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**洛陽欒川鉬業集團股份有限公司**

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

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

(Stock Code: 03993)

**Annual Results Announcement  
For the Year Ended 31 December 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of China Molybdenum Co., Ltd.\* (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019.

The financial information set out in this announcement does not constitute the Group’s complete set of the consolidated financial statements for the year ended 31 December 2019, but represents an extract from those consolidated financial statements.

The financial information has been reviewed by the Audit and Risk Committee of the Company and the auditor of the Company.

*Note:* This announcement was prepared in both Chinese and English versions. Where there is discrepancy between the Chinese and English versions, the Chinese version shall prevail.

## SUMMARY

- During the reporting period, the Company's operating revenue amounted to approximately RMB68.7 billion, including approximately RMB49.2 billion contribution from IXM since the consolidation from the end of July 2019. EBITDA for the year amounted to approximately RMB8.1 billion and EBITDA margin for the mining segment was 39%, representing a decrease as compared to the last year. This was mainly impacted by the slump of cobalt price and continuous weakness of copper price. Net cash flow from operating activities of the mining segment was approximately RMB6.2 billion with a net profit attributable to shareholders of the parent company of approximately RMB1.857 billion. The Board proposed a dividend to shareholders totaling approximately RMB0.929 billion (including tax) at a payout ratio of 50%.
- During the reporting period, the Company realized a production volume of molybdenum metal of 14,918 tonnes, and tungsten metal of 10,722 tonnes. TFM Copper and Cobalt Mine achieved a production volume of 177,956 tonnes of copper metal, and 16,098 tonnes of cobalt metal. Brazil achieved a production volume of phosphate fertilizers of 1,097,623 tonnes and niobium metal of 7,489 tonnes. NPM achieved a production volume of copper metal of 28,591 tonnes and gold of 19,781 ounces (based on 80% of equity interests).
- The Company focuses on managing and optimizing the financial statements. For the year ended 2019, gearing ratio of the Company was 57.65% (51.36% excluding IXM), and net interest-bearing debt ratio was 25.34% (17.36% excluding IXM). As at the end of 2019, balance of cash and cash equivalents amounted to approximately RMB15.6 billion and unused bank credits and other liquidity reserves were sufficient.
- During the reporting period, the Company achieved zero fatality and zero material environmental incident across our global operations and recorded a TRIR of 1.62, outperforming the global industry average as reported by ICMM. Taking the leading international management standards as the starting point, the company builds an advanced sustainable development structure and policies, and maintains MSCI's Sustainable Development rating at BBB, ranking the industry-leading level.

- During the reporting period, the Company comprehensively reorganized the management structure of the TFM and Phoenix Office in the United States and completed a series of major personnel adjustments to achieve management-level simplification and management efficiency improvement. A series of vigorous reform measures were implemented to reduce costs and increase efficiency. Compared with the same caliber in 2018, the Company reduced cash costs by approximately RMB1.47 billion in total.
- During the reporting period, the Company has completed the acquisition of IXM and achieved smooth integration, and gradually exerted synergistic effect of trading and mining business. IXM achieved a total profit of more than USD100 million throughout the year, which was the best performance since its establishment in 2006.
- The Company always attaches great importance to the return of shareholders. The Board approved the distribution of annual cash dividends of approximately RMB929 million, and the proportion of annual cash dividends accounted for more than 50% of the net profit attributable to shareholders of the parent company. In the past five years, cumulative cash dividends amounted to approximately RMB5.959 billion, accounting for more than 54% of net profit attributable to shareholders of the parent company.

## **Chairman's Letter**

To our shareholders,

CMOC's vision commits us to growing into a respected world-class mining powerhouse no matter how long the journey is ahead. 2019 saw us striving to build capabilities on all fronts while staying vigilant as the world evolves rapidly. Step by step, we are forging ahead towards our purpose and destiny. I would like to express my gratitude to all shareholders for your continued trust and support, and present herewith the 2019 Annual Report on behalf of the Board of Directors.

