Group determines the ECL on these items using a provision matrix by estimation based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment for both the current as well as the forecast direction of conditions at each of the reporting dates.

The credit risks on margin deposits are limited because the counterparties are banks or financial institutions with high credit ratings assigned by international credit-rating agencies.

For the financial advances to related parties, IXM Group considers the risk or probability that a credit loss occurs as low based on the historical repayment records and forward-looking information available without undue cost or effort. Therefore, loss allowance of financial advances to related parties is assessed on 12m ECL basis. No loss allowance was made for financial advances to related parties as at 1 January 2018 and 31 December 2018 as the amounts involved were insignificant.

For other investments, deposits and sundry, IXM Group assessed the impairment individually based on past due information which, in the opinion of the Directors, except for the amounts which were past due and credit-impaired, have no significant increase in credit risk since initial recognition. Therefore, loss allowance of other investments, deposits and sundry is assessed on 12m ECL basis. Details of other investments, deposits and sundry are set out in note 19. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. No loss allowance was made for other investments, deposits and sundry other than the two credit-impaired loans fully provided as at 1 January 2018 and 31 December 2018 as the amounts involved were insignificant.

For other receivables, IXM Group assessed the impairment individually based on past due information which, in the opinion of the directors, have no significant increase in credit risk since initial recognition. Therefore, loss allowance of other receivables is assessed on 12m ECL basis. ECL is estimated based on historical observed default rates over the expected life of debtors and is adjusted for forward-looking information that is available without undue cost or effort. Accordingly, the loss allowance for other receivables of US$0.9 million is provided during the year ended 31 December 2018.

For financial guarantee contracts, details of the financial guarantee contracts are set out in note 31. As at 1 January 2018 and 31 December 2018, the directors of IXM B.V. have assessed the financial position of the suppliers as well as the economic outlook of the industries in which the suppliers operate, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Therefore, loss allowance of financial guarantee contracts is assessed on 12m ECL basis. No loss allowance was made for financial guarantee contracts as at 1 January 2018 and 31 December 2018 as the amounts involved were insignificant.

IXM Group's certain current assets include debtors with a carrying amount of US$8.7 million, US$65.4 million, US$35.6 million which are past due as at 31 December 2016, 2017 and 2018.

The credit quality of certain current assets is assessed by reference to credit ratings, historical information about counterparty default rates, risk mitigation tools in place, existing market conditions, market-based ("**systematic**") risk factors and loan-specific ("**idiosyncratic**") risk factors.

	As at 31 December								
	2016			2017			2018		
	US$'000			US$'000			US$'000		
	Gross Value	Provision	Net Value	Gross Value	Provision	Net Value	Gross Value	Provision	Net Value
Not due	1,282,655	(63)	1,282,592	1,305,255	–	1,305,255	1,157,985	–	1,157,985
Past due for less than 3 months	8,014	(184)	7,830	65,616	(200)	65,416	35,961	(377)	35,384
Past due for 3-6 months	235	(183)	52	199	(199)	–	226	(226)	–
Past due for 6 months-1 year	302	(301)	1	381	(381)	–	411	(411)	–
Past due for over 1 year	11,769	(10,958)	811	3,381	(3,377)	4	4,024	(4,024)	–
Closing balance	1,302,975	(11,689)	1,291.286	1,374,832	(4,157)	1,370,675	1,198,607	(5,038)	1,193,569
Including:									
Trade receivables	360,059	(5,845)	354,214	443,760	(1,301)	442,459	366,614	(1,300)	365,314
Staff and tax receivables	79,326	(3,768)	75,558	58,845	–	58,845	35,911	–	35,911
Accrued receivables	602,613	–	602,613	439,106	–	439,106	458,658	–	458,658
Prepayments and prepaid expenses	67,024	–	67,024	70,002	–	70,002	165,837	–	165,837
Other receivables	9,448	(2,076)	7,372	8,463	(2,856)	5,607	30,366	(3,738)	26,628
Margin deposits	168,740	–	168,740	353,528	–	353,528	141,221	–	141,221
Financial advances to related parties	15,765	–	15,765	1,129	–	1,129	–	–	–

21.4 Liquidity risk

Liquidity risk arises in the general funding of IXM Group's commodity trading activities and in the management of positions. It includes both the risk of being unable to fund IXM Group's portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

Management of the liquidity profile is designed to ensure that IXM Group has access to the funds necessary to cover maturing liabilities. Sources of funds include interest bearing and non-interest-bearing deposits, bank notes, trading account liabilities, repurchase agreements of inventories with banks, long-term debt, and borrowing arrangements.

IXM Group holds derivative contracts for the sale of physical commodities and derivative assets that are expected to generate cash inflows that will be available to meet cash outflows on purchases and liabilities. In the trading business, settling commodity contracts and liquidating trading inventories, by exchanging the commodity for cash before the contractual maturity term is a usual practice. The liquidity risk is consequently measured by allocating liabilities to the earliest estimated period on which the counterparty can require repayment, and assets to the earliest estimated period on which IXM Group can realise in cash these assets without any significant discount from market value. This measurement takes into consideration the market depth and price sensitivity to significant transaction volumes. The inclusion of information on non-financial items is necessary to understand IXM Group's liquidity risk management, as the liquidity is managed on a net asset and liability basis.

The following table details IXM Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which IXM Group can be required to pay. Specifically, loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the each end of the Relevant Periods.

The following table details IXM Group's expected maturity for some of its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand IXM Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Liquidity tables

	On demand or less than 3 months	3 to 6 months	Over 6 months	Total undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2016					
Other investments, deposits and sundry	–	–	1,161	1,161	1,161
Trade and other receivables	963,388	–	811	964,199	964,199
Derivative assets (gross)	172,040	–	–	172,040	172,040
Margin deposits	168,740	–	–	168,740	168,740
Financial advances to related parties	–	–	15,765	15,765	15,765
Financial assets at amortised cost	2,300	–	–	2,300	2,300
Financial assets at fair value though other comprehensive income	11,288	–	–	11,288	11,288
Cash and cash equivalents	9,714	–	–	9,714	9,714
Borrowings (including short-term loans and long-term debt)	(1,652,826)	(1,495)	(111,072)	(1,765,393)	(1,744,435)
Financial advances from related parties	–	–	(81,417)	(81,417)	(81,417)
Trade and other payables	(499,444)	(1,799)	(2,002)	(503,245)	(503,245)
Derivative liabilities	(190,128)	–	–	(190,128)	(190,128)
	(1,014,928)	(3,294)	(176,754)	(1,194,976)	(1,174,018)

	On demand or less than 3 months	3 to 6 months	Over 6 months	Total undiscounted cash flows	Carrying amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2017					
Other investments, deposits and sundry	–	–	271	271	271
Trade and other receivables	887,030	–	142	887,172	887,172
Derivative assets (gross)	197,532	1,532	1,982	201,046	201,046
Margin deposits	353,528	–	–	353,528	353,528
Financial advances to related parties	1,129	–	–	1,129	1,129
Financial assets at fair value though other comprehensive income	167	–	–	167	167
Cash and cash equivalents	32,585	–	–	32,585	32,585
Borrowings (including short-term loans and long-term debt)	(2,287,539)	(1,111)	(158,458)	(2,447,108)	(2,420,653)
Financial advances from related parties			(4,750)	(4,750)	(4,750)
Trade and other payables	(358,098)	(1,411)	(616)	(360,125)	(360,125)
long-term payable of intangible asset	(4,628)	–	–	(4,628)	(4,628)
Derivative liabilities	(394,378)	(1,618)	(810)	(396,806.00)	(396,806.00)
	(1,572,673)	(2,608)	(162,239)	(1,737,520)	(1,711,064)
As at 31 December 2018					
Other investments, deposits and sundry	–	–	15,317	15,317	13,824
Trade and other receivables	850,600	–	–	850,600	850,600
Derivative assets (gross)	236,254	2,467	10,928	249,649	249,649
Margin deposits	141,221	–	–	141,221	141,221
Financial assets at fair value though other comprehensive income	61	–	–	61	61
Cash and cash equivalents	21,006	–	–	21,006	21,006
Borrowings (including short-term loans and long-term debt)	(1,947,190)	(1,687)	(149,787)	(2,098,664)	(2,079,389)
Trade and other payables	(272,975)	(17,181)	(5,030)	(295,186)	(295,186)
Derivative liabilities	(156,548)	–	–	(156,548)	(156,548)
	(1,127,571)	(16,401)	(128,572)	(1,272,544)	(1,254,762)

21.5 Fair value measurements of financial instruments

This note provides information about how IXM Group determines fair values of various financial assets and financial liabilities.

Some of IXM Group's financial instruments are measured at fair value for financial reporting purposes. The board of directors IXM Group has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, IXM Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, IXM Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Fair value of IXM Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of IXM Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Fair value hierarchy as at 31 December 2016

	Level 1	**Level 2**	**Total**
	US$'000	*US$'000*	*US$'000*
Financial assets at FVTPL			
Trading inventories	–	1,382,704	1,382,704
Derivative financial assets	73,662	98,378	172,040
Accrued receivables	–	602,613	602,613
Available-for-sale investments	11,121	167	11,288
	84,783	2,083,862	2,168,645
Financial liabilities at FVTPL			
Derivative financial liabilities	153,174	36,954	190,128
Accrued payables	–	276,370	276,370
	153,174	313,324	466,498

Fair value hierarchy as at 31 December 2017

	Level 1	Level 2	Total
	US$'000	*US$'000*	*US$'000*
Financial assets at FVTPL			
Trading inventories	–	2,014,335	2,014,335
Derivative financial assets	71,547	129,499	201,046
Accrued receivables	–	439,106	439,106
Available-for-sale investments	–	167	167
	71,547	2,583,107	2,654,654
Financial liabilities at FVTPL			
Derivative financial liabilities	308,041	88,765	396,806
Accrued payables	–	146,693	146,693
	308,041	235,458	543,499

Fair value hierarchy as at 31 December 2018

	Level 1	Level 2	Total
	US$'000	*US$'000*	*US$'000*
Financial assets at FVTPL			
Trading inventories	–	1,579,890	1,579,890
Derivative financial assets	171,484	78,165	249,649
Accrued receivables	–	458,658	458,658
Equity instruments at FVTOCI	–	61	61
	171,484	2,116,774	2,288,258
Financial liabilities at FVTPL			
Derivative financial liabilities	95,381	61,167	156,548
Accrued payables	–	109,976	109,976
	95,381	171,143	266,524

Financial assets/ financial liabilities	Fair value as at 31 December			Fair value hierarchy	Valuation technique(s) and key input(s)
	2016	2017	2018		
	US$'000	*US$'000*	*US$'000*		
Trading inventories	Assets – 1,382,704	Assets – 2,014,335	Assets – 1,579,890	Level 2	Quoted prices, adjusted for the specificities of the goods
Future / Option contracts	Assets – 73,662 Liabilities – 153,174	Assets – 71,547 Liabilities – 308,041	Assets – 171,484 Liabilities – 95,381	Level 1	Quoted bid prices in an active market
Future contract	–	Liabilities – 5,887	–	Level 2	Quoted prices, adjusted for the specificities of the contracts
Foreign currency forward contracts	Assets – 1,379 Liabilities – 11,566	Assets – 1,724 Liabilities – 1,721	Assets – 15,445 Liabilities – 12,577	Level 2	Quoted prices, adjusted for the specificities of the contracts
Cash contracts	Assets – 96,999 Liabilities – 25,388	Assets – 127,775 Liabilities – 81,157	Assets – 62,100 Liabilities – 47,990	Level 2	Quoted prices, adjusted for the specificities of the contracts
Swaps	–	–	Assets – 620 Liabilities – 600	Level2	Discounted cash flow Future cash flows are estimated based on for interest rates (from observable yield cursive at the end of the reporting period) and contracted interest rates, discounted at a rate the credit risk of various counterparties.

Financial assets/ financial liabilities	Fair value as at 31 December			Fair value hierarchy	Valuation technique(s) and key input(s)
	2016	2017	2018		
	US$'000	*US$'000*	*US$'000*		
Available-for-sale investments	Assets – 11,121	–	N/A	Level 1	Quoted bid prices in an active market
	Assets – 167	Assets – 167	N/A	Level 2	Quoted prices, adjusted for the specificities of the instrument
Other financial assets at FVTOCI	N/A	N/A	Assets – 61	Level 2	Quoted prices, adjusted for the specificities of the instrument
Accrued receivables	Assets – 602,613	Assets – 439,106	Assets – 458,658	Level 2	Quoted prices, adjusted for the specificities of the goods
Accrued payables	Liabilities – 276,370	Liabilities – 146,693	Liabilities – 109,976	Level 2	Quoted prices, adjusted for the specificities of the goods

21.6 Financial assets and financial liabilities subtest to offsetting, enforceable master netting arrangements and similar agreements

IXM Group has entered certain derivative transactions that are covered by the International Swaps and Derivatives Association Master Agreements ("**ISDA Agreements**") signed with various banks. These derivative instruments are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that IXM Group currently has no legally enforceable right to set off the recognised amounts.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2016

				Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statements of financial position	Under master netting agreements and margin deposit	Not under master netting agreements	Net amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Description						
Derivatives	52,221	(809)	51,412	–	120,628	172,040
Margin deposit assets	–	–	–	168,740	–	168,740
Total	52,221	(809)	51,412	168,740	120,628	340,780

As at 31 December 2017

				Related amounts not set off in the statement of financial position		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statements of financial position	Under master netting agreements and margin deposit	Not under master netting agreements	Net amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Description						
Derivatives	14,220	(6,467)	7,753	–	193,293	201,046
Margin deposit assets	–	–	–	353,528	–	353,528
Total	14,220	(6,467)	7,753	353,528	193,293	554,574

As at 31 December 2018

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statements of financial position	Net amounts of financial assets presented in the statements of financial position	Related amounts not set off in the statement of financial position: Under master netting agreements and margin deposit	Related amounts not set off in the statement of financial position: Not under master netting agreements	Net amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Description						
Derivatives	154,368	(29,622)	124,746	–	124,903	249,649
Margin deposit assets	–	–	–	141,221	–	141,221
Total	154,368	(29,622)	124,746	141,221	124,903	390,870

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2016

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial assets presented in the statements of financial position	Related amounts not set off in the statement of financial position: Not under master netting agreements	Net amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Description					
Derivatives	(55,310)	208,638	153,328	36,800	190,128

As at 31 December 2017

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial assets presented in the statements of financial position	Related amounts not set off in the statement of financial position: Not under master netting agreements	Net amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Description					
Derivatives	(24,333)	327,393	303,060	93,746	396,806

As at 31 December 2018

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial assets presented in the statements of financial position	Related amounts not set off in the statement of financial position: Not under master netting agreements	Net amount
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Description					
Derivatives	(10,091)	77,506	67,415	89,133	156,548

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in IXM Group's consolidated statement of financial position, both of which have been disclosed in the above tables, are measured as follows:

- Margin deposit assets – amortised cost
- Derivatives – fair value

The amounts which are subject to enforceable master netting arrangements or similar agreements are measured on the same basis as the recognised financial assets and financial liabilities.

21.7 Classification of derivative financial instruments

At 31 December 2016, 2017 and 2018, derivatives financial instruments are as follows:

	As at 31 December of					
	2016		**2017**		**2018**	
	US$'000		*US$'000*		*US$'000*	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward purchase and sale agreements	96,999	25,388	127,775	81,157	62,100	47,990
Swaps	–	–	–	–	620	600
Forward foreign exchange contracts	1,379	11,566	1,724	1,721	15,445	12,577
Futures	72,376	140,679	70,696	301,968	171,484	93,526
Options	1,286	12,495	851	11,960	–	1,855
Total Derivatives at FVTPL	172,040	190,128	201,046	396,806	249,649	156,548

In the normal course of operations, IXM Group enters into various derivative financial instruments involving future settlement. These transactions include futures, forward purchase and sale agreements, and option contracts which are executed either on regulated exchanges or in the over-the-counter market ("**OTC**").

Futures contracts are exchange-traded contractual commitments either to receive or deliver a standard amount or value of a commodity or financial instrument at a specified future date and price. Futures exchanges typically require the parties to provide as security "initial margins" and additional cash deposits for "variation margins", based upon market value fluctuations. OTC contracts, which may or may not require the payment of initial margins or variation margins, involve parties who have agreed either to exchange cash payments or deliver / receive the underlying commodity or financial instrument. Option contracts are contractual agreements that give the purchaser the right, but not the obligation, to purchase or sell a financial instrument or commodity, at a predetermined price.

22. TRADE AND OTHER RECEIVABLES

	As at 31 December								
	2016			2017			2018		
	Gross Value	Allowance for credit losses	Net Value	Gross Value	Allowance for credit losses	Net Value	Gross Value	Allowance for credit losses	Net Value
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Trade receivables	360,059	(5,845)	354,214	443,760	(1,301)	442,459	366,614	(1,300)	365,314
Staff and tax receivables	79,326	(3,768)	75,558	58,845	–	58,845	35,911	–	35,911
Prepayments and advances to suppliers	38,303	–	38,303	65,218	–	65,218	122,240	–	122,240
Prepaid expenses	28,721	–	28,721	4,784	–	4,784	43,597	–	43,597
Accrued receivables *(note)*	602,613	–	602,613	439,106	–	439,106	458,658	–	458,658
Other receivables	9,448	(2,076)	7,372	8,463	(2,856)	5,607	30,366	(3,738)	26,628
	1,118,470	(11,689)	1,106,781	1,020,176	(4,157)	1,016,019	1,057,386	(5,038)	1,052,348

Note: Accrued receivables represent trade receivables containing pricing elements (i.e. the final selling price is subject to movements in market prices after the date of sale) and measured at FVTPL.

The following is an aged analysis of trade receivables and accrued receivables net of allowance for credit losses presented based on the overdue dates.

	As at 31 December		
	2016	**2017**	**2018**
	US'000	*US'000*	*US'000*
Not due	948,997	816,149	788,588
Overdue	7,830	65,416	35,384
	956,827	881,565	823,972

Most of the trade receivables and accrued receivables aged from 0 to 60 days. Details of impairment assessment of trade and other receivables are set out in note 21.3.

Movement in the allowance for doubtful debts of trade and other receivables:

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Balance at 1 January	6,833	11,689	4,157
Impairment losses recognised	4,867	781	881
Impairment losses reversed	(11)	(8,313)	–
Balance at 31 December	11,689	4,157	5,038

As at 31 December 2016 and 2017, the management of IXM Group are of the opinion that all trade receivables and accrued receivables that are neither past due nor impaired have a good credit quality.

As at 31 December 2016 and 2017, included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of US$11.7 million and US$4.2 million.

IXM Group sold without recourse trade receivables to banks for cash proceeds. The balance of the factored receivables was $107.9 million and $126.4 million as at 31 December 2017 and 2018, respectively, which was derecognised because IXM Group no longer retained the risks and rewards associated with these receivables.

As at 31 December 2016, 2017 and 2018, carrying amount of trade receivables amounted to US$272.8 million, US$253.0 million and US$243.4 million have been pledged as security for IXM Group's loans.

23. OTHER FINANCIAL ASSETS

Other financial assets are split as follow:

	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
	Balance	**Balance**	**Balance**
Available-for-sale investments			
Equity investments in Camrova Resources Inc., publicly traded in Canada	167	167	N/A
Equity investments in Chinalco Mining Corporation International, publicly traded in Hong Kong (note a)	11,121	–	N/A
Other financial assets at FVTOCI			
Equity investments in Camrova Resources Inc., publicly traded in Canada (note b)	N/A	N/A	61
Other financial assets at amortised cost			
Deposits (maturity over 3 months) (note c)	2,300	–	–
	13,588	167	61

Notes:

(a) During the year ended 31 December 2016, IXM Group sold part of its investment in Chinalco Mining Corporation International of 16,878,000 shares, generating a gain of US$0.3 million. During the year ended 31 December 2017, IXM Group sold the remaining of its investment in Chinalco Mining Corporation International of 66,768,000 shares, generating a gain of US$5.2 million.

(b) It represents investment in ordinary shares of an entity listed in Canada. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of IXM B.V. have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with IXM Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

(c) The amount represents deposits pledged to a bank for a letter of indemnity.

24. CASH AND CASH EQUIVALENTS

At 31 December 2016, 31 December 2017 and 31 December 2018, there was no significant difference between the historical value of cash and cash equivalents and their fair value.

25. EQUITY

The stockholder's equity and non-controlling interests disclosed in the Historical Financial Information correspond to the equity used by the management when assessing performance.

No dividend was declared or paid by IXM Group in respect of the Relevant Periods.

25.1. Issued capital

When managing capital, objectives of IXM Group are to safeguard its ability to continue as a going concern so that it can provide returns to shareholders, bring benefits to its other partners and optimise the structure of the capital in order to reduce its cost.

At 1 January 2016, 31 December 2016, 2017 and 2018, the authorised, issued and fully paid capital of IXM B.V. was composed of 41,349 shares, with a 100 euros nominal value each (equivalent to US$121 at historical value), that were issued and fully paid.

25.2. Other reserves

Changes in other comprehensive income for the years ended 31 December 2016, 2017 and 2018 are as follows:

	Revaluation reserve	Hedging reserve	Actuarial reserve	Foreign currency translation adjustment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2016	–	(209)	155	(1,361)	(1,415)
Current year gains (losses)	4,667	(327)	118	(3,930)	528
Reclassification to profit or loss	(279)	209	–	–	(70)
Other comprehensive income for the year	4,388	(118)	118	(3,930)	458
Balance at 31 December 2016	4,388	(327)	273	(5,291)	(957)
Current year gains	817	(203)	–	4,629	5,243
Reclassification to profit or loss	(5,205)	327	–	–	(4,878)
Other comprehensive income for the year	(4,388)	124	–	4,629	365
Reclassification to profit or loss on loss of control of subsidiaries	–	–	–	125	125

	Revaluation reserve	Hedging reserve	Actuarial reserve	Foreign currency translation adjustment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 31 December 2017	–	(203)	273	(537)	(467)
Current year gains (losses)	–	–	(303)	(4,928)	(5,231)
Reclassification to profit or loss	–	203	–	–	203
Other comprehensive income for the year	–	203	(303)	(4,928)	(5,028)
Balance at 31 December 2018	–	–	(30)	(5,465)	(5,495)

25.3. Other comprehensive income (expense)

Income tax effect relating to other comprehensive income

	Year ended 31 December								
	2016			2017			2018		
	Before-tax amount	*Tax (expense) benefit*	*Net-of-income tax amount*	*Before-tax amount*	*Tax benefit*	*Net-of-income tax amount*	*Before-tax amount*	*Tax benefit (expense)*	*Net-of-income tax amount*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Items that will not be reclassified to profit or loss:									
Remeasurement of defined benefit obligations	134	(16)	118	–	–	–	(344)	41	(303)
	134	(16)	118	–	–	–	(344)	41	(303)
Items that may be reclassified subsequently to profit or loss:									
Fair value gain (loss) on :									
– Other financial assets	4,388	–	4,388	(4,388)	–	(4,388)	–	–	–
– Hedging instruments designated as cash flow hedges	(132)	14	(118)	139	(15)	124	227	(24)	203
Exchange differences arising on translation of foreign operations	(4,057)	–	(4,057)	4,792	–	4,792	(4,928)	–	(4,928)
	199	14	213	543	(15)	528	(4,701)	(24)	(4,725)
	333	(2)	331	543	(15)	528	(5,045)	17	(5,028)

26. LONG-TERM DEBT

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
	Balance	**Balance**	**Balance**
Secured	1,609	3,114	2,199
Unsecured	90,000	130,000	130,000
Total long-term debt	91,609	133,114	132,199

At 31 December 2016, IXM Group's long-term financing of US$91.6 million is made up of a US$90 million loan with a related party (fixed rate at 5.25% and maturity on 23 November 2020) and US$1.6 million with a bank (fixed rate at 4.66% and maturity of last payment is 29 November 2021)

At 31 December 2017, IXM Group's long-term financing of US$133.1 million is made up of a US$90 million loan with a related party (fixed rate at 5.25% and maturity on 23 November 2020), US$40 million with a related party (fixed rate at 6% and maturity on 29 April 2022), and US$3.1 million with a bank (fixed rate at 4.66% and maturity of last payment is 29 November 2021).

At 31 December 2018, IXM Group's long-term financing of US$132.2 million was made up of a US$90 million loan with a related party (fixed rate at 5.25% and maturity on 29 April 2022), US$40 million with a related party (fixed rate at 6% and maturity on 30 April 2022), and US$2.2 million with a bank (fixed rate at 4.66% and maturity of last payment is 29 November 2021).

No repayment on demand clause exists for the long-term borrowings.

27. SHORT-TERM LOANS

IXM Group finances most of its short-term requirements with loans. The underlying agreements require certain companies to maintain minimum levels of net worth and to meet various liquidity tests.

The amounts of authorised overdrafts are negotiated with the banks and bear variable interest rates and are allocated into a dedicated account. Thus, overdrafts are considered as short-term loans instead of cash and cash equivalents.

At 31 December 2016, 2017 and 2018, short-term loans consist of the following:

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Bank loans	1,472,440	1,991,832	1,534,663
Bank overdrafts	179,905	293,994	411,219
Current portion of long-term financing	481	1,713	1,308
Total short-term loans	1,652,826	2,287,539	1,947,190
Secured	1,545,708	2,113,855	1,780,703
Unsecured	107,118	173,684	166,487
Total short-term loans	1,652,826	2,287,539	1,947,190
Of which:			
Fixed rate	–	1,713	1,308
Floating rate	1,652,826	2,285,826	1,945,882

The ranges of effective interest rates on IXM Group's financial debts are as follows:

	As at 31 December		
	2016	**2017**	**2018**
Fixed rate borrowings	N / A	4.66%	4.66%
Floating rate borrowings	1.56% to 5.99%	2.16% to 6.30%	3.15% to 5.07%

At 31 December 2016, 2017 and 2018, there was no significant difference between the historical value of short-term loans and their fair value.

At 31 December 2016, 2017 and 2018, US$1,652.3 million, US$2,085.8 million and US$1,775.9 million of the short-term financing are repayable on demand.

The debt outstanding is comprised of short-term loans in the following currencies other than the functional currencies of the relevant group entities at 31 December 2016, 2017 and 2018:

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Chinese Yuan	133,030	157,936	130,552
Peruvian Nuevo Sol	27,087	22,695	14,754
Euro	118	558	5,268
	160,235	181,189	150,574

At 31 December 2016, 2017 and 2018, US$1,547.3 million, US$1,909.6 million and US$1,558.3 million, respectively, of trade receivables and inventories were pledged as collateral for short-term loans.

28. RETIREMENT BENEFITS PLANS

Defined contribution plans

The employees of IXM Group's PRC subsidiary are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of IXM Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The employees of IXM Group's Swiss subsidiary are members of a state-managed retirement benefit scheme operated by the Swiss pension fund. The subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. IXM Group bears the investment risk of ensuring the defined benefit amount is able to be paid to the retired employees as per pre-determined formula.

Defined benefit plan

At 31 December 2016, 2017 and 2018, retirement benefit obligations consist of the following:

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Long-term pension benefit	330	528	871
Retirement benefit obligations	330	528	871

The long-term pension scheme maintained and funded by IXM Group is in Switzerland and is classified as a defined benefit plan.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2018 by Swiss Life. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Actuarial assumptions	**2016**	**2017**	**2018**
Discount rate, end of period	0.70%	0.65%	0.85%
Interest rate on savings (mandatory part – Fiscal Year plus 1), end of period	0.70%	1.00%	0.85%
Interest rate on savings (mandatory part – for Fiscal Year plus 2 and after), end of period	0.70%	0.65%	0.85%
Interest rate on savings (exceeding part – for Fiscal Year plus 1), end of period	0.70%	0.25%	0.85%
Interest rate on savings (exceeding part – for Fiscal Year plus 2 and after), end of period	0.70%	0.65%	0.85%
Inflation, end of period	1.00%	1.00%	1%
Salary increase, end of period	0.50%	0.50%	2%
Increase in pension, end of period	0.00%	0.00%	0.00%
Retirement age	M65/W64	M65/W64	M65/W64
Demographic assumptions	BVG 2015 GT	BVG 2015 GT	BVG 2015 GT

Pension liability recognised in the consolidated statements of financial position was as follows at 31 December 2016, 2017 and 2018:

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Present value of obligations	10,210	11,840	12,263
Fair value of plan assets	(9,880)	(11,312)	(11,392)
	330	528	871

The changes in the pension liability are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Balance at 1 January	311	330	528
Net expense	161	209	–
Remeasurements	(134)	–	344
Foreign currency translation adjustment	(8)	(11)	(1)
Balance at 31 December	330	528	871

The changes in the present value of the obligation in respect of pension are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Balance at 1 January	9,499	10,210	11,840
Service cost	687	863	774
Interest cost	79	75	75
Remeasurements	(81)	28	380
Contributions	246	198	2,861
Plan settlement	–	–	(3,417)
Foreign currency translation adjustment	(220)	466	(250)
Balance at 31 December	10,210	11,840	12,263

29. OTHER NON-CURRENT LIABILITIES

	As at 31 December		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Other non-current liabilities	–	4,628	13,856
	–	4,628	13,856

As at 31 December 2018, other non-current liabilities are mainly made of deferred management bonus in relation to share-based payments disclosed in note 32. As at 31 December 2017, other non-current liabilities represented long-term payables arising from acquisition of intangible assets.

30. TRADE AND OTHER PAYABLES

	As at 31 December		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Trade payables	168,880	163,545	159,019
Accrued payables *(note)*	276,370	146,693	109,976
Staff and other tax payables	13,901	23,944	16,628
Prepayments and advances received	15,844	5,369	56,821
Other payables	57,995	49,887	26,191
	532,990	389,438	368,635

Note: Accrued payables represent trade payables containing pricing elements (i.e. the final selling price is subject to movements in market prices after the date of purchase) and measured at FVTPL.

The following is an aged analysis of trade payables and accrued payables presented based on the invoice dates.

	As at 31 December		
	2016	**2017**	**2018**
	US'000	*US'000*	*US'000*
0－60 days	445,250	310,238	268,995

All trade payables are within the credit period ranging from 0 to 60 days and thus not considered as overdue.

As at 31 December 2016, 2017 and 2018, contract liabilities amounting to US$15.8 million, US$5.4 million and US$56.8 million arising from sales of goods were included in prepayments and advances received.

The revenue recognised for the years ended 31 December 2016, 2017 and 2018 related to carried-forward contract liabilities were US$4.0 million, US$15.8 million and US$5.4 million, respectively. The significant decrease in contract liabilities in 2017 was mainly due to decrease in sales volume. The significant increase in contract liability in 2018 was mainly due to increase in sales volume..

31. COMMITMENTS AND CONTINGENCIES

(a) IXM Group is contingently liable on open letters of credit as follows:

	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Letters of credit:			
Commodity trading	54,263	24,191	13,627

(b) As at 31 December 2016, 2017 and 2018, IXM Group has provided certain guarantees to banks in respect of credit facilities granted to three suppliers in the PRC amounting to US$167.2 million, US$260.0 million and US$265.0 million, respectively. The guarantees provided by IXM Group were limited to 5%, 10% or 10.6% of the aggregate amount of principal and interest under the credit facilities with no obligations to the remaining part of principal and interest under these credit facilities. The contingent liabilities as at 31 December 2016, 2017 and 2018 for these guarantees are limited to amounts of US$17.0 million, US$16.6 million and US$18.3 million.

At 31 December 2016, 2017 and 2018, IXM Group had committed to future purchase of 2,822, 3,944 and 4,976 thousand tons of goods in the years ahead.

32. SHARE-BASED PAYMENTS

In December 2006, the terms of a stock-based compensation arrangement referred to as the Equity Participation Plan ("**EPP**"), which is sponsored by LDCH became operational and the arrangement was fully implemented in December 2007 with the issuance of the first shares relating to the awards. The EPP provides for the granting of securities and options to purchase securities in LDCH (collectively "**Awards**") to employees of IXM Group. EPP awards granted to employees of IXM Group generally vest on a graduated basis over a four- year period. Additional awards have been granted to employees during each first semester starting in 2008, with the corresponding securities and options to purchase securities to be issued during the second semester of the same calendar year.

IXM Group accounts for the EPP as an equity-settled plan: the fair value of the awards granted, determined at attribution date, is recorded in the income statement ratably over the vesting period of the awards. The value of the awards granted is not revalued in subsequent periods.

IXM Group and LDCH have entered into reimbursement agreements under which certain subsidiaries of IXM Group will reimburse LDCH for the awards attributed to their employees Depending on the reimbursement agreement, IXM Group is liable for vested awards at attribution or fair value. Amounts due under these reimbursement agreements are recorded by IXM Group as a deemed distribution of equity to LDCH. Accordingly, amounts payable under the reimbursement agreements give rise to a reclassification from equity to liabilities up to the amount of stock compensation already recorded. Any excess of the amounts due under the reimbursement agreements over the attribution value of the awards is recorded as an additional debit to retained earnings. Certain reimbursement agreements provide for a payment anticipating the accounting vesting schedule and give rise to a prepaid asset.

Until December 2017

IXM Group paid US$2.0 million in 2017 to LDCH relating to reimbursement agreements (US$1.9 million in 2016). Amount in relation to reimbursement agreements due to LDCH is a liability of US$2.8 million at 31 December 2017 (US$1 million at 31 December 2016).

Awards granted to employees during 2017 are of US$4.4 million while awards attributed to employees while employed by other subsidiaries of LDCH prior to their transfer to IXM Group during the year ended 31 December 2017 represent US$0.3 million and US$(0.7) million to awards of employees transferred out of IXM Group to another subsidiary of LDCH.

During the 2017 transfer window period, LDCH purchased shares from employees corresponding to US$3.0 million in attribution value bringing the attribution value of outstanding EPP awards granted to employees to US$12.7 million.

At 31 December 2016, the attribution value of outstanding EPP awards granted to employees was US$9.2 million, of which US$1.9 million corresponded to awards granted in 2016, US$0.2 million to awards attributed to employees, while employed by other subsidiaries of LDCH prior to their transfer to IXM Group during the year ended 31 December 2016, and US$(0.2) million to awards forfeited by employees.

During the 2016 transfer window period, LDCH purchased shares from employees corresponding to US$1.8 million in attribution value.

At 31 December 2017, EPP awards fully vested represent US$8.2 million and awards vesting ratably over periods ranging from 3 months to four years are of US$4.5 million. At 31 December 2016, they were respectively of US$6.7 million and US$2.6 million vesting ratably over periods ranging from 3 months to four years.

Compensation costs related to EPP recognized in commercial and administrative expenses are of US$3.3 million for the year ended 2017, and of US$2.7 million for year ended 2016.

From January 2018:

During 2018, following completion of the acquisition the old LDCH EPP plan was converted into a deferred cash bonus. A new cash-settled share-based payment called phantom equity retention plan ("**PERP**") was put in place.

Awards granted to employees during 2018 related to the PERP are of $32.6 million. At 31 December 2018, outstanding value of the PERP awards was US$37 million, of which US$4.4 million corresponded to capital gain.

At 31 December 2018, PERP awards fully vested is nil and awards vesting ratably over periods ranging from 17 months to 53 months are of US$32.6 million.

Compensation costs related to PERP recognized in commercial and administrative expenses are of US$7.9 million for the year ended 2018 of which US$0.9 million corresponded to capital gain.

33. RELATED PARTY DISCLOSURES

Under IAS 24, a related party transaction is a transaction between a reporting entity and a related party. A transaction with a party that is unrelated at the time of the transaction is not a related party transaction. As well, the comparative information discloses transactions with parties that were related when the transaction took place. Related parties of IXM Group before 11 May 2018 represent companies controlled by LDH while related parties of IXM Group after 11 May 2018 represent NCCL NRIF as holding company and the partners of the Fund, including a wholly-owned subsidiary of the Company, and subsidiaries of the partners of the Fund.

(a) Related party transactions

As a result, IXM Group's transactions with related parties, considering the change of ownership that took place on 11 May 2018, are reflected as follows:

	Year ended 31 December		Period	
	2016	2017	*from 1 January 2018 to 10 May 2018*	*from 11 May 2018 to 31 December 2018*
	US$'000	*US$'000*	*US$'000*	*US$'000*
Sales				
Holding company	3,633	6,013	1,263	–
Fellow subsidiaries	76,688	82,368	8	–
	80,321	88,381	1,271	–
Purchases				
Holding company	(2,067)	(957)	(119)	–
Fellow subsidiaries	(327,801)	(152,385)	(23,201)	–
A subsidiary of the Company	–	–	–	(108,266)
	(329,868)	(153,342)	(23,320)	(108,266)

	Year ended 31 December 2016	2017	Period from 1 January 2018 to 10 May 2018	from 11 May 2018 to 31 December 2018
	US$'000	*US$'000*	*US$'000*	*US$'000*
Commercial and administrative expenses				
Holding company	(1,820)	(1,756)	(1,616)	–
Fellow subsidiaries	(17,601)	(13,829)	(2,546)	–
	(19,421)	(15,585)	(4,162)	–
Finance costs				
Holding company	(4,831)	(6,392)	(2,421)	(4,772)
Fellow subsidiaries	(4,336)	(603)	(7)	–
	(9,167)	(6,995)	(2,428)	(4,772)

Details of share-based payments were disclosed in note 32.