### **Financial performance**

In 2019, the Company reported a revenue of approximately RMB68.7 billion, including approximately RMB49.2 billion contributed from IXM following its consolidation at the end of July. EBITDA for the year was approximately RMB8.1 billion at 39% EBITDA margin for the mining segment, down from last year, mainly due to the fall of cobalt price and prolonged weakness of copper price. Net operating cash flow of the mining segment was approximately RMB6.2 billion. At the end of 2019, debt-to-asset ratio of the Company was 57.65% (51.36% excluding IXM) and net interest-bearing debt ratio stood at 25.34% (17.36% excluding IXM). With a reported approximately RMB1.857 billion of net profit attributable to shareholders, the Board of Directors proposes a dividend payment to shareholders totaling approximately RMB929 million (including tax) at a payout ratio of 50%.

### **Safety and ESG**

Safety is our core corporate value and "zero harm" is our paramount target. In 2019, the Company achieved zero fatality and zero material environmental incident across our global operations and recorded a TRIR of 1.62, outperforming the global industry average published by ICMM. When COVID-19 pandemic first broke out in China, the Company responded immediately. A Coronavirus Prevention and Control Leadership Group was set up on January 26th, 2020, and subsequently Emergency Response Teams were assembled at all operations with emergency plans developed. Procedures on containment of coronavirus were established and strictly followed. Support to ensure stable operations was put in place and readily available.

In 2019, under the guidance of the Board and the Strategy and Sustainability Committee, we formed the cross-function Sustainable Development Executive Committee, which reviewed and enacted eight compliance and sustainability policies including Code of Business Conduct. By the definitions in Global Reporting Initiative, CMOC's total "key economic contributions" worldwide reached over RMB26 billion.

## **Operations**

We believe that the core competitiveness of a mining company stems from constant pursuit of performance improvement and cost excellences. In 2019, the Company realigned the management structure at TFM in the DRC and our Phoenix office in the US. These major changes delivered a streamlined management model with greater simplicity and higher efficiency. This major overhaul brought profound benefits to the whole group and set a solid foundation for our future growth. Our global operations rolled out major efficiency programs which recorded a total of approximately RMB1.47 billion cash cost savings over 2018, including approximately USD130 million at TFM through cost-control initiatives on several aspects, consisting of mining, processing, administration, supply chain and logistics.

In China, the molybdenum and tungsten business showed outstanding robustness under the ever-tightening and ever-changing regulatory environment and kept its leading cost competitiveness among industry peers. In Brazil, breakthroughs were made thanks to perseverance in advancing our processing technology. And in our Australian copper and gold operation, two major capex projects are progressing on time and on budget.

We accomplished a smooth consolidation of IXM and started to see benefits from the synergies between our mining and trading businesses. In 2019, IXM achieved 5.11 million tons of physical trade and approximately USD100 million of gross profit, a record high since it was founded in 2006, demonstrating the counter-cyclicality nature of its business model.

We are committed to technological innovation. As a smart-mining pioneer in China, we are the first Chinese company applying 5G technology to mining, leading the industry by increasingly deploying autonomous electric mining vehicles.

## **Balance sheet management**

The Company always holds to the principle of keeping a strong balance sheet with sufficient liquidity. COVID-19 pandemic will impact our operating cash flows. Our stress test evaluates not only declining prices at different levels, but also global business shutdowns for a certain period of time. The Company has already prepared for the potential challenges and, based on our assessment, will stand strong facing these extreme scenarios.

We are focused on managing and improving our balance sheet. In 2019, the Company closed USD1 billion financing via offshore bond issuance and syndication, as well as RMB4 billion financing via onshore SCP and corporate bond issuance. These financing initiatives further optimised our debt structure and financing cost. In 2019, we achieved average cost of financing at 4%, one of the top performers in the industry.

## **Portfolio**

The Company has constructed a portfolio of commodities essential to improve people's quality of life. Our portfolio presents a unique set of high-quality assets with long-life, low cost and great potential. We seek diversification centering around our core business segments. Our global expansion across products and value chain leads to the diversification of market and client base, and of revenue streams and cash flows. The Company also maintains a balanced asset and liability structure denominated in both RMB and USD. We are very excited about the long-term value and growth potential of our portfolio which enhances our capabilities to counter and mitigate risks of the future.

## **Business development**

Based on our research of the tungsten market and positive view on its long-term prospect, the Company acquired 28,300 tons of APT in 2019. This alternative investment increased our tungsten reserves and further consolidated our leading position in the sector. The Company also invested in a nickel and cobalt hydrometallurgy project in Indonesia through minority equity participation. Upon its completion, the project will each year deliver at least 15,000 tons (in nickel content) products to the Company.

## **Looking ahead**

The Company is in the process to develop our five-year corporate strategy. We will fully leverage the massive potential of our existing portfolio which presents very promising organic growth opportunities thanks to the exceptional quality of our mining assets. For instance, TFM, with its huge reserves, under appropriate conditions, has the great prospect to be developed into a world-class mine with annual production of over 400,000 tons copper and over 30,000 tons cobalt.

In the meantime, IXM is carrying out its mission, leveraging its advantage as a commodity trader, to facilitate the Group's steady growth in the natural resources sector, and more importantly, to capture value adding synergistic opportunities across the Group's mining, investment and financing activities.

The market's recent volatility and downward trend reflected the growing concerns over another global economic recession, triggered by the spreading coronavirus. But where there is crisis, there is opportunity. While weathering through the storm, we will also strive to identify and seize the opportunities. Value creation, capital efficiency, shareholders return and sustainable development will always be our key considerations and criteria when making decisions over both organic and inorganic opportunities.

## **Sincere thanks**

I would like to express my gratitude to all our shareholders, clients, vendors, partners, and communities for your continued trust and support which is critical and essential for our future growth. I also sincerely thank all our Board members, management teams and employees around the world for your hard work and contribution to the Company.

COVID-19 outbreak brought impacts unseen in a century across the world on many aspects, from social governance to economic activities, and from family behavior patterns to everyone's mind and soul. Undoubtedly there will be profound effects. In the face of the rapid spread of the pandemic, the Company will unite and work with all stakeholders to overcome the unprecedented challenges. We believe that what does not defeat us makes us stronger.

**Li Chaochun**  
*Chairman*

Beijing, China  
27 March 2020

## I. SUMMARISED FINANCIAL INFORMATION

*Unit: Yuan Currency: RMB*

Major accounting information	2019	2018	Increase or decrease as compared to last year (%)	2017
Operating revenue	<b>68,676,565,008.79</b>	25,962,862,773.77	164.52	24,147,557,764.10
Net profit attributable to shareholders of listed company	<b>1,857,014,210.98</b>	4,635,583,953.16	-59.94	2,727,796,169.73
Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed company	<b>746,685,213.05</b>	4,560,178,551.23	-83.63	3,125,343,718.94
Net cash flow from operating activities	<b>1,704,827,883.87</b>	9,434,533,590.15	-81.93	8,428,811,927.59
EBITDA	<b>8,075,199,693.12</b>	12,615,392,379.22	-35.99	11,462,406,723.60
Net assets attributable to the shareholders of listed company	<b>40,802,774,133.85</b>	40,948,873,571.40	-0.36	38,157,183,127.02
Total assets	<b>116,862,226,476.73</b>	101,216,117,236.03	15.46	97,837,246,152.38
Gearing ratio	<b>57.65%</b>	51.00%	Increased by 6.65 percentage points	53.08%
Net interest-bearing debt ratio	<b>25.34%</b>	9.87%	Increased by 15.47 percentage points	10.4%



## Major Financial Indicators

Item	For the year ended 31 December		Increase or decrease as compared to last year (%)	For the year ended 31 December 2017
	2019	2018		
Basic earnings per share (“EPS”) (RMB Yuan per Share)	<b>0.09</b>	0.21	-57.14	0.14
Diluted EPS (RMB Yuan per Share)	N/A	N/A	N/A	N/A
Basic EPS after deduction of non-recurring profits or losses (RMB Yuan per Share)	<b>0.03</b>	0.21	-85.71	0.16
Weighted average return on net assets (%)	<b>4.54</b>	11.72	Decreased by 7.18 percentage points	9.89
Weighted average return on net assets after deduction of non- recurring profits or losses (%)	<b>1.85</b>	11.54	Decreased by 9.69 percentage points	11.25