(b) Related party balances

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Financial advances to related parties			
Holding company	103	120	–
Fellow subsidiaries	15,662	1,009	–
	15,765	1,129	–
Trade and other receivables			
Holding company	3,633	2,260	–
Fellow subsidiaries	7,459	16,682	–
	11,092	18,942	–
Derivatives assets			
Fellow subsidiaries	1,379	192	–
	1,379	192	–
Long-term debt			
Holding company	90,000	130,000	130,000
	90,000	130,000	130,000
Financial advances from related parties			
Fellow subsidiaries	81,417	4,750	–
	81,417	4,750	–
Trade and other payables			
Holding company	663	509	–
Fellow subsidiaries	35,618	5,876	–
	36,281	6,385	–
Derivatives liabilities			
Fellow subsidiaries	11,594	1,397	–
	11,594	1,397	–

(c) On January 4, 2016, IXM S.A. (formerly known as Louis Dreyfus Company Metals S.A.), a wholly-owned subsidiary of IXM B.V., entered into a 1-year, US$250 million committed revolving credit facility at market conditions with Louis Dreyfus Company Suisse S.A. as lender.

(d) Compensation of key management personnel

Details of key management personnel were disclosed in note 11.

34. CAPITAL RISK MANAGEMENT

IXM Group manages its capital to ensure that entities in IXM Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. IXM Group's overall strategy remains unchanged during the Relevant Periods.

IXM Group reviews the capital structure on a yearly basis. As part of this review, IXM Group targets a minimum Tangible Net Worth of US$250 million and a current ratio greater than 1.1.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in IXM Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in IXM Group's consolidated statements of cash flows as cash flows from financing activities.

	Long-term debt (note 26)	Short-term loans (note 27)	Financial advances from related parties (note 33)	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 1 January 2016	90,000	1,205,596	210,788	1,506,384
Financing cash flows	2,090	440,619	(129,371)	313,338
Non-cash changes:				
Accounting reclassification	(481)	15,271	–	14,790
Foreign exchange translation	–	(8,660)	–	(8,660)
At 31 December 2016	91,609	1,652,826	81,417	1,825,852
Financing cash flows	42,737	597,100	(39,106)	600,731
Non-cash changes:				
Accounting reclassification	(1,232)	27,445	(37,563)	(11,350)
Foreign exchange translation	–	10,168	2	10,170
At 31 December 2017	133,114	2,287,539	4,750	2,425,403
Financing cash flows	(1,320)	(330,366)	(2,560)	(334,246)
Non-cash changes:				
Accounting reclassification	405	(1,155)	(2,188)	(2,938)
Foreign exchange translation	–	(8,828)	(2)	(8,830)
At 31 December 2018	132,199	1,947,190	–	2,079,389

36. OPERATING LEASES

IXM Group as lessee

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Minimum lease payments paid under operating leases during the year	1,360	1,420	1,690

At the end of each reporting period, IXM Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Within one year	373	180	556
In the second to fifth years inclusive	627	67	696
Over five years	9	–	–
	1,009	247	1,252

Operating lease payments represent rentals payable by IXM Group for certain of its office properties and lands. Office leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years. Land rentals are agreed for an average of 20 years.

37. EVENT AFTER THE REPORTING PERIOD

Subsequent to the reporting period, on 17 April 2019, the Target Company entered into a contribution agreement with NSR, the immediate holding company of the Target Company and IXM B.V., pursuant to which NSR agreed to make a contribution of 100% equity interests of IXM B.V. to the Target Company. The transaction was completed on 18 April 2019. The transaction would be accounted for using the principles of merger accounting as the Target Company and IXM B.V. have been under common control since incorporation of the Target Company.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of IXM Group, IXM B.V. or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2018.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Molybdenum Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Molybdenum Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2018, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018 and related notes as set out on pages VIII-5 to VIII-18 of the circular issued by the Company dated 27 April 2019 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page VIII-4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of New Silk Road Commodities SA (the "**Target Company**"), which holds 100% equity interests of IXM B.V. and its subsidiaries ("**IXM Group**", together with the Target Company are collectively referred to as the "**Target Group**") (the "**Proposed Acquisition**") on the Group's financial position as at 31 December 2018 and the Group's financial performance and cash flows for the year ended 31 December 2018 as if the transaction had taken place at 31 December 2018 and 1 January 2018 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2018, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2018 or 1 January 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 27 April 2019

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information presented below is prepared to illustrate (a) the financial position of the Enlarged Group as if the Proposed Acquisition had been completed on 31 December 2018; and (b) the financial performance and cash flows of the Enlarged Group as if the Proposed Acquisition had been completed on 1 January 2018.

This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 31 December 2018 or at any future date had the Proposed Acquisition been completed on 31 December 2018, or the financial performance and cash flows of the Enlarged Group for the year ended 31 December 2018 or for any future period had the Proposed Acquisition been completed on 1 January 2018.

The unaudited pro forma financial information is prepared based on the consolidated statement of financial position of the Group as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2018, which were extracted from the published annual report on the audited consolidated financial statements of the Company for the year ended 31 December 2018, prepared under the Accounting Standards for Business Enterprises ("**ASBE**"), after giving effect to the pro forma adjustments described in the accompanying notes which are directly attributable to the Proposed Acquisition and factually supportable and is prepared in accordance with Rules 4.29 and 14.69(4)(a)(ii) of the Listing Rules.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 31 December 2018

	Audited consolidated statement of financial position of the Group as at 31 December 2018	Audited statement of financial position of the Target Company as at 31 December 2018		Audited consolidated statement of financial position of IXM Group as at 31 December 2018		Unaudited Pro Forma Adjustments: Consideration for purchase of the Target Company and IXM Group as of 31 December 2018	Unaudited Pro Forma Adjustments: Recognition of the Group's share of gain on disposal of the Target Company and IXM Group	Unaudited Pro Forma Adjustments: Elimination of balances between the Group and IXM Group	Unaudited Pro Forma Adjustments: Recognition of transaction costs	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2018
	RMB'000	*USD'000*	*RMB'000* equivalent	*USD'000*	*RMB'000* equivalent	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current assets:										
Bank and cash balances	26,647,644	101	693	21,006	144,168	(3,421,580)				23,370,925
Notes receivable and Accounts receivable	3,259,167	–	–	823,972	5,655,085					8,914,252
Prepayments	151,004	–	–	122,240	838,958			(5,778)		984,184
Other receivables	1,040,049	–	–	167,849	1,151,982					2,192,031
Inventories (Note 9)	6,615,915	–	–	1,579,890	10,843,101					17,459,016
Financial assets measured at fair value through profit and loss	–	–	–	249,649	1,713,391					1,713,391
Other current assets	1,450,605	–	–	87,205	598,505					2,049,110
Total current assets	39,164,384	101	693	3,051,811	20,945,190					56,682,909

	Audited consolidated statement of financial position of the Group as at 31 December 2018	Audited statement of financial position of the Target Company as at 31 December 2018		Audited consolidated statement of financial position of IXM Group as at 31 December 2018		Unaudited Pro Forma Adjustments: Consideration for purchase of the Target Company and IXM Group as of 31 December 2018	Unaudited Pro Forma Adjustments: Recognition of the Group's share of gain on disposal of the Target Company and IXM Group	Unaudited Pro Forma Adjustments: Elimination of balances between the Group and IXM Group	Unaudited Pro Forma Adjustments: Recognition of transaction costs	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2018
	RMB'000	*USD'000*	*RMB'000* equivalent	*USD'000*	*RMB'000* equivalent	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets:										
Long-term equity investment	2,522,865	–	–	572	3,926		76,882			2,603,673
Other investments in equity instruments	448,174	–	–	–	–					448,174
Other non-current financial assets	3,906,622	–	–	–	–					3,906,622
Non-current derivative financial assets	3,179	–	–	–	–					3,179
Fixed assets	23,620,518	–	–	10,920	74,946					23,695,464
Construction in progress	1,893,822	–	–	–	–					1,893,822
Long-term inventory	5,122,434	–	–	–	–					5,122,434
Intangible assets	20,931,052	–	–	26,535	182,115	356,949				21,470,116
Goodwill	674,887	–	–	–	–					674,887
Long-term prepaid expenses	129,023	–	–	13,824	94,877					223,900
Deferred tax assets	525,598	–	–	1,878	12,889					538,487
Other non-current assets	2,273,559	–	–	–	–					2,273,559
Total non-current assets	62,051,733	–	–	53,729	368,753					62,854,317
Total assets	101,216,117	101	693	3,105,540	21,313,943					119,537,226

						Unaudited Pro Forma Adjustments				
	Audited consolidated statement of financial position of the Group as at 31 December 2018	Audited statement of financial position of the Target Company as at 31 December 2018		Audited consolidated statement of financial position of IXM Group as at 31 December 2018		Consideration for purchase of the Target Company and IXM Group as of 31 December 2018	Recognition of the Group's share of gain on disposal of the Target Company and IXM Group	Elimination of balances between the Group and IXM Group	Recognition of transaction costs	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2018
	RMB'000	*USD'000*	*RMB'000 equivalent*	*USD'000*	*RMB'000 equivalent*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities:										
Short-term borrowings	4,588,153	–	–	1,947,190	13,363,954					17,952,107
Held for trading financing liabilities	4,250,711	–	–	–	–					4,250,711
Derivative financial liabilities	75,423	–	–	156,548	1,074,420					1,149,843
Notes payable and accounts payable	1,148,073	–	–	268,995	1,846,166					2,994,239
Contract liabilities	200,667	–	–	37,190	255,242			(5,778)		450,131
Employee remuneration payable	517,344	–	–	16,628	114,121					631,465
Tax payable	1,110,201	–	–	3,411	23,410				(5,140)	1,128,471
Other payable	1,027,782	23	158	26,191	179,754				34,265	1,241,959
Non-current liabilities due within one year	2,929,839	–	–	–	–					2,929,839
Other current liabilities	130,542	–	–	19,631	134,731					265,273
Total current liabilities	15,978,735	23	158	2,475,784	16,991,798					32,994,038

	Audited consolidated statement of financial position of the Group as at 31 December 2018	Unaudited Pro Forma Adjustments								Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2018
		Audited statement of financial position of the Target Company as at 31 December 2018		Audited consolidated statement of financial position of IXM Group as at 31 December 2018		Consideration for purchase of the Target Company and IXM Group as of 31 December 2018	Recognition of the Group's share of gain on disposal of the Target Company and IXM Group	Elimination of balances between the Group and IXM Group	Recognition of transaction costs	
	RMB'000	*USD'000*	*RMB'000 equivalent*	*USD'000*	*RMB'000 equivalent*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current liabilities:										
Non-current derivative financial liabilities	23,312	–	–	–	–					23,312
Long-term borrowing	20,196,855	–	–	132,199	907,309					21,104,164
Bonds payable	2,000,000	–	–	–	–					2,000,000
Long term employee remuneration payable	129,065	–	–	871	5,979					135,044
Provision	1,908,084	–	–	–	–					1,908,084
Defer income	66,675	–	–	–	–					66,675
Deferred income tax liabilities	8,021,118	–	–	29,105	199,753	49,937				8,270,808
Other non-current liabilities	3,294,336	–	–	13,856	95,098					3,389,434
Total non – current liabilities	35,639,445	–	–	176,031	1,208,139					36,897,521
Total liabilities	51,618,180	23	158	2,651,815	18,199,937					69,891,559
Net assets	49,597,937	78	535	453,725	3,114,006					49,645,667

	Audited consolidated statement of financial position of the Group as at 31 December 2018	Unaudited Pro Forma Adjustments: Audited statement of financial position of the Target Company as at 31 December 2018		Audited consolidated statement of financial position of IXM Group as at 31 December 2018		Consideration for purchase of the Target Company and IXM Group as of 31 December 2018	Recognition of the Group's share of gain on disposal of the Target Company and IXM Group	Elimination of balances between the Group and IXM Group	Recognition of transaction costs	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2018
	RMB'000	*USD'000*	*RMB'000 equivalent*	*USD'000*	*RMB'000 equivalent*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Shareholders' equity:										
Paid-in capital (Share capital)	4,319,848	102	700	5,021	34,460	(35,160)				4,319,848
Capital reserve	27,582,795	–	–	27,268	187,146	(187,146)				27,582,795
Other comprehensive income	(799,326)	–	–	(5,495)	(37,713)	37,713				(799,326)
Special reserve	3,038	–	–	–	–					3,038
Surplus reserves	1,160,396	–	–	–	–					1,160,396
Retained earnings (losses)	8,682,124	(24)	(165)	426,935	2,930,140	(2,929,975)	76,882		(29,125)	8,729,881
Total equity attributable to shareholders of the parent company	40,948,875	78	535	453,729	3,114,033					40,996,632
Non-controlling interests	8,649,062	–	–	(4)	(27)					8,649,035
Total shareholders' equity	49,597,937	78	535	453,725	3,114,006					49,645,667
Total liabilities and shareholders' equity	101,216,117	101	693	3,105,540	21,313,943					119,537,226

(ii) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group for the Year Ended 31 December 2018

						Unaudited Pro Forma Adjustments				
	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2018	Audited statement of profit or loss and other comprehensive income of the Target Company for the year ended 31 December 2018		Audited consolidated statement of profit or loss and other comprehensive income of IXM Group for the year ended 31 December 2018		Elimination of transactions between the Group and IXM Group	Recognition of transaction costs	Amortisation of intangible assets	Reversal of share of results of IXM Group	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the Enlarged Group for the year ended 31 December 2018
	RMB'000	*USD'000*	*RMB'000 equivalent*	*USD'000*	*RMB'000 equivalent*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Total operating income	25,962,863	–	–	13,004,441	87,112,849					111,968,904
Including: Operating income	25,962,863	–	–	13,004,441	87,112,849	(1,285,819)			179,011	111,968,904
Less: Operating costs	16,180,247	–	–	12,822,578	85,894,603	(1,285,819)		20,863	118,561	100,928,455
Business tax and surcharges	1,018,793	–	–	–	–					1,018,793
Selling expenses	96,822	–	–	–	–					96,822
Administration expenses	933,346	23	154	74,561	499,462		34,265			1,467,227
Research and development expenses	254,356	–	–	–	–					254,356
Financial expenses	643,046	1	7	59,232	396,777					1,039,830
Asset impairment losses	66,583	–	–	–	–					66,583
Credit impairment losses	17,793	–	–	2,369	15,869					33,662
Add: Gains (losses) from changes in fair value (loss is expressed with "-")	122,408	–	–	–	–					122,408
Income from investment (loss is expressed with "-")	202,270	–	–	434	2,907				(42,310)	162,867
Income (loss) from disposal of assets	(31,122)	–	–	(553)	(3,704)					(34,826)
Other income	12,550	–	–	–	–					12,550
Operating profit (loss expressed with "-")	7,057,983	(24)	(161)	45,582	305,341					7,326,175
Add: Non-operating income	2,578	–	–	–	–					2,578
Less: Non-operating expenses	70,705	–	–	–	–					70,705
Total profit (total loss expressed with "-")	6,989,856	(24)	(161)	45,582	305,341					7,258,048
Less: Income tax expenses	1,839,816	–	–	11,092	74,302		(5,140)	(2,919)	(35,568)	1,870,491
Net profit (net loss expressed with "-")	5,150,040	(24)	(161)	34,490	231,039					5,387,557
(1) Classified by business continuity:										
1. Net profit from continuing operations (loss is expressed with "-")	5,150,040	(24)	(161)	34,490	231,039					5,387,557
(2) Classified by ownership:										
1. Profit or loss attributable to non-controlling shareholders	514,458	–	–	–	–					514,458
2. Net profit attributable to owners of the parent company	4,635,582	(24)	(161)	34,490	231,039					4,873,099

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2018	Audited statement of profit or loss and other comprehensive income of the Target Company for the year ended 31 December 2018		Audited consolidated statement of profit or loss and other comprehensive income of IXM Group for the year ended 31 December 2018		Unaudited Pro Forma Adjustments: Elimination of transactions between the Group and IXM Group	Unaudited Pro Forma Adjustments: Recognition of transaction costs	Unaudited Pro Forma Adjustments: Amortisation of intangible assets	Unaudited Pro Forma Adjustments: Reversal of share of results of IXM Group	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the Enlarged Group for the year ended 31 December 2018
	RMB'000	*USD'000*	*RMB'000* equivalent	*USD'000*	*RMB'000* equivalent	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
Other comprehensive income, net of tax	209,754	–	–	(5,028)	(33,681)					191,229
Other comprehensive income attributable to owners of the parent company, net of tax	(173,162)	–	–	(5,028)	(33,681)				15,156	(191,687)
(1) Other comprehensive income that cannot be reclassified into profit or loss in subsequent periods	(26,301)	–	–	(303)	(2,030)					(28,331)
1. Changes in fair value of other equity instruments investment	(26,301)	–	–	–	–					(26,301)
2. Remeasurement of defined benefit pension plans	–	–	–	(303)	(2,030)					(2,030)
(2) Other comprehensive income that can be reclassified into profit or loss in subsequent periods	(146,861)	–	–	(4,725)	(31,651)					(163,356)
1. Fair value change on gains or losses from available-for-sale financial assets	–	–	–	–	–					–
2. Share of other comprehensive income under equity-method	(20,822)	–	–	–	–				15,156	(5,666)
3. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedge)	(17,113)	–	–	203	1,360					(15,753)
4. Foreign exchange differences from translation of statements	(108,926)	–	–	(4,928)	(33,011)					(141,937)
Other comprehensive income, net of tax attributable to minority shareholders	382,916	–	–	–	–					382,916
Total comprehensive income	5,359,794	(24)	(161)	29,462	197,358					5,578,787
Total comprehensive income attributable to owners of the parent company	4,462,420	(24)	(161)	29,462	197,358					4,681,413
Total comprehensive income attributable to minority shareholders	897,374	–	–	–	–					897,374

(iii) Unaudited Pro Forma Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2018	Unaudited Pro Forma Adjustments: Audited statement of cash flows of the Target Company for the year ended 31 December 2018		Audited consolidated statement of cash flows of IXM Group for the year ended 31 December 2018		Payment for purchase consideration	Payment for transaction costs	Adjustment of funds from former owners of the Target Company and IXM Group	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2018
	RMB'000	*USD'000*	*RMB'000* equivalent	*USD'000*	*RMB'000* equivalent	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 2)*	*(Note 5)*	*(Note 8)*	
I. Net cash flow of the operating activities	9,434,533	–	–	322,938	2,163,265		(34,265)		11,563,533
II. Cash flows from investing activities:									
Cash received from recovery of investment	6,076,816	–	–	–	–				6,076,816
Cash received from investment income	207,157	–	–	–	–				207,157
Net cash received from disposals of fixed assets, intangible assets, and other long-term assets	43,630	–	–	18	121				43,751
Sub-total of cash inflows of investing activities	6,327,603	–	–	18	121				6,327,724
Cash payments for acquisitions or disposals of subsidiaries and other business units	–	–	–	–	–	3,234,429			3,234,429
Cash paid for acquiring or construction of fixed assets,intangible assets and other long-term assets	2,807,367	–	–	2,033	13,618				2,820,985
Cash paid for investment	4,852,213	–	–	–	–				4,852,213
Cash paid for other investment activities	1,065,210	–	–	15,044	100,775				1,165,985
Sub-total of cash outflows of investing activities	8,724,790	–	–	17,077	114,393				12,073,612
Net cash flow used in investing activities	(2,397,187)	–	–	(17,059)	(114,272)				(5,745,888)

		Unaudited Pro Forma Adjustments							
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2018	**Audited statement of cash flows of the Target Company for the year ended 31 December 2018**		**Audited consolidated statement of cash flows of IXM Group for the year ended 31 December 2018**		**Payment for purchase consideration**	**Payment for transaction costs**	**Adjustment of funds from former owners of the Target Company and IXM Group**	**Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2018**
	RMB'000	*USD'000*	*RMB'000* equivalent	*USD'000*	*RMB'000* equivalent	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)		*(Note 1)*		*(Note 1)*	*(Note 2)*	*(Note 5)*	*(Note 8)*	
III. Cash flows from financing activities:									
Cash received from borrowings	8,571,932	–	–	–	–				8,571,932
Cash received from other financing activities	3,013,969	102	683	17,269	115,680			(116,363)	3,013,969
Sub-total of cash inflows of financing activities	11,585,901	102	683	17,269	115,680				11,585,901
Cash paid for debt repayment	9,999,664	–	–	334,246	2,239,013				12,238,677
Cash paid for distribution of dividends, profits and interest payment	2,646,126	–	–	–	–				2,646,126
Cash paid for other related to financing activities	2,786,560	–	–	–	–				2,786,560
Sub-total of cash outflow from financing activities	15,432,350	–	–	334,246	2,239,013				17,671,363
Net cash flow from financing activities	(3,846,449)	102	683	(316,977)	(2,123,333)				(6,085,462)
Effect of exchange rate changes on cash and cash equivalents	268,389	(1)	(7)	(481)	(3,222)				265,160
Net increase (decrease) in cash and cash equivalents	3,459,286	101	676	(11,579)	(77,562)				(2,657)
Add: Balance of cash and cash equivalents at the beginning of year	19,781,419	–	–	32,585	218,277			116,363	20,116,059
Balance of cash and cash equivalents at the end of year	23,240,705	101	676	21,006	140,715				20,113,402

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The audited consolidated statement of financial position, the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of cash flows of the Group, are extracted from the published annual report of the Company for the year ended 31 December 2018. The financial information of Target Company and the financial information of IXM Group is extracted from the accountants' report which has been prepared under International Financial Reporting Standards (the "**IFRSs**") and using accounting policies materially consistent with those of the Company as set out in Appendix VII to this Circular, with certain reclassifications being made to be in line with presentation of the financial statements of the Company where appropriate, and translated to Renminbi ("**RMB**") at relevant rates as explained below.

   The financial information of the Target Company and IXM Group in Appendix II is presented in United States dollars ("**US$**"), being the functional currency of the Target Company and IXM B.V., which is different from the presentation currency of the Group, i.e. RMB. The assets and liabilities of the Target Company and IXM Group are translated into RMB at the exchange rate of US$1 to RMB6.8632 using the closing rate published by the People's Bank of China (the "**PBoC**") at 31 December 2018. The statement / consolidated statement of profit or loss and other comprehensive income and statement / consolidated statement of cash flows are translated into RMB at US$1 to RMB6.6987, being the average exchange rate for the year ended 31 December 2018 by reference to the exchange rates published by the PBoC. No representation is made that any amount in US$ could be or could have been converted to RMB at the relevant date or for the relevant period at that rate or at all.

2. Pursuant to the Share Purchase Agreement (the "**Agreement**"), the Company would acquire the entire equity interest of the Target Company which will hold 100% of the equity interests of IXM Group upon completion of the Pre-Closing Reorganisation (as defined in the Circular) for an aggregate consideration of US$495 million (the "**Cash Consideration**") (equivalent to approximately RMB3,397 million for the purpose of the unaudited pro forma consolidated statement of financial position; for the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows, the Cash Consideration would be RMB3,234 million, which was translated based on the exchange rate of US$1 to RMB6.5342 as of 1 January 2018 published by the PBOC) plus the Final Net Profits, representing the consolidated net income of the Target Group for the period commencing on 1 October 2018 and ending on the close of business on the Closing Date (as defined in the Circular).

The Final Net Profits is subject to change upon the completion of the Proposed Acquisition.

For the purpose of unaudited pro forma consolidated statement of financial position, the Final Net Profits estimated by the directors of the Company was US$4 million (equivalent to RMB24 million) as at 31 December 2018. The adjusted purchase consideration is therefore US$499 million (equivalent to RMB3,422 million) ("**Purchase Consideration**").

For the purpose of the pro forma consolidated statement of profit or loss and other comprehensive income and pro forma consolidated statement of cash flows, the Final Net Profits is not applicable as at 1 January 2018. The adjusted purchase consideration is therefore remained as, US$495 million (equivalent to RMB3,234 million).

Pursuant to ASBE No. 20 – "Business Combination", the Proposed Acquisition is expected to be accounted for as a business acquisition using the acquisition method of accounting and the purchase price allocation is to be conducted as at the date when the Group obtains control over the Target Company. As at 31 December 2018 and as at the date of this report, the purchase price allocation pursuant to ASBE No. 20 has been performed by the directors of the Company for the purpose of this unaudited pro forma financial information. The carrying amounts of the assets and liabilities of the Target Group as at 31 December 2018 acquired / assumed are assumed to approximate to their fair values and there are no other identifiable assets and liabilities (including contingent liabilities) other than intangible assets which mainly comprise supplier relationship controlled by IXM Group. The intangible assets are calculated as the excess of the Purchase Consideration over the fair value of the identifiable assets acquired and liabilities assumed as at 31 December 2018. In the opinion of the Directors, the fair values of the Target Group's assets and liabilities being acquired/assumed are subject to changes upon completion of the Proposed Acquisition because the fair values of the assets acquired and liabilities assumed shall be assessed on the actual completion date. Therefore, it is impracticable to reliably estimate any actual or estimated fair values of the assets and liabilities of the Target Group being acquired/assumed in the unaudited pro forma financial information.

The adjustment in this note represents the recognition of intangible assets (which mainly comprise supplier relationship controlled by IXM Group), and its corresponding deferred tax impact as at 31 December 2018.

Deferred tax liabilities are calculated on the temporary differences arising from the recognition of intangible assets (which mainly comprise supplier relationship) as at 31 December 2018. The deferred tax liabilities are calculated using the corporate income tax rate in the Switzerland of 13.99%.

The calculation of the identifiable net assets of the Target Group to be acquired and the intangible assets arising from the Proposed Acquisition are as follows:

	Target Company	**IXM Group**	**Total**	
	US$'000	*US$'000*	*US$'000*	*RMB'000 equivalent*
Fair value of identifiable net assets to be acquired, representing the carrying amount of net assets of the Target Company and net assets attributable to shareholders of the parent company of IXM Group as at 31 December 2018	78	453,729	453,807	3,114,568
Intangible assets identified through purchase price allocation	–	52,009	52,009	356,949
Deferred tax liabilities on fair value of the intangible assets	–	(7,276)	(7,276)	(49,937)
Fair value of identifiable net assets	78	498,462	498,540	3,421,580

	RMB'000
Purchase consideration	3,421,580
Less: fair value of identifiable net assets	3,421,580
Goodwill	–

3. This represents: (i) the Group's share of gain on disposal of the Target Company and IXM Group of US$2,394,000 (equivalent to RMB16,432,000) through interest in associate following disposal of the Target Company and IXM Group by the associate of the Group; and (ii) release of realised profit of US$8,808,000 (equivalent to RMB60,450,000) as a result of downstream transactions between the Group and IXM Group upon disposal of the Target Company and IXM Group.

	Target Company	IXM Group	Total	
	US$'000	*US$'000*	*US$'000*	*RMB'000 equivalent*
Consideration			498,540	3,421,580
Less: The carrying amount of net assets of the Target Company and net assets attributable to shareholders of the parent company of IXM Group as at 31 December 2018	78	453,729	453,807	3,114,568
Intangible assets identified through purchase price allocation when IXM Group was acquired by its existing shareholder, net of deferred tax liabilities on fair value of the intangible assets			39,412	270,496
Gain on disposal of the Target Company and IXM Group to be recognised in the books of an associate			5,321	36,516
The Group's relevant interest in the associate			45%	45%
The Group's share of gain on disposal of the Target Company and IXM Group			2,394	16,432

4. This represents elimination of balances and transactions between the Group and IXM Group as of 31 December 2018 and with IXM Group for the year then ended, respectively.

5. This represents the transaction costs incurred in connection of the Proposed Acquisition, net of the tax effect of 15% for those expenses incurred within the People's Republic of China. This amount is subject to change upon the actual completion of the Proposed Acquisition.

6. For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, the intangible assets are recognised as if the Proposed Acquisition had been completed on 1 January 2018.

The amount represents the additional amortisation of RMB20,863,000 in respect of the fair value adjustment recognised on the date of completion of the Proposed Acquisition on the intangible assets held by IXM Group and the corresponding reversal of deferred tax liabilities for the period from 1 January 2018 to 31 December 2018.

The additional amortisation of the intangible assets is calculated on a straight-line basis.

7. This represents reversal of share of results of and unrealised profit of downstream transactions with IXM Group for the year ended 31 December 2018 as the Group held 45% equity interests indirectly since 11 May 2018 and IXM Group was accounted for as associates of the Group under equity method for the year ended 31 December 2018.

8. This represents adjustment of capital injections received from former owners of the Target Company and IXM Group presented under cash flow from financial activities during the year ended 31 December 2018 to opening balance of cash and cash equivalents as if the capital injections had taken place prior to the Proposed Acquisition.

9. Trading inventories of IXM Group are measured at fair value less costs to sell under exemption in accordance with IAS 2 Inventories while no such exemption exists under ASBE.

Except for the unaudited pro forma adjustment in note 3 relating to the additional amortisation of the intangible assets and unaudited pro forma adjustment in note 5 relating to the adjustment on elimination of the balances and transactions between the Group and IXM Group, which are expected to have a continuing impact on the financial performance of the Group, other pro forma adjustments to consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows are not expected to have a continuing impact to the Group.

A. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company's operations for the period from 18 May 2018 to 31 December 2018.

I. REVIEW OF HISTORICAL OPERATING RESULTS

1. Income Statement of the Target Group

The following table sets out the income statements for the periods indicated of the Target Company:

	Period from 18 May 2018 (date of incorporation) to 31 December 2018 *US$'000*
Revenue	–
Foreign exchange loss	1
Administrative expenses	23
Loss and total comprehensive expense for the period	24

2. Period from 18 May 2018 (Date of Incorporation) to 31 December 2018

The principal activities of the Target Company are investments in metal and mining industry and international metal trading.

The Target Company was incorporated on 18 May 2018. For the period from 18 May 2018 to 31 December 2018, the Target Company has no substantial operation and generated no revenue. It recorded a foreign exchange loss of US$1,000 and an administrative expenses of US$23,000. Due to the above reasons, the Target Company recorded net loss of US$24,000 for the period from 18 May 2018 to 31 December 2018.

II. FINANCIAL CONDITIONS

1. Liquidity and Financial Sources

The following table sets out cash flow statements for the periods indicated of the Target Company:

	Period from 18 May 2018 (date of incorporation) to 31 December 2018
	US$'000
OPERATING ACTIVITIES	
Loss before tax	(24)
Adjustment for:	
Foreign exchange loss	1
Operating cash flows before movements in working capital	(23)
Increase in other payable	15
Increase in amount due to a related party	8
Cash from operations	–
NET CASH FROM OPERATING ACTIVITIES	–
Financing Activities	
Shares issued	102
Net Cash from Financing Activities	102
Net Increase in Cash and Cash Equivalents	102
Cash and Cash Equivalents at 18 May 2018	–
Effect of foreign exchange rate changes	(1)
Cash and Cash Equivalents at 31 December 2018, represented by bank balance	101

Net Cash Generated from (Used in) Operating Activities

For the period from 18 May 2018 to 31 December 2018, the Target Company has no substantial operation and has no net cash inflow/outflow from operating activities.

Net Cash Generated from (Used in) Investing Activities

For the period from 18 May 2018 to 31 December 2018, the Target Company has no net cash inflow/outflow from investing activities.

Net Cash Generated from (Used In) Financing Activities

Cash from financing activities of the Target Company consisted of issue of share capital.

For the period from 18 May 2018 to 31 December 2018, the Target Company has no net cash outflow from financing activities.

For the period from 18 May 2018 to 31 December 2018, the Target Company's net cash inflow from financing activities was US$102,000. Cash from financing activities in this period was attributable to issue of 100,000 shares by the Target Company.

2. Assets and Liabilities

The following table sets out statements of financial position for the periods indicated of the Target Group:

	As of 31 December 2018 *US$'000*
Current Asset	
Bank balance	101
	101
Current Liabilities	
Other payable	15
Amount due to a related party	8
	23

	As of 31 December 2018
	US$'000
Net Current Asset	78
Total Asset less Current Liabilities	78
Capital and Reserves	
Share capital	102
Accumulated losses	(24)
Total Equity	78

Bank balance

As at 31 December 2018, the bank balance of the Target Company amounted US$101,000. Bank balance of the Target Company carries interest at the prevailing market rate.

Other Payables

As at 31 December 2018, other payables of the Target Company was US$15,000, which principally attributes to service fees payable to third parties.

As at 31 December 2018, the Target Company has amount due to a related party of US$8,000, which principally attributes to payments made by IXM to third parties on behalf of the Target Company.

3. Gearing Ratio

As at 31 December 2018, gearing ratio of the Target Company was 82%.

4. Capital Risk Management

The Target Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Target Company consists of net debt, which includes other payable and amount due to a related party, net of cash and cash equivalents and equity attributable to owners of the Target Company, comprising issued share capital and accumulated losses.

The directors of the Target Company review the capital structure on an on-going basis. As a part of the review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Target Company will balance its overall capital structure through the payment of dividends, issue of capital as well as the issue of new debt or the settlement of existing debt.

III. CHARGE ON ASSETS

As at 31 December 2018, the Target Company had no charge on it assets.

IV. MATERIAL ACQUISITION AND DISPOSAL

For the period from 18 May 2018 to 31 December 2018, the Target Company had no material acquisition or disposal.

V. EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2018, the Target Group had no employee.

Remuneration of the Target Company's employees will include basic salaries and other allowances, such as mobility allowances.

The Target Company has no substantial operating and thus arranged no training for its internal employees.

VI. PROSPECTS

Upon completion of the Pre-Closing Reorganization, IXM will be a wholly-owned subsidiary of the Target Company and its principal asset. For the discussion and analysis of prospects of IXM Group, please see the section headed "– I. OPERATING REVIEW AND PROSPECTS" in this appendix.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF IXM GROUP

Set out below is the management discussion and analysis of IXM Group's operations for the three years ended 31 December 2018.

I. OPERATING REVIEW AND PROSPECTS

IXM Group sources, blends, exports, transports and merchandizes copper, zinc, lead concentrates, copper blister and refined base metals and the majority of its sales are to Asia and Europe.

For the year ended 31 December 2018, IXM Group recorded net sales of US$13,004.4 million, representing an increase of 6% as compared with 2017; profit before tax was US$45.6 million; net income amounted to US$34.5 million.

Going forward, IXM Group will continue to develop its market participation for all product lines globally, including copper concentrates, zinc and lead concentrates and refined.

There are specific expansion opportunities in Australia for zinc and lead concentrates with projects coming into production, in Latin America and the Africa Copper belt for copper concentrates related to offtake financing opportunities with developing mines. The refined product line will also pursue the growth of its aluminum activity in the US and in Europe. In China, the Target Group will continue to focus on developing its domestic activity for all product lines, including the strengthening of existing strategic relationships with major smelters.

II. SEGMENT INFORMATION

Geographical information

(a) Revenue from external customers from foreign countries

Net sales by geographical destination, based on the country of incorporation of the counterparty, consist of the following for the year ended 31 December 2016, 31 December 2017 and 31 December 2018:

	2016	2017	**2018**
	US$'000	*US$'000*	***US$'000***
Asia	6,817,852	8,605,302	**8,286,992**
Europe & Black Sea	1,817,067	2,802,770	**3,301,352**
Middle East & Africa	171,265	245,880	**132,938**
North America	288,633	456,500	**1,063,182**
South Latin America & North Latin America	149,767	167,901	**219,977**
	9,244,584	12,278,353	**13,004,441**

The significant increase of sales in Europe & Black Sea and North America was mainly due to Aluminum growth. Revenue from other regions usually followed the upward trend observed on volume that arose from the business expansion. The contribution of the different regions on the gross margin remained stable over the relevant periods, with Asia being the main contributor.

(b) Fixed assets

IXM Group's fixed assets (intangible assets, property plant and equipment) are located in the following geographical areas as at 31 December 2016, 2017 and 2018:

	2016	2017	**2018**
	US$'000	*US$'000*	***US$'000***
Asia	5,699	487	**765**
Europe & Black Sea	6,202	28,240	**27,052**
South Latin America	10,485	10,116	**10,210**
	22,386	38,843	**38,027**

Information on major customers

IXM Group didn't have any customers contributing over 10% of the consolidated revenues during the three years ended 31 December 2016, 2017 and 2018.

III. PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

IXM Group's revenue mainly arises from sale of goods and services rendered. For the years ended 31 December 2016, 2017 and 2018, IXM Group's revenue was US$9,244.6 million, US$12,278.4 million and US$13,004.4 million, respectively. The increase in revenue over the three years was primarily due to a global volume increase combined with an increase on the average price of main traded metals.

Cost of sales

IXM Group's cost of sales consists principally of the costs of inventory, secondary costs (freight, inspection, storage costs, etc.) and fair value adjustments on open commodity contracts.

For the years ended 31 December 2016, 2017 and 2018, IXM Group's cost of sales were US$9,109.2 million, US$12,097.1 million and US$12,822.6 million, respectively. The increase in cost of sales in 2017 was primarily due to higher volumes and the rise observed on metal prices.

Gross margin

For the years ended 31 December 2016, 2017 and 2018, IXM Group's gross margin was US$135.4 million, US$181.2 million and US$181.9 million, respectively. The gross margin ratio moved from 1.4% to 1.5% over the three years, remaining consistent over these periods.

Commercial and administrative expenses

For the years ended 31 December 2016, 2017 and 2018, IXM Group's commercial and administrative expenses were US$51.2 million, US$62.2 million and US$74.6 million, respectively. The increase in commercial and administrative expenses was primarily due to the increase of trading volumes, the ring-fencing of IXM Group and internalization of some functions in order to restructure IXM Group before the transaction.