# CONSOLIDATED BALANCE SHEET

Unit: Yuan Currency: RMB

Item	Notes	For the year ended 31 December		Increase (decrease)
		2019	2018	
<b>Current assets:</b>				
Cash and bank balances		15,647,900,059.61	26,647,644,058.81	-41.28%
Held-for-trading financial assets		7,719,450,290.97	774,326,692.25	896.92%
Derivative financial assets		2,178,322,223.39	0.00	100%
Accounts receivable	3	1,510,508,440.50	860,999,687.88	75.44%
Financing receivables	2	375,935,645.39	1,623,841,101.38	-76.85%
Prepayments	4	1,065,494,520.83	151,004,234.22	605.61%
Other receivables		1,119,039,260.19	1,040,048,708.23	7.59%
Including: Interests receivable		198,921,505.19	226,186,602.19	-12.05%
Dividends receivable		2,235,286.10	0.00	100%
Inventories		20,730,673,736.79	6,615,914,805.21	213.35%
Other current assets		3,830,180,430.37	1,450,605,120.41	164.04%
<b>Total current assets</b>		<b>54,177,504,608.04</b>	<b>39,164,384,408.39</b>	<b>38.33%</b>
<b>Non-current assets:</b>				
Long-term equity investment		1,033,168,028.11	2,522,865,277.94	-59.05%
Other investments in equity instruments		85,344,307.06	448,174,198.06	-80.96%
Other non-current financial assets		4,356,783,464.12	3,906,621,612.87	11.52%
Non-current derivative financial assets		7,620,425.07	3,179,157.60	139.70%
Fixed assets		24,439,595,450.35	23,620,517,589.11	3.47%
Construction in progress		2,386,791,478.58	1,893,822,308.19	26.03%
Right-of-use assets		346,815,801.39	N/A	N/A
Intangible assets		20,446,930,377.08	20,931,052,279.34	-2.31%
Long-term inventory		5,660,505,828.69	5,122,434,298.15	10.50%
Goodwill		659,468,043.85	674,886,645.02	-2.28%
Long-term prepaid expenses		136,987,188.97	129,022,870.55	6.17%
Deferred tax assets		645,508,458.12	525,597,815.59	22.81%
Other non-current assets		2,479,203,017.30	2,273,558,775.22	9.05%
<b>Total non-current assets</b>		<b>62,684,721,868.69</b>	<b>62,051,732,827.64</b>	<b>1.02%</b>
<b>Total assets</b>		<b>116,862,226,476.73</b>	<b>101,216,117,236.03</b>	<b>15.46%</b>

Item	Notes	For the year ended 31 December		Increase (decrease)
		2019	2018	
<b>Current liabilities:</b>				
Short-term borrowings		18,589,025,832.49	4,588,152,515.23	305.15%
Held-for-trading financing liabilities		3,157,951,924.72	4,250,711,352.44	-25.71%
Derivative financial liabilities		2,640,928,053.07	75,423,332.52	3,401.47%
Notes payable		233,224,073.53	29,000,000.00	704.22%
Accounts payable		1,944,506,406.62	1,119,073,099.06	73.76%
Contract liabilities		416,194,761.78	200,667,461.95	107.41%
Employee benefits payable		692,638,178.24	517,344,459.78	33.88%
Taxes payable		399,251,199.18	1,110,201,369.36	-64.04%
Other payables		1,584,737,923.47	1,027,781,797.06	54.19%
Including: Interests payable		246,838,776.68	230,624,891.14	7.03%
Dividends payable		27,885,796.67	27,885,796.67	0.00%
Non-current liabilities due within one year		3,749,103,660.62	2,929,839,224.28	27.96%
Other current liabilities		1,167,803,612.80	130,541,907.62	794.58%
<b>Total current liabilities</b>		<b>34,575,365,626.52</b>	<b>15,978,736,519.30</b>	<b>116.38%</b>
<b>Non-current liabilities:</b>				
Long-term borrowings		16,278,909,765.88	20,196,854,832.74	-19.40%
Bonds payable		5,092,860,000.00	2,000,000,000.00	154.64%
Non-current derivative financial liabilities		202,416,693.40	23,312,327.42	768.28%
Lease liabilities		273,971,191.18	N/A	N/A
Long-term employee benefits payable		254,249,008.22	129,064,725.83	96.99%
Provision		2,495,171,563.70	1,908,084,106.78	30.77%
Deferred income		68,005,249.90	66,675,249.96	1.99%
Deferred tax liabilities		7,887,539,765.83	8,021,118,162.47	-1.67%
Other non-current liabilities		238,141,518.84	3,294,336,000.00	-92.77%
<b>Total non-current liabilities</b>		<b>32,791,264,756.95</b>	<b>35,639,445,405.20</b>	<b>-7.99%</b>
<b>Total liabilities</b>		<b>67,366,630,383.47</b>	<b>51,618,181,924.50</b>	<b>30.51%</b>

Item	Notes	For the year ended 31 December		Increase (decrease)
		2019	2018	
<b>Shareholders' equity</b>				
Paid-in capital (Share capital)		4,319,848,116.60	4,319,848,116.60	0.00%
Capital reserve		27,582,794,983.23	27,582,794,983.23	0.00%
Other comprehensive income		-468,588,363.13	-799,327,420.21	41.38%
Special reserve		302,145.46	3,038,386.94	-90.06%
Surplus reserve		1,286,827,000.91	1,160,396,190.21	10.90%
Retained profits	5	8,081,590,250.78	8,682,123,314.63	-6.92%
Total equity (or equity interest) attributable to owners of the parent company		40,802,774,133.85	40,948,873,571.40	-0.36%
Non-controlling interests		8,692,821,959.41	8,649,061,740.13	0.51%
<b>Total shareholders' equity (or equity interest)</b>		<b>49,495,596,093.26</b>	<b>49,597,935,311.53</b>	<b>-0.21%</b>
<b>Total liabilities and shareholders' equity (or equity interest)</b>		<b>116,862,226,476.73</b>	<b>101,216,117,236.03</b>	<b>15.46%</b>

## CONSOLIDATED INCOME STATEMENT

Unit: Yuan Currency: RMB

Item	Notes	For the year ended 31 December		Increase (decrease)
		2019	2018	
<b>I. Total operating income</b>		<b>68,676,565,008.79</b>	25,962,862,773.77	164.52%
Including: Operating income	7	<b>68,676,565,008.79</b>	25,962,862,773.77	164.52%
<b>II. Total operating costs</b>		<b>69,261,920,764.53</b>	19,126,609,929.68	262.12%
Including: Operating costs	7	<b>65,605,691,676.40</b>	16,180,247,120.46	305.47%
Taxes and levies		<b>812,716,202.17</b>	1,018,793,135.61	-20.23%
Selling expenses		<b>90,657,673.80</b>	96,821,993.66	-6.37%
Administrative expenses		<b>1,233,696,509.26</b>	933,345,539.26	32.18%
Research and development expenses		<b>268,320,900.73</b>	254,356,012.27	5.49%
Financial expenses	8	<b>1,250,837,802.17</b>	643,046,128.42	94.52%
Including: Interest expenses		<b>1,840,227,297.31</b>	1,450,739,092.45	26.85%
Interest income		<b>-929,942,890.97</b>	-1,037,941,410.44	-10.41%
Add: Other income		<b>17,294,553.35</b>	12,550,421.30	37.80%
Investment income (losses are indicated by "-")	9	<b>194,629,428.14</b>	202,269,845.76	-3.78%
Including: Income from investments in associates and joint ventures		<b>21,744,539.34</b>	69,110,578.55	-68.54%
Gains from changes in fair value (losses are indicated by "-")		<b>2,703,857,555.18</b>	122,407,995.85	2,108.89%
Credit impairment gains (losses are indicated by "-")		<b>-6,311,229.01</b>	-17,792,652.00	-64.53%
Asset impairment gains (losses are indicated by "-")		<b>-38,246,066.61</b>	-66,582,688.49	-42.56%
Income from the disposal of assets (losses are indicated by "-")		<b>-64,265,650.01</b>	-31,121,956.96	106.50%
<b>III. Operating profit (losses are indicated by "-")</b>		<b>2,221,602,835.30</b>	7,057,983,809.55	-68.52%
Add: Non-operating income		<b>170,387,882.33</b>	2,578,175.70	6,508.85%
Less: Non-operating expenses		<b>33,542,253.71</b>	70,704,569.62	-52.56%