Finance costs

IXM Group's finance costs consist principally of interest expenses and interest income that mostly derived from commercial activities.

For the years ended 31 December 2016, 2017 and 2018, IXM Group's finance costs were US$21.5 million, US$31.7 million and US$59.2 million, respectively. The increase in finance costs over these periods was primarily due to higher average credit line usage and increase of US$ LIBOR rate.

Other (losses) and gains

For the years ended 31 December 2016, 2017 and 2018, IXM Group's other gains (losses) were US$(0.3) million, US$7.0 million, and US$(0.5) million, respectively. The other gains observed in 2017 were primarily due to the sale of IXM Group's investment in Chinalco Mining Corporation International and from a class action.

Income tax expense

For the years ended 31 December 2016, 2017 and 2018, IXM Group's income tax expense was US$17.4 million, US$9.3 million (down by 47%) and US$11.1 million (up by 19%). The lower tax expenses in 2017 and 2018 come from a more favourable allocation of taxable profits between high and low tax jurisdictions.

IV. REVIEW OF HISTORICAL OPERATING RESULTS

Income Statement of IXM Group

	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
REVENUE	9,244,584	12,278,353	13,004,441
Cost of sales	(9,109,217)	(12,097,105)	(12,822,578)
Gross profit	135,367	181,248	181,867
Impairment losses, net of reversal	(5,210)	6,992	(2,369)
Commercial and administrative expenses	(51,238)	(62,209)	(74,561)
Interest expense	(43,259)	(61,031)	(88,310)
Interest income	21,240	27,975	28,576
Foreign exchange	64	1,239	196
Other financial income and expense	415	141	306
Finance costs, net	(21,540)	(31,676)	(59,232)
Share of gain in investments in associates and joint ventures	149	195	434
Other (losses) and gains	(295)	6,996	(553)
PROFIT BEFORE TAX	57,233	101,546	45,582
Current taxes and Deferred taxes	(17,419)	(9,279)	(11,092)
PROFIT FOR THE YEAR	39,814	92,267	34,490
Attributable to:			
Equity owners of the parent	40,298	92,627	34,490
Non-controlling interests	(484)	(360)	–
TOTAL INCOME FOR THE YEAR	39,814	92,267	34,490

V. YEAR ENDED 31 DECEMBER 2016 COMPARED TO YEAR ENDED 31 DECEMBER 2017

Revenue

IXM Group's revenue increased by 33% from US$9,244.6 million for the year ended 31 December 2016 to US$12,278.4 million for the year ended 31 December 2017, primarily due to a favourable product mix and a significant increase in volumes resulting from the business expansion.

Cost of sales

IXM Group's cost of sales increased by 33% from US$9,109.2 million for the year ended 31 December 2016 to US$12,097.1 million for the year ended 31 December 2017, primarily due to larger sales volume and higher average price for main traded metals.

Gross margin

As a result of the foregoing, IXM Group's overall gross margin increased by 45% from US$135.4 million for the year ended 31 December 2016 to US$181.2 million for the year ended 31 December 2017, however, the gross margin ratio remained stable.

Commercial and administrative expenses

IXM Group's commercial and administrative expenses increased by 21% from US$51.2 million for the year ended 31 December 2016 to US$62.2 million for the year ended 31 December 2017 and followed the same upward trend as the one observed in the Gross Margin. Payroll expenses increase is primarily related to the business growth and better compensations to reflect the good result of the year.

Finance costs

IXM Group's net finance costs increased by 47% from US$21.5 million for the year ended 31 December 2016 to US$31.7 million for the year ended 31 December 2017. The variation was mainly caused by more financial needs combined to higher average base rates (US$ LIBOR went up over the period).

Other (losses) and gains

IXM Group's other (losses and) gains moved from a loss of US$0.3 million for the year ended 31 December 2016 to a gain of US$7.0 million for the year ended 31 December 2017. The gain is primarily due to the sale of IXM Group's investment in Chinalco Mining Corporation International of US$5.2 million and a class action (US$1 million).

Income tax expense

IXM Group's income tax expense decreased by 47% from US$17.4 million for the year ended 31 December 2016 to US$9.3 million for the year ended 31 December 2017, primarily due to tax compensations granted by tax authorities to correct previous years' over-payments on withholding taxes. In addition, IXM Group benefited from a better split of profit between high and low tax jurisdictions.

Net income for the Period

As a result of the foregoing, IXM Group's net income increased by 132% from US$39.8 million for the year ended 31 December 2016, to US$92.3 million for the year ended 31 December 2017.

VI. YEAR ENDED 31 DECEMBER 2017 COMPARED TO YEAR ENDED 31 DECEMBER 2018

Revenue

IXM Group's revenue increased by 6% from US$12,278.4 million for the year ended 31 December 2017 to US$13,004.4 million for the year ended 31 December 2018, primarily due to a global volume increase combined with an average price increase of approximately 2%.

IXM Group's cost of sales increased by 6% from US$12,278.4 million for the year ended 31 December 2017 to US$13,004.4 million for the year ended 31 December 2018, primarily due to higher volumes. This upward trend was in line with the business growth.

Gross margin

As a result of the foregoing, IXM Group's overall gross margin increased by 0.3% from US$181.2 million for the year ended 31 December 2017 to US$181.9 million for the year ended 31 December 2018. However, the gross margin ratio of 1.4% was in line with the previous year.

Commercial and administrative expenses

IXM Group's commercial and administrative expenses increased by 20% from US$62.2 million for the year ended 31 December 2017 to US$74.6 million for the year ended 31 December 2018, in line with the sales and cost of sales variation. Payroll expenses increase was primarily attributable to the headcount rise which was needed to support the business growth.

Finance costs

IXM Group's net finance costs increased by 87% from US$31.7 million for the year ended 31 December 2017 to US$59.2 million for the year ended 31 December 2018, primarily due to higher financial needs (resulting from bigger volume of commodities purchased) combined to higher rates (US$ LIBOR went up over the period).

Other (losses) and gains

IXM Group's other gains and losses moved from a gain of US$7.0 million for the year ended 31 December 2017 to a loss of US$0.6 million for the year ended 31 December 2018. The loss observed in 2018 was primarily due to the write-off of some old IT project costs eligible for capitalization.

Income tax expense

IXM Group's income tax expense increased by 20% from US$9.3 million for the year ended 31 December 2017 to US$11.1 million for the year ended 31 December 2018, mainly driven by higher profit done in high tax jurisdiction.

Net income for the Period

As a result of the foregoing, IXM Group's net income decreased by 63% from US$92.3 million for the year ended 31 December 2017, to US$34.5 million for the year ended 31 December 2018.

VII. LIQUIDITY AND CAPITAL RESOURCES

Cash flow data

The following table sets out selected cash flow data from IXM Group's consolidated cash flow statements for the periods indicated:

	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Net cash from (used in) operating activities	(513,790)	(578,742)	322,938
Net cash from (used in) investing activities	(3,562)	490	(17,059)
Net cash from (used in) financing activities	313,097	600,731	(316,977)
Exchange difference on cash	(529)	392	(481)
Increase (Decrease) in cash and cash equivalents	(204,784)	22,479	(11,098)
Cash and cash equivalents at beginning of year	214,498	9,714	32,585
Cash and cash equivalents, at the end of the year	9,714	32,585	21,006

IXM Group's cash requirements are mainly for working capital purposes.

Cash flow from (used in) operating activities

IXM Group derives its cash inflows from sales and interests received. IXM Group's cash outflows for operating activities are primarily attributable to payments to suppliers and employees.

For the year ended 31 December 2018, IXM Group had a net operating cash inflow of US$322.9 million primarily due to a decrease in the purchases of inventory and derivatives of US$137.7 million and a decline in margin deposits of US$207.8 million.

For the year ended 31 December 2017, IXM Group had a net operating cash outflow of US$578.7 million primarily attributable to purchases of inventories and derivatives of US$443.7 million, payments to suppliers and employees of US$154.9 million for the supply and services used and an increase in margin deposits of US$179.5 million.

For the year ended 31 December 2016, IXM Group had a net operating cash outflow of US$513.8 million primarily attributable to purchases of inventories and derivatives of US$314.4 million, less receipts from trade customers for US$290.2 million and an increase in margin deposits of US$105.8 million. These cash outflows were mainly related to higher volume and average price increase compared to 2015.

Cash flow from (used in) investing activities

IXM Group's cash outflows from investing activities primarily consist of purchases of intangible assets and long-term prepayment made to suppliers.

For the year ended 31 December 2018, IXM Group's net cash used in investing activities was US$17.1 million. Cash used in investing activities in this period was primarily attributable to an advance made to a copper concentrate supplier.

For the year ended 31 December 2017, IXM Group's net cash from investing activities was US$0.5 million. Cash from investing activities in this period was primarily attributable to the sale of IXM Group's investment in Chinalco, which had been partially offset by the acquisition of offtake rights.

For the year ended 31 December 2016, IXM Group's net cash used in investing activities was US$3.6 million. Cash used in investing activities in this period was primarily attributable to an investment in software development.

Cash flow from (used in) financing activities

IXM Group's cash inflows from financing activities primarily consist of short-term loans used to finance the working capital. A favourable variation of the working capital, usually illustrated by a cash inflow in operating activities, usually leads to an opposite variation (cash outflow) in the cash used in financing activities.

For the year ended 31 December 2018, IXM Group's net cash used in financing activities was US$317.0 million. Cash used in financing activities in this period was primarily attributable to the repayment of short-term bank loans for US$332.9 million. It had been partially offset by a share-premium increase of US$17.3 million.

For the year ended 31 December 2017, IXM Group's net cash from financing activities was US$600.7 million. Cash from financing activities in this period was primarily attributable to a higher usage of short-term financing combined with a loan of US$40 million received from IXM Group's holding.

For the year ended 31 December 2016, IXM Group's net cash from financing activities was US$313.1 million. Cash from financing activities in this period was primarily attributable to higher drawdowns in the credit lines available.

VIII. CAPITAL EXPENDITURES AND COMMITMENTS

Capital Structure

Long Term Financing

IXM Group's long term financing of US$132.2 million is made up of a US$90 million loan with a related party (fixed rate 5.25% and maturity 23 November 2020), US$40 million with a related party (fixed rate 6% and maturity 30 April 2022), and US$2.2 million with third party (fixed rate 4.66% and maturity 2021). At 31 December 2017 the long term financing balance was $133.1 million, and $91.6 million at 31 December 2016.

Bank Loans and Acceptances

IXM Group finances most of its short-term requirements with bank loans and acceptances. The underlying agreements require certain companies to maintain minimum levels of net worth and to meet various tests.

At 31 December 2018, 31 December 2017 and 31 December 2016, bank loans and acceptances consist of the following:

US$'000	**2018**	2017 (Restated)	2016 (Restated)
Bank loans	**$1,534,663**	$1,991,832	$1,472,440
Bank overdrafts	**411,219**	293,994	179,905
Total Short Term Financing	**$1,945,882**	$2,285,826	$1,652,345
Current portion of long term financing	**1,308**	1,713	481
Total Bank Loans and Acceptances	**$1,947,190**	$2,287,539	1,652,826
Of which:			
Fixed rate	**$1,308**	$1,713	$–
Floating rate	**$1,945,882**	$2,285,826	1,652,826

At 31 December 2018, 2017 and 2016, there is no significant difference between the historical value of bank loans and acceptances and their fair value at year end.

The debt outstanding is comprised of loans in the following currencies at 31 December 2018, 31 December 2017 and 31 December 2016:

US$'000	**2018**	2017 (Restated)	2016 (Restated)
US Dollar	**$1,796,616**	$2,106,350	$1,492,591
Renminbi	**130,552**	157,936	133,030
Peruvian Nuevo Sol	**14,754**	22,695	27,087
Euro	**5,268**	558	118
Total Financing	**$1,947,190**	$2,287,539	$1,652,826

Capital expenditures

The capital expenditures are principally comprised of purchases of offtake rights, costs related to the development of a new front office system and building improvements. IXM Group's net capital expenditures were US$3.7 million, US$14.3 million and US$2.0 million for the years ended 31 December 2016, 2017 and 2018, respectively.

The increase in capital expenditures in 2017 was primarily due to the purchase of offtake rights.

Material acquisition and disposal

Three subsidiaries of IXM, namely GKE Metal Logistics Pte Ltd, Shanghai GKE Metal Logistics Co. Ltd and Shanghai GKE Metal Logistics Co. Ltd 2 were disposed on 27 November 2017.

Save as disclosed above, IXM Group did not make any material acquisitions or disposals of subsidiaries during the three years ended 31 December 2016, 2017 and 2018.

Significant investments

IXM Group did not hold any significant investments in marketable securities as of 31 December 2016, 2017 and 2018.

Contractual commitments

IXM Group's contractual commitments comprised letters of credit as follows:

	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Letters of credit:			
Commodity trading	54,263	24,191	13,627

As at 31 December 2018, IXM Group had committed to future purchases of 4,976 thousand tons of metals in the years ahead and acted as a guarantor for pre-export financings granted to some Chinese suppliers.

IX. WORKING CAPITAL

Net current assets

As at of 31 December 2016, 2017 and 2018, IXM Group had net current assets of $411.8 million, $537.0 million and $576.0 million, respectively. The table below sets forth IXM Group's current assets, current liabilities and net current assets as of the date indicated:

	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
CURRENT ASSETS			
Inventories	1,382,704	2,014,335	1,579,890
Trade and other receivables	1,106,781	1,016,019	1,052,348
Derivative assets	172,040	201,046	249,649
Margin deposits	168,740	353,528	141,221
Current income tax assets	4,848	6,734	7,636
Financial advances to related parties	15,765	1,129	–
Other financial assets	13,588	167	61
Cash and cash equivalent	9,714	32,585	21,006
Total current assets	2,874,180	3,625,543	3,051,811
CURRENT LIABILITIES			
Bank loans and acceptances	1,652,826	2,287,539	1,947,190
Financial advances from related parties	81,417	4,750	–
Accounts payable and accrued expenses	532,990	389,438	368,635
Derivative liabilities	190,128	396,806	156,548
Current tax liabilities	5,006	10,038	3,411
Total current liabilities	2,462,367	3,088,571	2,475,784
NET CURRENT ASSETS	411,813	536,972	576,027

The changes in net current assets during the years ended 31 December 2016, 2017 and 2018 were primarily due to normal changes in working capital.

Inventories

As at 31 December 2016, 2017 and 2018, IXM Group's inventories amounted to US$1,382.7 million, US$2,014.3 million, and US$1,579.9 million, respectively.

IXM Group's inventories increased by 46% between 2016 and 2017 primarily due to the copper and zinc price surge combined with a volume effect.

IXM's inventories decreased by 22% between 2017 and 2018 primarily due to a decrease in refined and concentrate copper prices combined with a similar volume effect on these metals.

Derivative assets and liabilities

As at 31 December 2016, 2017 and 2018, IXM Group's net derivatives amounted to US$(18.1) million, US$(195.8) million, and US$93.1 million, respectively. They are mainly composed of forward purchase, sale agreements and future hedges.

IXM Group's net derivative liabilities increase in 2017 was primarily due to the price surge observed over the end of the year combined with a net short position taken to hedge open physical contracts and inventories. The same hedging strategy on a bearish market led to a net derivative asset position at the end of 2018.

Margin deposits

IXM Group's margin deposits increased by 110% from US$168.7 million as at 31 December 2016 to US$353.5 million as at 31 December 2017. This variation was in line with the rise in net derivative liabilities.

IXM Group's margin deposits decreased by 60% from US$353.5 million as at 31 December 2017 to US$141.2 million as at 31 December 2018, which was in line with the significant decrease observed on derivative liabilities (net position is a derivative asset as of 31 December 2018).

Trade and Other receivables

IXM Group's trade and other receivables mainly include receivables from sales to customers. As at 31 December 2016, 2017 and 2018, IXM Group's current trade and other receivables were US$1,106.8 million, US$1,016.0 million, and US$1,052.3 million respectively.

Despite higher sales, IXM Group's trade receivables decreased by 8% between 2016 and 2017 primarily due to VAT collection and improvement of cash collection from customers.

IXM Group's trade receivables increased by 4% between 2017 and 2018, which was in line with the Net sales trend.

Trade and Other Payables

As at 31 December 2016, 2017 and 2018, IXM Group's trade and other payables were US$533.0 million, US$389.4 million and US$368.6 million, respectively. IXM Group's trade payables decreased by 27% in 2017 primarily due to important settlements done over the year.

IXM Group's trade payables decreased by 5% in 2018 due to a significant decline of main trade metals prices over the last months of the year.

X. INDEBTEDNESS

Borrowings

As at 31 December 2016, 2017 and 2018, IXM Group's financing was a mix of long-term and short-term loans. Over the relevant periods, IXM Group's borrowings variations were in line with the working capital's needs.

XI. MARKET RISKS

Financial instruments are subject to various risks, including market value fluctuations, foreign currency, counterparty credit and liquidity risks. In addition to managing market and foreign currency risk, IXM Group implemented a strong monitoring of counterparty credit and ensured the availability of sufficient cash in order to reduce its liquidity risk. At each financial period end, IXM Group has a policy of accruing its receivables and unrealized gains with counterparties that are deemed at risk.

Market risk

Market risk is the risk that the fair value or future cash flows of assets and liabilities held by IXM Group including financial instruments, physical commodities, industrial assets will fluctuate due to changes in market variables such as spot and forward commodity prices, relative price spreads and volatilities, interest and foreign exchange rates.

IXM Group classifies exposures to market risk into either trading or non-trading activities. IXM Group manages market risk for trading activities by diversifying exposures, controlling position natures, sizes and maturities, performing stress testing, monitoring risk limits under the supervision of its IXM Risk Committee. Limits are established for the level of acceptable risk at corporate level and are allocated at profit center levels. The compliance with the limits is reported to management daily.

Limits are based on a daily measure of market risk exposure referred to as value at risk (VAR). The VAR that IXM Group measures is a model-based estimate grounded upon various assumptions such as: the returns of risk factors affecting the market environment follow a lognormal distribution, parameters are calculated by using exponentially weighted historical data in order to put more emphasis on the latest market information.

The VAR computed hence represents an estimate, with a confidence level of 95%, of the potential loss that is not expected to be exceeded should the current market risk position remain unchanged for one day. The use of 95% confidence level means that, within a one-day horizon, losses exceeding the VAR figure are not expected to occur statistically more than once every twenty (trading) days.

The VAR may be under or over-estimated due to the assumptions placed on risk factors and historical correlations and volatilities in market prices, and the probability of large market moves may be underestimated per the normal distribution. Calculations are back tested against reported P&L on a regular basis.

Compliance risk

IXM Group has in place four compliance programs:

– Regulatory: complying with regulations applicable to commodity exchanges.

– Trade Practice: policies and controls to maintain ethical commercial and business practices.

– Trade Sanctions: ensuring compliance with trade sanctions.

– Sustainability: be a "responsible citizen" in all the markets and activities in which the Company participates, and strives to retain and improve that status through all corporate actions. IXM Group also applies its "responsible sourcing", and Environmental, Social and Governance (ESG) policy across its business lines.

IXM Group adopts a risk-based approach, with adequate resources dedicated to transaction monitoring and training.

Foreign currency risk

IXM Group's functional currency is USD. IXM Group operates internationally and is therefore exposed to changes in foreign currency exchange for its assets and liabilities denominated in a currency different from the functional currency of each entity. Each entity within IXM Group enters into foreign exchange derivative contracts to hedge its exposures back to its own functional currency.

Counterparty risk

IXM Group is engaged in the business of trading a diversified portfolio of commodities. Accordingly, a substantial portion of IXM Group's trade receivables is with companies across several different industries within the commodity sector. Part of margin deposits consist of US treasury bills and are on deposit with commodity exchanges and brokers which hold such deposits in a custodial capacity.

IXM Group has implemented risk management procedures to monitor its exposures and to minimize counterparty risk. These procedures include initial credit and limit approvals, credit insurance, margin requirements, master netting arrangements, letters of credit and other guarantees.

IXM Group's trade receivables include debtors with a carrying amount of US$36.9 million which are past due at 31 December 2018. The credit quality of financial assets is assessed by reference to credit ratings, historical information about counterparty default rates, risk mitigation tools in place, existing market conditions, market-based ("**systematic**") risk factors and loan-specific ("**idiosyncratic**") risk factors.

Political and country risk

In its cross-border operations, IXM Group is exposed to country risk associated with a country's overall political, economic, financial, regulatory and commercial situations. IXM Group does not seek to retain country risk and it is the trade finance, insurance and credit risk departments' duty to seek to mitigate political and country risk by transferring or covering them with major financial institutions or insurance.

Liquidity risk

Liquidity risk arises in the general funding of IXM Group's commodity trading activities and in the management of positions. It includes both the risk of being unable to fund IXM Group's portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

Management of the liquidity profile is designed to ensure that IXM Group has access to the funds necessary to cover maturing liabilities. Sources of funds include interest-bearing and non-interest-bearing deposits, bank notes, trading account liabilities, repurchase agreements, long term debt, and borrowing arrangements.

IXM Group holds derivative contracts for the sale of physical commodities and derivative assets that are expected to generate cash inflows that will be available to meet cash outflows on purchases and liabilities. In the trading business, settling commodity contracts and liquidating trading inventories, by exchanging the commodity for cash before the contractual maturity term is a usual practice. The liquidity risk is consequently measured by allocating liabilities to the earliest estimated period on which the counterparty can require repayment, and assets to the earliest estimated period on which IXM Group can realize in cash these assets without any significant discount from market value. This measurement takes into consideration the market depth and price sensitivity to significant transaction volumes. The inclusion of information on non-financial items is necessary to understand IXM Group's liquidity risk management, as the liquidity is managed on a net asset and liability basis.

XII. RISK MANAGEMENT

IXM Group manages its capital to ensure that entities in IXM Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. IXM Group's overall strategy remains unchanged from prior year.

IXM Group's reviews the capital structure on a yearly basis. As part of this review, IXM Group targets a minimum Tangible Net Worth of US$250 million and a current ratio greater than 1.1.

XIII. CHARGE ON ASSETS

As at 31 December 2018, IXM had pledged assets as security totaling US$1,785.6 million. Such assets primarily comprised inventories and trade receivables.

XIV. CONTINGENT LIABILITIES

As at 31 December 2018, IXM had no contingent liabilities.

XV. GEARING RATIO

As at 31 December 2016, 2017 and 2018, the gearing ratio of IXM Group was 85%, 85% and 82%, respectively. The decrease in gearing ratio observed in 2018 was mainly due to a capital increase of US$17.3 million and the repayment of short-term bank loans of US$332.9 million. The decline of inventory and margin deposit balances seen at year-end led to less short-term financing need compared to previous years.

XVI. EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2018, IXM had a total of 280 employees. For the years ended 31 December 2016, 2017 and 2018, total employment costs were approximately US$30.4 million, US$38.8 million and US$53.5 million, respectively.

Remuneration of IXM's employees includes basic salaries, other allowances and performance-based bonuses. IXM has also adopted a performance based discretionary incentive scheme for its employees. In addition to the above, a new cash-settled share-based payment called phantom equity retention plan ("**PERP**") was put in place in 2018. Awards granted to employees during 2018 related to the PERP were of US$32.6 million.

Over the relevant periods, IXM Group benefited from Louis Dreyfus' training program, former shareholder of IXM. IXM Group is currently developing its own training policy following the Proposed Acquisition.

The following is a summary of the valuation report of the Target Company prepared by China United Assets Appraisal Group Co., Ltd., which is presented herein for Shareholders' information.

I. ECONOMIC BEHAVIOR

Pursuant to the resolution of the board of directors (the "**Board**") of China Molybdenum Co., Ltd. (the "**Company**") intends to purchase the 100% equity interests in New Silk Road Commodities SA ("**NSRC**") through its Hong Kong subsidiary, and thus to hold indirectly 100% equity interests in IXM B.V. ("**IXM**") through NSRC. Pursuant to the Share Purchase Agreement entered between the parties, NSRC shall acquire 100% equity interests in IXM through restructuring before closing.

II. PURPOSE OF VALUATION

The purpose of this valuation (the "**Valuation**") is to reflect the market value of the simulated aggregated entire shareholders' equity of NSRC and IXM as of the reference date and provide a reference of value for the above economic behavior.

III. VALUATION TARGET AND SCOPE OF VALUATION

Target of the Valuation is the simulated aggregated entire shareholders' equity of NSRC and IXM (the "**Valuation Target**").

The scope of the Valuation covers total assets and liabilities of NSRC and IXM as of the reference date.

IV. TYPE OF VALUES AND DEFINITIONS

In accordance with the purpose of the Valuation, the type of value of the Valuation Target has been determined to be market value.

The market value is defined as the estimated price of the Valuation Target in a normal and arm's length transaction as at the reference date of valuation between a willing purchaser and a willing seller acting reasonably and without compulsion.

V. REFERENCE DATE

The reference date of the Valuation is 31 December 2018.

VI. VALUATION APPROACH

(I) Selection of valuation approaches

Income approach and market approach are adopted for the Valuation and market approach is adopted for determination of value.

(II) Income approach

Income approach refers to the valuation approach to determine the value of the Valuation Target by way of capitalization or discounting of the expected income.

Discounted cash flow (DCF) approach was adopted in the Valuation. DCF is a valuation approach to determine the value of assets by way of discounting of the expected net cash flow of an enterprise in the future to the present value under FCFE (Free Cash Flow to Equity) model. The discount rate is calculated under the capital asset pricing model (CAPM). The specific model is set out as follows:

$$E=P+C \quad (1)$$

E: value of the entire equity interest held by shareholders of the valuation target;

P: value of operating assets of the Valuation Target;

$$P=\sum_{i=1}^{n}\frac{R_i}{(1+r)^i}+\frac{R_{n+1}}{r(1+r)^n} \quad (2)$$

R_i: expected income of the Valuation Target for i (year) in the future (FCFE);

r: discount rate;

n: future operation period of the Valuation Target;

C: surplus or value of non-operating assets (liabilities) of the Valuation Target as of the reference date.

(III) Market approach

Market approach is an approach to determine the value of the Valuation Target which involves the comparison between the Valuation Target and the equity assets (such as shareholder's equity and securities) of reference enterprises or comparable enterprises in the market. The most common methods under market approach for valuation are comparison of listed companies and comparison of comparable transaction.

Comparison of listed companies refers to the valuation approach to derive the value of the Valuation Target on the basis of the comparison and analysis with the valuation target by conducting analysis on the operational and financial data of the listed company that operates in the same or similar industry as the valuation target in the capital market and calculating the accurate value ratios or economic indicators.

Comparison of comparable transaction refers to the valuation approach to derive the value of the Valuation Target on the basis of the comparison and analysis with the Valuation Target by obtaining and conducting analysis on comparable transaction data and calculating the accurate value ratios or economic indicators after conducting analysis on the comparable trades, acquisitions and mergers of the listed company that operates in the same or similar industry as the Valuation Target.

The Valuation Target is primarily engaged in bulk commodity trading and ranks among top players who engage in basic metal trading. As there are relatively less similar businesses and comparable transactions with similar scale in the market, considering the difficulty in obtaining detailed information of comparable transactions, comparison of comparable transaction is not suitable for valuation. As there are certain listed companies that operate in the same or similar industry as the Valuation Target in the market, Comparison of listed company was adopted in the valuation on the Valuation Target.

VII. VALUATION ASSUMPTION

The valuer conducted the Valuation based on the following valuation assumptions:

General assumptions

1. Transaction assumption

   Transaction assumption refers to the assumption that all assets to be evaluated have been in the transaction process and that the appraised value is derived by the valuer by making reference to simulation markets such as transaction conditions of the assets to be evaluated. Transaction assumption is the fundamental prerequisite for asset valuation.

2. Open market assumption

   Open market assumption refers to the assumption that both parties involved in a transaction on assets which are traded or to be traded on the market shall rank equally and shall both have sufficient chance and time to obtain market information so as to make precise judgement on such assets in terms of function, purpose, transaction price, etc. Open market assumption shall be made on the basis that the assets are tradable in open markets.

3. Subsisting asset assumption

   Subsisting asset assumption refers to the assumption that the assets to be evaluated are being used, based on the current purpose and the method, scale, frequency and condition of usage, or with minimal change in the intended usage, on an ongoing basis in the valuation process, in order to determine the approach, parameter and basis for valuation accordingly.

Special assumptions

1. There is no material change in the macro-economy in the countries and regions where the valuation target operates nor in multi-national economic and trade relations following the reference date of the Valuation Report;

2. A stable political status and international relationship is maintained in the countries where the major operating entities of the valuation target operate, with no material change in the respective prevailing macro-economy as well as industrial policies, trade policies and tax policies, during the forecast period;

3. There is no material change in the foreign exchange rate between the countries where the valuation target and its subsidiaries operate during the forecast period;

4. There is no material change in the market and competition conditions in which the valuation target and its subsidiaries operate their principal businesses after the reference date of the Valuation Report;

5. Ongoing operation will be maintained by the valuation target in the future according to the established business objectives with diligent work performed by the management and stable composition of core members.

6. Normal business relationship will be maintained between the valuation target and its existing suppliers and customers to ensure no significant impact on the business operation, cost control and other relevant business activities of the valuation target;

7. The basic information and the financial information provided by the client and the valuation target for the purpose of this valuation are true, legal and complete;

8. There is no obvious seasonality in the businesses of the valuation target and the valuation target has a relatively balanced cash inflow and outflow;

9. The valuation target will make reasonable use of its capital and, to the extent possible, will attribute its profit to its shareholders in a timely manner, on the basis of sustaining adequate reserve for its casual operation.

10. There is no material change in the market from the reference date of the Valuation Report and up to the date of the latest financial statements of comparable companies nor in the standard of value measurement accepted by market participants;

11. The valuer selects the dimensions of comparison and indicators only based on the relevant information on comparable companies available in the open market and does not take into consideration the impact on the value of the valuation target caused by other matters;

12. The securities trading markets in which the comparable listed companies operate are valid markets and the trading price of their shares are fair and valid. Market differentiation does no impose significant impact on enterprise value as at the reference date of the Valuation Report;

13. Information disclosed by comparable listed companies is true, accurate and complete with no false representation, inaccurate statement or material omission which would affect judgement on valuation;

14. There is no significant difference in surplus assets/liabilities of each comparable company as there is no detailed breakdowns on each of the financial items of such comparable companies available;

15. There is liquidity difference between the equity of the valuation target and the ordinary shares of the listed companies and the information on liquidity discount in the relevant securities market is able to reflect such difference.

Where there is a change in the above conditions, the valuation results will be deemed as invalid.

VIII. VALUATION CONCLUSION

Based on the judgement of the equity holders and the management of the Valuation Target on its future development trend and business plans, in accordance with relevant laws and regulations as well as asset valuation standards, and upon adoption of income approach and market approach as well as necessary valuation procedures, the following conclusions were arrived after inspection, on-site investigation, market survey and enquiry, evaluation, and relevant valuation procedures on the assets of the valuation target that are included in the scope of the Valuation.

(I) Valuation conclusion

Under the market approach, the total equity value attributable to shareholders of the valuation target was appraised under comparable companies approach. The book value of consolidated equity attributable to owners of the parent of the valuation target as at the valuation reference date of 31 December 2018 was US$453,807 thousand, while the appraised value was US$500,000 thousand (rounded to the nearest million), the increased value under the Valuation was US$46,193 thousand at an increase rate of 10.18%.

Under the income approach, the appraisal results of the valuation target as at the valuation reference date of 31 December 2018 was as follows. The book value of consolidated equity attributable to owners of the parent of the valuation target was US$453,807 thousand, while the appraised value was US$501,000 thousand (rounded to the nearest million), the increased value under the Valuation was US$47,193 thousand at an increase rate of 10.40%.

The conclusion of the Valuation is based on the assumption that the equity holders and the management of the Valuation Target make accurate judgments on the development trend of the Valuation Target in future, and relevant plans will be duly implemented. If the actual operation conditions of the Valuation Target deviate from the operation plans in the future, and the equity holders and the management of the Valuation Target fail to adopt effective measures in time to remedy such deviation, the conclusion of the Valuation will change substantially. Therefore, users of the report are strongly advised to pay close attention in this regard.

(II) Determination of valuation results

Market approach and income approach were adopted on the Valuation Target in the Valuation and the following two aspects were taken into consideration when determining the valuation results.

(1) The bulk commodity industry operates under a cyclical model which is characterized by substantial fluctuation in market trend, significant change in capital structure, and material impact of financial cost on gains and losses, which resulted in uncertainties in future income to certain extent. As such, the valuation results derived from income approach are less typical.

(2) Typically, trading companies tend to adopt financial leverage and the transaction scale achieved is closely related to their own capital amount, which signifies the capital-driven nature of their businesses. Market approach, through the results calculated based on the comparison on the indicator for P/B ratio of comparable companies, on one hand, reflects the valuation standard of the comparable companies and, on the other hand, completely demonstrates the significance of net assets on the valuation on trading companies, which makes it a more representative approach for the purpose of this Valuation.

As such, the valuer had adopted the valuation results under the market approach as the final valuation results. The appraised value on the simulated aggregated equity interests attributable to owners of the parent of NSRC and IXM as of the reference date amounts to US$500,000 thousand (rounded to the nearest million).

IX. SPECIAL ISSUES TO BE EXPLAINED

(I) Ownership defect

Based on legal documents issued by overseas counsels, materials provided by the valuation target and public information available for inspection, no ownership defect of the valuation target which may materially affect the valuation results was found.

(II) Mortgage, pledge, guarantee

As confirmed by the management of IXM, there are the following two external guarantee arising from business transactions:

Number	Borrower (guarantee)	Guarantor	Lending agency bank	Amount *(US$0'000)*
1	Nandan Nanfang Non-ferrous Metal Co., Ltd.	Louis Dreyfus (Shanghai) Metal Co., Ltd.	Rabobank Hong Kong branch	5,500
2	Dongying Fangyuan Nonferrous Metals Co., Ltd.	Louis Dreyfus (Shanghai) Metal Co., Ltd.	Rabobank Hong Kong branch	15,000

Note: as of 28 February 2019, the actual external guarantee amounts of IXM were US$5.60 million and US$8.41 million, respectively.

Save as above, no mortgage, pledge or guarantee of the valuation target which may materially affect the valuation results was found.

(III) Pending litigation

According to the legal opinion issued by Winston & Strawn LLP, Metals MEA DMCC (hereinafter referred to as "**DMCC**") has a litigation pending for execution. Details of which are as follows:

In October 2012, DMCC and Louis Dreyfus Commodities MEA Trading DMCC (hereinafter referred to as "**LDC Trading**", a non-target group company) jointly entered into a series of trade and mortgage loan agreements on the matters of relevant mineral development in the DRC with Naim Khanafer (hereinafter referred to as "**Khanafer**"), Shift General Trading LLC (hereinafter referred to as "**Shift**") and Concorde Villa Limited/ConcKhanafer Shift Concordeorde Pour L'Industrie et L'Exploitation SPRL (hereinafter referred to as "**Concorde**") (Khanafer, Shift and Concorde hereinafter collectively referred to the "**Disputing Counterparty**"), with a loan amount of USD10 million. Subsequently, as the Disputing Counterparty failed to repay such term loans on time, LDC Trading, the creditor, issued a notice of default to request for termination of the relevant contracts. After that, a series of litigations arose between the Disputing Counterparty, DMCC and LDC Trading in relation to the aforementioned dispute on debt default in the DRC, the UAE and the UK: 1) as DMCC and LDC Trading have not received relevant notices in the relevant litigation in DRC, resulting that DMCC and LDC Trading lost in the lawsuit, and the relevant court in UAE handed down a judgement that LDC Trading was subject to a compensation of USD44 million to Concorde; 2) the relevant court in UAE handed down a judgement to dismiss the application for implementation of the aforementioned judgement in the DRC. Through relevant procedures of the court in the UAE, DMCC and LDC Trading successfully obtained compensation of USD1.4 million by exercising the guarantee rights of relevant pledged assets; 3) relevant court in the UK handed down a judgement that the Disputing Party shall pay an amount of USD14.277775 million to DMCC and LDC Trading together with 8% interest rate on such basis as the default compensation under the relevant loan agreements; the aforementioned judgement of the court in the UK is currently being implemented in the DRC, and the execution procedure is in progress.

Users of the report shall be aware that the Valuation has not taken into account the effect of the above matters on the conclusion of valuation.

(IV) Material events after the period

Events after the period refer to material events occurred after the valuation reference date and before the issue of the valuation report. No material events after the period which may materially affect the valuation results were found during the Valuation.

(V) Explanation on constraints on asset inspection and substitution procedure

1. The fixed assets of the Valuation Target mainly comprised of office equipment and some machinery equipment of its branches and subsidiaries over the world, and account for 0.35% to the total assets. We acknowledged the principal detailed constitution of fixed assets with the asset details provided by enterprises, reviewed ownership title of important assets, and reviewed independent third party reports issued by overseas counsel and auditor, no material issues of the fixed assets which may materially affect the valuation results were found. Users of this valuation report shall note that as the fixed assets' proportion is relatively low and diverse, no calculation was conducted for fixed assets in the Valuation.

2. As the businesses engaged by the Valuation Target spread in over 60 countries in the globe with a broad coverage of inventory, the Valuation Target has appointed independent auditors under different accounting standards to conduct audit works on the respective local financial and operating condition as the basic information for the purpose of such economic behavior. Meanwhile, for certain inventories that are difficult to quantify and are poisonous and harmful, the Valuation Target has appointed a third party liquidator to conduct inventory-taking. On this basis, only certain warehouses located in China were selected for inventory-taking for the purpose of the Valuation.

3. As there are some external investments of the Valuation Target (which accounted for approximately 0.46% of the total assets) that were excluded from the scope of consolidation and are beyond the control of the Valuation Target and subject to objective conditions, the details on such external investments are not available. As explained by the valuation target, such investments were mostly financial investments to partners such as mines and smelters for acquiring sales or supply channels, which is an approach for the valuation target to expanding its operation channels, while the investment gains is unlikely to be fixed, users of this valuation report shall note that the gains from such investment were not considered in the Valuation.

(VI) Explanation on differences in accounting standards

1. The financial information adopted in the Valuation was provided by the management of the Valuation Target. The financial and operating condition and cash flow were audited by Deloitte in accordance with the International Financial Reporting Standards (IFRS) but were yet to be converted under the Chinese Accounting Standards. The differences that may be resulted by the conversion between the accounting standards were excluded in the valuation.

2. As there may be certain differences between the Valuation Target and the comparable companies in terms of valuation standards for securities market and accounting standards which causes difficulty in quantitative measurement, the impact thereof was excluded from the conclusion of the Valuation.

(VII) Other issues to be explained

1. The appraisers and the valuer are legally responsible for the professional judgment made on the value of assets intended for the purpose of the Valuation as stated in the report and the responsibility does not extend to the judgment of the appraisers and the valuation organization on the economic conduct corresponding to the purpose of the Valuation is involved. The valuation work, to a large extent, relies on relevant information provided by the client and the Valuation Target. Hence, the valuation work is implemented under the precondition that relevant documents regarding economic conduct, relevant documents, and certificates and accounting certificates regarding asset ownership and relevant legal documents provided by the Client and the Valuation Target are true and legitimate.

2. The purpose of engaging in assets valuation business by the appraiser and the valuer is to estimate the value of the Valuation Target and provide professional opinions without bearing any responsibility for the decision-making of relevant parties. The conclusion of the Valuation shall not be regarded as a guarantee for any price of the Valuation Target.

3. The profitability forecast of the Valuation Target obtained by the valuer is based on the income approach. The valuer conducted necessary investigations, analysis and judgment for the profitability forecast. After rounds of discussions with the management and main shareholders of the Valuation Target, the Valuation Target accepted the data relating to the profitability forecast after further amended and improved by the Valuation Target. The use of the profitability forecast by the Valuation Target shall not be deemed to assure the future profitability of the Valuation Target.

4. The clients and the Valuation Target shall be responsible for the legality and authenticity of the title certificates and relevant documents provided by the Valuation Target.

5. Due to the diversified business scope of the Valuation Target which involves various countries, the judgement on the basic information of the Valuation Target in the Valuation is partially based on the legal opinion issued by overseas legal advisors and the audit report issued by overseas accountants. Where there is deficiencies or differences in the abovementioned information, there will be changes in the conclusion of the Valuation.

6. As of the date of the valuation report, the incentive agreement to be entered into between the client and the management is yet to be finalized and the information on the management incentive amount quoted in this valuation was mainly provided by the management. As there are uncertainties to some extent, in this valuation, analysis was conducted on the incentive amount forecasted by the management and the future share incentive amount was calculated based on the draft of the management incentive agreement provided by the management. A written report on the same has been submitted to the client and the client has confirmed such amount. However, as the share incentive agreement has not been duly signed by the parties, there are uncertainties in such amount.

7. As of the date of the valuation report, the time for the publication of the latest financial statements of certain comparable companies is 30 September 2018. For such comparable companies, the information as of 30 September 2018 was adopted in the Valuation.

8. During the effective term after the reference date, if the quantity and pricing standard of the assets change, it shall be dealt with according to following principles:

   (1) when the quantity of assets changes, the amount of assets shall be adjusted according to the original valuation method;

   (2) when the pricing standard of the assets changes, which greatly affects the valuation result of assets, the client shall engage qualified assets valuation firm on a timely basis to determine the appraisal value;

   (3) for any changes of quantity or pricing standard of the assets after the reference date, the client shall make due consideration and adjust accordingly when determining the actual price of the assets.

X. STATEMENT OF RESTRICTIONS ON THE USE OF THE VALUATION REPORT

(I) The valuation report can only be used for the purpose as described in the report. Meanwhile, the conclusion of valuation in the report is purported to reflect the current fair market value as determined by open market principles and for the purpose of the valuation under the report. It does not take into consideration the impact that any possible pledge or security and additional price that a special party to the transaction may have to pay may have on the appraised value. Furthermore, the report does not take into consideration either changes in State macroeconomic policies and effects of natural forces and other forms of force majeure may have on asset value. When the above-mentioned conditions and the principle of continuous operation are changed, the conclusion of valuation will generally lose its validity. The appraisers may not be held legally responsible for such invalidity of conclusion of valuation due to any change in the abovementioned conditions.

The prerequisite for the validity of the valuation report is that the economic activity hereunder complies with any and all applicable laws and regulations, and is approved by relevant authorities.

(II) The valuation report can only be used by the users as specified herein. The right to use the valuation report shall belong to the clients, and the valuer will not disclose the report to any other party without the consent of the clients.

(III) Without permission from this valuer and verifying the relevant contents, all or part of the valuation report may not be copied, quoted or disclosed in public media, unless otherwise provided for by laws, regulations and otherwise agreed on by the related entrusting parties.

(IV) Users of the valuation report shall correctly acknowledge the conclusion of the valuation, which should not be viewed as the realizable value of the Valuation Target nor should it be deemed to be a guarantee for the realizable value of the Valuation Target.

(V) The term of validity of the conclusion of valuation: according to the current national regulations, the conclusion of valuation shall be valid for one year commencing from 31 December 2018 till 30 December 2019.

Effects on Major Financial Indicators from the Dilution of Current Returns as a Result of the Proposed Acquisition and Its Remedial Measures

The share capital of the Company would not be increased as the consideration of the Proposed Acquisition comprises cash. The Company will take the following remedial measures in accordance with requirements of relevant rules and regulations such as the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Material Asset Restructuring) (CSRC [2015] No. 31).

I. GIVING FULL PLAY TO THE SYNERGETIC EFFECT OF THE COMPANY'S BUSINESS AND ENHANCING THE MARKET COMPETITIVENESS OF THE COMPANY

Upon completion of the Proposed Acquisition, the Company will obtain the service system for procurement, mixing, transportation and trading of metals of the Target Company, which is conducive to expanding the business scope and enhancing the comprehensive competitiveness of the Company, and also enables the Company to better catch information on supply and demand in the market to strengthen its capability to resist cyclical risks. Upon completion of the Proposed Acquisition, the Company will extend its business to the downstream of the industry chain to generate synergy with the existing business and provide customers with integrated whole industry chain service, so as to further strengthen its international competitiveness and industry influence.

II. CONTINUOUSLY IMPROVING CORPORATE GOVERNANCE AND PROVIDING INSTITUTIONAL SAFEGUARDS FOR THE DEVELOPMENT OF THE COMPANY

The Company will, in strict accordance with the requirements of the Company Law, the Securities Law and other laws, regulations and regulatory documents of the PRC, keep streamlining the corporate governance structure as a listed company, ensure the full exercise of rights by Shareholders, the exercise of powers by the Board in making scientific decisions in accordance with the provisions of laws and regulations and the Articles of the Association, and the diligent performance of duties by the independent non-executive Directors, protect the interests of the Company as a whole, in particular the legitimate rights and interests of minority Shareholders, and ensure the supervisory committee to exercise its supervisory and inspection powers over the Directors, senior management and finance of the Company in an independent and effective manner, so as to provide institutional safeguards for the development of the Company.

III. FURTHER IMPROVING THE PROFIT DISTRIBUTION POLICY WITH FOCUS ON INVESTOR RETURNS AND PROTECTION OF THE INVESTORS' RIGHTS

In order to further improve the profit distribution policy, establish a scientific, sustainable and stable dividend distribution mechanism, and increase the transparency of decision-making procedures for profit distribution to safeguard the Shareholders' interests, the Company, in compliance with the Notice Regarding Matters in Relation to Further Implementation of Cash Dividend Distribution of Listed Companies, the Guideline No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies and the provisions stipulated in other documents, formulated the Shareholders' Return Plan of the Company for the Next Three Years (2019–2021) after taking into consideration the actual situations of the Company and the provisions of the Articles of Association.

IV. UNDERTAKINGS MADE BY THE DIRECTORS AND SENIOR MANAGEMENT ON THE PROPER IMPLEMENTATION OF THE REMEDIAL MEASURES TO THE DILUTION OF CURRENT RETURNS TO BE TAKEN BY THE COMPANY

All Directors and senior management of the Company will perform their duties faithfully and diligently and protect the legitimate rights and interests of the Company and all Shareholders as a whole, and have made the following undertakings on the proper implementation of the remedial measures to the dilution of current returns to be taken by the Company:

"1. I undertake not to transfer benefits to other organizations or individuals at nil consideration or on unfair terms nor otherwise prejudice the interests of the Company;

2. I undertake to control the duty-related expenses;

3. I undertake not to utilize the Company's assets for the purpose of investment and consumption activities that are irrelevant to my duties;

4. I undertake that the remuneration system formulated by the Board or the remuneration and assessment committee is related to the execution of the remedial measures to current returns of the Company;

5. I undertake that the exercise conditions under the equity incentive proposed to be announced by the Company are related to the execution of the remedial measures to current returns of the Company; and

6. I undertake to properly fulfill the above undertakings made by myself to ensure the proper implementation of the remedial measures to current returns of the Company.

In the event of violating or refusing to fulfill such undertakings, I would voluntarily accept the regulatory measures legally imposed on me by the securities regulatory authorities, such as the CSRC and SSE; and in the event of causing losses of the Company or its Shareholders, I would be liability for compensation in accordance with the law."

CHINA MOLYBDENUM CO., LTD.*
SHAREHOLDERS' RETURN PLAN FOR THE NEXT THREE YEARS (2019–2021)

According to relevant requirements of the Notice Regarding the Further Implementation of Matters relating to Cash Dividends of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37), the China Securities Regulatory Commission, No. 3 Regulatory Guidance for Listed Companies – Cash Dividends of Listed Companies (《上市公司監管指引第3號－上市公司現金分紅》) and the Articles of Association, and having considered the Company's actual business operations and future development needs, the Company has formulated the shareholders' return plan for the next three years (2019–2021) (the "**Plan**").

Article 1 Factors for Consideration

The Plan shall be based on the integrated analysis of the Company's profitability, operational and development plans, shareholders' returns, and social fund costs and external financing environment. Circumstances such as the Company's current and future profit scale, cash flow status, development stage, fund requirements for project investments, bank credit and debt financing environment will also be taken into account. Regulatory arrangements shall be made on the basis of a balance between the shareholders' reasonable investment returns and the Company's long-term development. This will ensure the continuity, rationality and stability of the profit distribution policy of the Company.

Article 2 Principles for the Formulation

The formulation of the Plan shall be in compliance with the relevant laws and regulations, regulatory requirements and the stipulations of the Articles of Association in relation to the profit distribution, attach importance to the shareholders' reasonable investment returns and take into account sustainable development of the Company, adequately consider and listen to the opinions of shareholders (especially minority shareholders) and independent directors, and implement active profit distribution plans to maintain proper continuity and stability of the profit distribution policy.

Article 3 Details of the Shareholders' Return Plan for the Next Three Years (2019–2021)

1. For 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 other regulatory requirements. Priority in profits distribution should be in cash rather than in shares. The Company shall distribute profits in the form of cash should such conditions of cash distribution are met. The Company may distribute interim dividend in cash if conditions permit.

2. In accordance with the laws, regulations and other regulatory requirements, the Company distributes dividend in cash if it records 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 percentage of cash dividends shall comply with the following requirements simultaneously:

   (1) the profits distributed by the Company in the form of cash each year shall not be less than 30% of distributable profits recorded in the year, in accordance with applicable laws, regulations and regulatory requirements;

   (2) Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution; Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution; Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution. In particular, the substantial capital expenditure arrangement mentioned herein refers to matters that the total assets in relation to transactions, including asset acquisitions and external investments, carried out by the Company within a year account for more than 30% (inclusive) of the latest audited total assets of the Company. The board of directors of the Company shall propose a specific cash distribution plan for approval in the general meeting by differentiating the aforesaid circumstances after taking various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement.

3. Where the Company records earnings and positive distributable profits for the year and the valuation on the shares of the Company is in a reasonable range, the Company may distribute dividend in the form of shares without prejudice to the scale of the share capital and the reasonable structure of shareholdings of the Company, while taking into consideration rewarding and sharing corporate value with investors.

Article 4 Formulation of the Future Shareholders' Return Plan and Relevant Decision-making Mechanism

1. The Company shall strengthen the consciousness of shareholders' return, comprehensively consider the profit and capital demand of the Company, development targets and shareholders' reasonable returns and other factors to formulate the future shareholders' return plan.

2. The Board determines dividend distribution of the Company for each year on the basis of the Company's debts repayment abilities, business development and operating results. In addition, the Board determines the percentage of cash dividend over the distributable profits available for distribution for the relevant year and whether the Company should distribute dividend in the form of shares. The Board shall consult with the supervisory board of the Company before seeking approval from the shareholders at the general meeting. Independent directors shall deliver definite opinions. Independent directors may collect advice from minority shareholders and prepare a distribution proposal which shall be directly proposed to the Board for its consideration. When considering a specific proposal for cash dividend at general meeting, a variety of channels shall be adopted to actively communicate with shareholders, particularly the minority shareholders, including but not limited to online voting and inviting minority shareholders to attend meetings, to fully attend to the views of the minority shareholders and answer the questions they concern about in a timely manner.

3. Amendments to the profits distribution policy on the basis of the Company's production and operation conditions, investment strategies or long-term development needs shall not contravene any laws, regulations or requirements imposed by the regulatory authorities. The Board shall prepare a proposal for the amendments to the Company's profits distribution policy and seek advice from the supervisory board. The independent directors shall give an independent opinion on such proposal. Shareholders shall approve any proposal regarding amendments to the profits distribution policy in a general meeting following the Board's approval. Among which, a proposal regarding amendments to the cash dividend policy shall be approved by more than two-thirds of the voting rights held by the shareholders attending the shareholders' general meeting, and the amendments to the cash dividend policy shall not contravene the relevant requirements of China Securities Regulatory Commission and securities supervision and management authorities of the place(s) where shares of the Company are listed. The Company shall disclose the formulation and implementation of cash dividend policy in detail in its annual report. The Board of the Company shall disclose the profits distribution plan and the arrangements or principles of the usage of retained undistributed profits in the annual report. The retained undistributed profits of the Company after the completion of the profits distribution for the then year shall be used to develop the operating business of the Company. If the Company generated profits in the then year while the Board did not make any cash dividend proposal, the reasons thereof and the application of funds retained by the Company not available for distribution, as well as the independent opinions from the independent directors, shall be explained in detail in the annual report.

Article 5 All matters which are not specifically provided for in the Plan shall be handled in accordance with the stipulations of the relevant laws, administrative regulations, normative documents and the Articles of Association.

Article 6 The Board shall be responsible for the interpretation of the Plan and it will be implemented on the date of approval by the Shareholders.

The Board of Directors of
China Molybdenum Co., Ltd.*
26 April 2019

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Target Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Target Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors, supervisors and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company or the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director/ Supervisor/Chief Executive	Class of Shares	Nature of interest	Number of securities	Approximate percentage of shareholding in the total share capital of the Company	Approximate percentage of shareholding in the relevant class of shares
Li Chaochun	A Shares	Beneficial owner	1,587,692	0.0074%	0.0074%
Li Faben	A Shares	Beneficial owner	1,064,400	0.0049%	0.0049%
Yuan Honglin	A Shares	Beneficial owner	1,050,600	0.0049%	0.0049%
Zhang Zhenhao	A Shares	Beneficial owner	1,063,500	0.0049%	0.0049%

(B) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

As at the Latest Practicable Date, as far as is known to the Directors, supervisors and the chief executives of the Company, the following persons (other than a Director, supervisor or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are 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:

Name	Capacity	Number of shares	Class of Share	Approximate percentage of shareholding in relevant class of shares
Luoyang Mining Group Co., Ltd.	Beneficial owner	5,329,780,425	A Shares	30.17%
Luoyang Guohong Investment Group Co., Ltd.	Interest in controlled corporation	5,329,780,425	A Shares	30.17%
Cathay Fortune Corporation	Beneficial owner	5,030,220,000	A Shares	28.47%
	Interest in controlled corporation	303,000,000 (L)	H Shares	7.70%
Cathay Fortune Investment Limited	Beneficial owner	303,000,000 (L)	H Shares	7.70%
Yu Yong	Interest in controlled corporation	5,030,220,000	A Shares	28.47%
	Interest in controlled corporation	303,000,000 (L)	H Shares	7.70%
BlackRock, Inc.	Interest of controlled corporations	377,823,247 (L)	H Shares	9.61% (L)
		17,862,000 (S)	H Shares	0.45% (S)
Citigroup Inc.	Person having a security interest in shares	237,000 (L)	H Shares	0.00% (L)
	Interest of corporation controlled	8,809,552 (L)	H Shares	0.22% (L)
		1,886,792 (S)	H Shares	0.04% (S)
	Approved lending agent	227,494,410 (L)	H Shares	5.78% (L)

Note: (L) – Long position; (S) – Short position

Save as disclosed above, so far as is known to the Directors, supervisors or chief executives of the Company, no other person (not being a Director, supervisors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, 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 any other member of the Group or held any option in respect of such capital.

3. DIRECTORS AND SUPERVISORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or is proposed to have a service contract with the Company or any of its associated corporations which will not expire or is not determinable by the Company within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular:

a) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group; and

b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the businesses of Enlarged Group.

6. DIRECTORSHIP AND EMPLOYMENT OF DIRECTORS IN SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As of the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
CHENG Yunlei	Luoyang Mining Group Co., Ltd.	Director and general manager
YUAN Honglin	Cathay Fortune Corporation	Director

7. MATERIAL LITIGATION

As of the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. SUMMARY OF MATERIAL CONTRACTS

Save for the following material contracts, the Enlarged Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Enlarged Group) within the two years immediately preceding the date of this circular:

(1) the share transfer agreement dated 18 January 2019 entered into between CMOC Limited, a direct wholly-owned subsidiary of the Company, and BHR Newwood Investment Management Limited in relation to the purchase of the 100% of the issued and outstanding shares of BHR Newwood DRC Holdings Ltd. with a consideration of US$1,135,993,578.71. Subject to any amendments may be later agreed between both parties, CMOC Limited shall make an one-off cash payment in respect of the total purchase consideration to the designated account of BHR Newwood Investment Management Limited on the closing date.

(2) the Share Purchase Agreement.

9. QUALIFICATIONS OF EXPERTS AND CONSENTS

The qualifications of the experts who have given an opinion or advice in this circular are as follows:

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司)	Independent Valuer

As of the Latest Practicable Date, the above experts have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its report(s) and/or letter(s) and/or valuation certificates and/or opinion(s) and the references to their names included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, none of the experts had any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, none of the experts had any direct or indirect interests in any assets which have been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

a) The joint company secretaries of the Company are Mr. Yue Yuanbin and Ms. Ho Siu Pik. Ms. Ho is a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

b) The Company's registered office is at North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the PRC.

c) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION

Copies of the following documents are available for inspection by Shareholders during normal business hours from 9:30 a.m. to 5:00 p.m., Monday to Friday (other than public holidays) at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from the date of this circular up to and including 15 May 2019:

a) the articles of association of the Company;

b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

c) the letter relating to discounted future estimated cash flows, the text of which is set out in Appendix IV in this circular;

d) the letter from the Board relating to the discounted future estimated cash flows, the text of which is set out in Appendix V in this circular;

e) the annual report of the Company for the years ended on 31 December 2016, 2017 and 2018;

f) the accountants' report of the Target Company by Deloitte Touche Tohmatsu for the period from 18 May 2018 to 31 December 2018, the text of which is set out in Appendix VII-A in this circular;

g) the accountants' report of IXM Group for the years ended 31 December 2016, 2017 and 2018 by Deloitte Touche Tohmatsu, the text of which is set out in Appendix VII-B in this circular;

h) the report on the unaudited pro forma financial information of the enlarged group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix VIII in this circular;

i) the Valuation Report, the summary of which is set out in Appendix X in this circular;

j) a copy of each of the material contracts set out in the section headed "Summary of Material Contracts" in Appendix XIII in this circular;

k) the written consents referred to in the section headed "Qualifications of Experts and Consents" in Appendix XIII to this circular; and

l) a copy of this circular.

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

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

(Stock Code: 03993)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the "**AGM**") of China Molybdenum Co., Ltd.* (the "**Company**") for the year 2018 will be held at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People's Republic of China (the "**PRC**") on Friday, 14 June 2019 at 1:00 p.m. for the purposes of considering, and if thought fit, approving the following resolutions. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 27 April 2019.

ORDINARY RESOLUTIONS

1. "To receive and consider the proposal in respect of the financial report and financial statements of China Molybdenum Co., Ltd.* for the year 2018."

2. "To consider and approve the proposal in respect of the budget report of China Molybdenum Co., Ltd.* for the year 2019."

3. "To consider and approve the profit distribution plan of China Molybdenum Co., Ltd.* for the year 2018."

4. "To receive and consider the proposal in respect of the report of the Board of China Molybdenum Co., Ltd.* for the year 2018."

5. "To receive and consider the proposal in respect of the report of the supervisory committee of China Molybdenum Co., Ltd.* for the year 2018."

6. "To receive and consider the proposal in respect of the annual report of China Molybdenum Co., Ltd.* for the year 2018."

7. "To consider and approve the proposal in respect of the re-appointment of the external auditors for the year 2019."

8. "To consider and approve the proposal in respect of the purchase of structured deposit with internal idle fund."

9. "To consider and approve the proposal in respect of the purchase of wealth management or entrusted wealth management products with internal idle fund."

SPECIAL RESOLUTION

10. "To consider and approve the proposal in respect of the provision of financial guarantee to direct or indirect wholly-owned subsidiaries."

ORDINARY RESOLUTION

11. "To consider and approve the proposal in respect of the authorization to the Board to deal with the distribution of interim dividend and quarterly dividend for the year 2019."

SPECIAL RESOLUTIONS

12. "To consider and approve the proposal in respect of seeking authorization from shareholders' meeting of the Company of the granting of a general mandate to the Board for issue of A Shares and/or H shares of the Company as follows:

    (a) To grant a general and unconditional mandate to the Board and then to delegate to the Chairman of the Board and his authorized person(s) by the Board to determine separately or jointly allot, issue and deal with A Shares and/or H Shares of the Company (not exceeding 20% of the outstanding Shares in issue as at the date of the passing of this resolution for each class of such Shares) and to grant rights to subscribe for, or convert any security into, Share (the issue of A Shares shall still be subject to the approval of Shareholders at the general meeting of the Company in accordance with the relevant regulations of the PRC) and the terms and conditions for the allotment, issuance and dealing of new Shares, including but not limited to:

        (i) class and number of new shares to be issued;

        (ii) price determination method of new shares and/or issue price (including price range);

        (iii) the starting and closing dates for the issue;

(iv) class and number of the new shares to be issued to existing shareholders; and/or

(v) the making or granting of offers, agreements, options which might require the exercise of such powers.

(b) The numbers of A Shares or H Shares (excluding shares issued in form of capital conversion from capital reserve) to be separately or jointly allotted, issued and dealt with (whether pursuant to an option or otherwise) pursuant to the Share Mandate, shall not exceed 20% of the A Shares or H Shares in issue at the time when this resolution is passed at the AGM, respectively, by the Board or the Chairman of the Board and his authorized person(s).

(c) If the Board or the Chairman of the Board and his authorized person(s) have resolved to separately or jointly to allot, issue and deal with A Shares or/and H Shares within the Relevant Period as defined below, and the Company has also obtained the relevant approval, permission or registration (if applicable) from the competent regulatory authorities within the validity term of the Share Mandate, the Board or the Chairman of the Board and his authorized person(s) may complete the relevant allotment, issuance and dealing works within the validity term of such approval, permission or registration.

(d) To grant the Board or the Chairman of the Board and his authorized person(s) to obtain approvals from the relevant government authorities and/or regulatory authorities (if applicable) in accordance with applicable laws (including but not limited to the Company Law of the PRC, the Hong Kong Listing Rules and the Listing Rules of the SSE) for the exercising of the Share Mandate.

(e) The Share Mandate will become effective from the date of passing of this resolution at the AGM until the earlier of (the "**Relevant Period**"):

(i) the expiration of 12 months from the date of passing of this resolution at the AGM;

(ii) the conclusion of 2019 annual general meeting; or

(iii) the revocation or amendment of the Share Mandate granted under this resolution by the approval of special resolution at a general meeting by Shareholders.

(f) To grant the Board or the Chairman of the Board and his authorized person(s) to approve, execute and make or procure to execute and make any documents, deeds and matters, complete necessary formalities, adopt other necessary actions in connection with the allotment, issuance and dealing of any new Shares in accordance with the Share Mandate as considered fit.

(g) To grant the Board or the Chairman of the Board and his authorized person(s) to increase the registered capital of the Company and to make appropriate and necessary amendments to the Articles of Association after completion of the allotment and issuance of new Shares according to the method, type and number of the allotment and issuance of new Shares by the Company, and the then shareholding structure of the Company."

13. "To consider and approve the proposal in respect of granting of a general mandate to the Board to repurchase H Shares as follows:

(a) subject to paragraphs (b) and (c) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to repurchase H Shares in issue on the Hong Kong Stock Exchange, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Hong Kong Stock Exchange or of any other governmental or regulatory body;

(b) the number of H Shares authorized to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the number of H Shares in issue as at the date of the passing of this resolution;

(c) the approval in paragraph (a) above shall be conditional upon:

(i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at the A Shareholders' Class Meeting (or on such adjourned date as may be applicable) and the H Shareholders' Class Meeting (or on such adjourned date as may be applicable);

(ii) the approval of all the competent regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and

(iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 27 of the Articles of Association;

(d) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:

(i) the conclusion of the 2019 annual general meeting of the Company; or

(ii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the Shareholders at a general meeting, or a special resolution at their respective class meeting; and

(e) subject to the approval of all relevant government authorities in the PRC for the repurchase of such H Shares being granted, to authorize the Board to:

1. formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to be repurchased, timing of repurchase and period of repurchase etc.;

2. notify creditors and make announcement in accordance with the requirements of relevant laws, regulations and normative documents as well as the Articles of Association;

3. open overseas share accounts and to carry out related change of foreign exchange registration procedures;

4. carry out relevant approval and filing procedures as required by regulatory authorities and the stock exchanges where the Shares are listed;

5. carry out cancellation procedures for repurchased shares, reduce the registered capital of the Company, and make corresponding amendments to the Articles of Association relating to total share capital and shareholding structure etc., and to carry out statutory registrations and filings within and outside China; and

6. execute and handle other documents and matters relating to share repurchase."

14. "To consider and approve the 'Resolution in relation to the Material Asset Acquisition of the Company Satisfying Conditions of Material Asset Reorganization of Listed Companies'."

15. "To consider and approve the 'Resolution in relation to the Plan of Material Asset Acquisition of the Company'."

16. "To consider and approve the 'Resolution in relation to the Material Asset Acquisition of the Company not Constituting a Related Party Transaction'."

17. "To consider and approve the 'Resolution in relation to the Material Asset Acquisition of the Company not Constituting a Reverse Takeover as Stipulated in Article 13 of the Administrative Measures for Material Asset Reorganization of Listed Companies'."

18. "To consider and approve the 'Resolution in relation to the Material Asset Acquisition of the Company Satisfying the Requirements under Article 4 of the Regulations Concerning the Standardization of Certain Issues of Material Asset Reorganization of Listed Companies'."

19. "To consider and approve the 'Resolution in relation to the Explanation of Whether the Fluctuation in Share Price as a Result of the Material Asset Acquisition of the Company Reached the Relevant Standards under Article 5 of the Notice Concerning the Standardization of Information Disclosure of Listed Companies and Behaviour of Each Relevant Party (Zheng Jian Gong Si Zi [2007] No. 128)'."

20. "To consider and approve the 'Resolution in relation to the Material Asset Acquisition Report (Draft) of China Molybdenum Co., Ltd.*' and its summary."

21. "To consider and approve the 'Resolution in relation to Effect on Major Financial Indicators from the Dilution of Current Returns as a Result of the Material Asset Acquisition and its Remedial Measures'."

22. "To consider and approve the 'Resolution in relation to the Proposed Authorization to the Board at the General Meeting to Handle All Matters Relating to the Material Asset Acquisition'."

23. "To consider and approve the 'Resolution in relation to the Shareholders' Return Plan of the Company for the Next Three Years (Year 2019–2021)'."

For details of the above resolutions, please refer to, among other things, the relevant announcements of the Company dated 26 April 2019 and the circular of the Company dated 27 April 2019.

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

Luoyang City, Henan Province, the PRC, 27 April 2019

As at the date of this notice, the Company's executive directors are Mr. Li Chaochun and Mr. Li Faben; the non-executive directors are Mr. Yuan Honglin, Mr. Cheng Yunlei and Mr. Guo Yimin; and the independent non-executive directors are Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua.

Notes:

(1) Pursuant to the requirements under the Rules of Shareholders' Meeting of Listed Companies of the China Securities Regulatory Commission, independent directors shall issue a work report at the annual general meeting. Such report will be submitted to the general meeting for consideration but not for shareholders' approval. The 2018 Work Report of Independent Directors of the Company will be set out in the circular for Shareholders' information.

(2) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to a procedural or administrative matter to be voted on by a show of hands pursuant to the Hong Kong Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Hong Kong Listing Rules.

(3) H Shareholders who intend to attend the AGM in person or by proxy should return the reply slip to the office of the Board at the Company's principal place of business in the PRC 20 days before the meeting, i.e. before Friday, 24 May 2019 by hand, by post or by facsimile. The contact details of the office of the Board at the Company's principal place of business in the PRC are set out in note (10) below.

(4) Each H Shareholder who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his behalf at the AGM. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. In case that an appointer is a body corporate, the instrument must be either under the common seal of the body corporate or under the hand of its director or other person, duly authorized. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorization, must be certified by a notary public. For H Shareholders, the form of proxy and the notarially certified power of attorney or other documents of authorization must be delivered to the Company's H Share registrar at the address stated in note (9) below by post or facsimile (for H Shareholders only), not later than 1:00 p.m. on Thursday, 13 June 2019 (or if the AGM is adjourned, not less than 24 hours before the time appointed for holding the adjournment AGM (as the case may be)). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting at the AGM or any adjournment should he/she so wish.

(5) In order to determine the list of H Shareholders who will be entitled to attend and vote at the AGM, the register of members of H Shares of the Company will be closed from Wednesday, 15 May 2019 to Friday, 14 June 2019 (both days inclusive) during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Tuesday, 14 May 2019 shall be entitled to attend and vote at the AGM. In order for the H Shareholders to qualify for attending and voting at the AGM, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 14 May 2019.

(6) In order to determine the list of H Shareholders who are entitled to receive the proposed final dividend, the register of members of H Shares of the Company will be closed from Tuesday, 25 June 2019 to Friday, 28 June 2019 (both days inclusive) during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company on Friday, 28 June 2019 (i.e. the reference date) shall be entitled to receive the proposed final dividend. In order for the H Shareholders to qualify for receiving the proposed final dividend, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Monday, 24 June 2019.

(7) Shareholders or their proxies must present proof of their identities upon attending the AGM. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.

(8) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the AGM.

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

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

(10) The address and contact details of the Company's office of the Board at its principal place of business in the PRC are as follows:

North of Yihe
Huamei Shan Road Chengdong New District
Luanchuan County Luoyang City
Henan Province
People's Republic of China
Postal code: 471500
Telephone No.: (+86) 379 6860 3993
Facsimile No.: (+86) 379 6865 8017

The AGM is expected to last not more than one day. Shareholders or proxies attending the AGM are responsible for their own transportation and accommodation expenses.

* *For identification purposes only*

洛陽欒川鉬業集團股份有限公司

China Molybdenum Co., Ltd. *

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

(Stock Code: 03993)

NOTICE OF THE 2019 SECOND CLASS MEETING OF H SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the 2019 second class meeting of H shareholders (the "**H Shareholders' Class Meeting**") of China Molybdenum Co., Ltd.* (the "**Company**") will be held immediately after the 2018 annual general meeting (the "**AGM**") and the 2019 second class meeting of holders of A shares (the "**A Shareholders' Class Meeting**") of the Company and any adjournments thereof, on Friday, 14 June 2019 at the International Conference Room of Mudu-Lee Royal International Hotel at No. 239, Kaiyuan Street, Luolong District, Luoyang City, Henan Province, the People's Republic of China (the "**PRC**") for the purpose of considering and, if thought fit, passing the following resolution. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 27 April 2019.

SPECIAL RESOLUTION

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

   (a) subject to paragraphs (b) and (c) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to repurchase H Shares in issue on the Hong Kong Stock Exchange, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Hong Kong Stock Exchange or of any other governmental or regulatory body;

   (b) the number of H Shares authorized to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the number of H Shares in issue as at the date of the passing of this resolution;

(c) the approval in paragraph (a) above shall be conditional upon:

(i) the passing of a special resolution in the same terms as the resolution set out in this paragraph (except for this sub-paragraph (c)(i)) at the AGM (or on such adjourned date as may be applicable) and the A Shareholders' Class Meeting (or on such adjourned date as may be applicable);

(ii) the approval of all the competent regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and

(iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedure set out in Article 27 of the Articles of Association;

(d) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:

(i) the conclusion of the 2019 annual general meeting of the Company; or

(ii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the Shareholders at a general meeting, or a special resolution at their respective class meeting; and

(e) subject to the approval of all relevant government authorities in the PRC for the repurchase of such H Shares being granted, to authorize the Board to:

(i) formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to be repurchased, timing of repurchase and period of repurchase etc.;

(ii) notify creditors and make announcement in accordance with the requirements of relevant laws, regulations and normative documents as well as the Articles of Association;

(iii) open overseas share accounts and to carry out related change of foreign exchange registration procedures;

(iv) carry out relevant approval and filing procedures as required by regulatory authorities and the stock exchanges where the Shares are listed;

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

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

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

Luoyang City, Henan Province, the PRC, 27 April 2019

As at the date of this notice, the Company's executive directors are Mr. Li Chaochun and Mr. Li Faben; the non-executive directors are Mr. Yuan Honglin, Mr. Cheng Yunlei and Mr. Guo Yimin; and the independent non-executive directors are Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua.

Notes:

(1) Resolution at the meeting will be voted by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Hong Kong Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Hong Kong Listing Rules.

(2) H Shareholders who intend to attend the H Shareholders' Class Meeting in person or by proxy should return the reply slip to the office of the Board at the Company's principal place of business in the PRC 20 days before the meeting, i.e. before Friday, 24 May 2019 by hand, by post or by facsimile. The contact details of the Company's office of the Board are set out in note (8) below.

(3) Each H Shareholder who has the right to attend and vote at the H Shareholders' Class Meeting is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the H Shareholders' Class Meeting. The instrument appointing a proxy must be in writing under the hand of the appointor or his/her attorney duly authorized in writing. In case that an appointor is a body corporate, the instrument must be either under the common seal of the body corporate or under the hand of its director or other person, duly authorized. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be certified by a notary public. For H Shareholders, the form of proxy and the notarially certified power of attorney or other documents of authorization must be delivered to the Company's H Share registrar in Hong Kong at the address stated in note (7) below by post or facsimile (for H Shareholders only), not later than 1:00 p.m. on Thursday, 13 June 2019 (or if the H Shareholders' Class Meeting is adjourned, not less than 24 hours before the time appointed for holding of the adjourned H Shareholders' Class Meeting). Completion and return of the form of proxy will not preclude a Shareholder from attending and voting at the H Shareholders' Class Meeting or any adjournment should he/she so wish.

(4) In order to determine the list of H Shareholders who will be entitled to attend and vote at the H Shareholders' Class Meeting, the Company's register of members of H Shares will be closed from Wednesday, 15 May 2019 to Friday, 14 June 2019 (both days inclusive), during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the register of members of H Shares of the Company at 4:30 p.m. on Tuesday, 14 May 2019 shall be entitled to attend and vote at the H Shareholders' Class Meeting. In order for the H Shareholders to qualify for attending and voting at the H Shareholders' Class Meeting, Shareholders whose H Shares are not registered in their names should complete and lodge their respective instruments of transfer with the relevant H Share certificates with Computershare Hong Kong Investor Services Limited, the Company's H Share registrar in Hong Kong, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in any case no later than 4:30 p.m. on Tuesday, 14 May 2019.

(5) Shareholders or their proxies must present proof of their identities upon attending the H Shareholders' Class Meeting. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.

(6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the H Shareholders' Class Meeting.

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

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

(8) The address and contact details of the Company's office of the Board at its principal place of business in the PRC are as follows:

North of Yihe
Huamei Shan Road Chengdong New District
Luanchuan County Luoyang City
Henan Province
People's Republic of China
Postal code: 471500
Telephone No.: (+86) 379 6860 3993
Facsimile No.: (+86) 379 6865 8017

The H Shareholders' Class Meeting is expected to last not more than one day. Shareholders or proxies attending the H Shareholders' Class Meeting are responsible for their own transportation and accommodation expenses.

* *For identification purposes only*