Item	Notes	For the year ended 31 December		Increase (decrease)
		2019	2018	
<b>IV. Total profit (total losses are indicated by “-”)</b>	10	<b>2,358,448,463.92</b>	6,989,857,415.63	-66.26%
Less: Income tax expenses	11	<b>592,600,086.07</b>	1,839,815,909.39	-67.79%
<b>V. Net profit (net losses are indicated by “-”)</b>		<b>1,765,848,377.85</b>	5,150,041,506.24	-65.71%
(1) Classified by business continuity				
1. Net profit from continuing operations (losses are indicated by “-”)		<b>1,765,848,377.85</b>	5,150,041,506.24	-65.71%
(2) Classified by ownership				
1. Net profit attributable to owners of the parent company (losses are indicated by “-”)		<b>1,857,014,210.98</b>	4,635,583,953.16	-59.94%
2. Non-controlling interest (losses are indicated by “-”)		<b>-91,165,833.13</b>	514,457,553.08	-117.72%
<b>VI. Other comprehensive income, net of tax</b>		<b>510,713,480.88</b>	209,753,598.38	143.48%
Other comprehensive income attributable to owners of the parent company, net of tax		<b>375,539,057.08</b>	-173,162,449.82	316.87%
(I) Other comprehensive income cannot be reclassified into the profit or loss subsequently		<b>60,440,773.28</b>	-26,301,226.93	329.80%
1. Remeasurement of changes in defined benefit plans		<b>-8,303,640.00</b>	0.00	100%
2. Changes in fair value of other equity instrument investments		<b>68,744,413.28</b>	-26,301,226.93	361.37%
(II) Other comprehensive income that will be reclassified subsequently into the profit or loss		<b>315,098,283.80</b>	-146,861,222.89	314.56%
1. Other comprehensive income to be reclassified into profit or loss under equity method		<b>20,822,262.48</b>	-20,822,262.48	200.00%

Item	Notes	For the year ended 31 December		Increase (decrease)
		2019	2018	
2. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedge)		<b>-173,044,901.70</b>	-17,113,194.35	911.18%
3. Foreign exchange differences from translation of financial statements		<b>467,320,923.02</b>	-108,925,766.06	529.03%
Other comprehensive income, net of tax attributable to non-controlling shareholders		<b>135,174,423.80</b>	382,916,048.20	-64.70%
<b>VII. Total comprehensive income</b>		<b>2,276,561,858.73</b>	5,359,795,104.62	-57.53%
Attributable to owners of the parent company		<b>2,232,553,268.06</b>	4,462,421,503.34	-49.97%
Attributable to non-controlling interests		<b>44,008,590.67</b>	897,373,601.28	-95.10%
<b>VIII. Earnings per share: :</b>				
(I) Basic earnings per share ( <i>RMB Yuan per Share</i> )	12	<b>0.09</b>	0.21	-57.14%
(II) Diluted earnings per share ( <i>RMB Yuan per Share</i> )	12	<b>N/A</b>	N/A	N/A

## CONSOLIDATED STATEMENT OF CASH FLOW

Unit: Yuan Currency: RMB

Items	For the year ended 31 December		Increase (Decrease)
	2019	2018	
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering services	<b>71,786,252,657.57</b>	29,243,394,765.11	145.48%
Cash received related to other operating activities	<b>4,753,257,983.02</b>	1,136,280,555.91	318.32%
Sub-total of cash inflows from operating activities	<b>76,539,510,640.59</b>	30,379,675,321.02	151.94%
Cash paid for purchasing goods and receiving labour services	<b>66,328,481,964.48</b>	13,838,634,782.28	379.30%
Cash paid to employees and paid for employees	<b>2,307,952,972.59</b>	2,058,337,557.31	12.13%
Taxes and fees paid	<b>4,168,334,672.22</b>	3,876,805,514.67	7.52%
Cash paid for other operating activities	<b>2,029,913,147.43</b>	1,171,363,876.61	73.29%
Sub-total of cash outflow from operating activities	<b>74,834,682,756.72</b>	20,945,141,730.87	257.29%
Net cash flow from operating activities	<b>1,704,827,883.87</b>	9,434,533,590.15	-81.93%
<b>II. Cash flows from investing activities:</b>			
Cash received from recovery of investment	<b>4,784,176,788.82</b>	6,076,815,575.34	-21.27%
Cash received from investment income	<b>1,632,774,545.59</b>	207,156,988.46	688.18%
Net cash received from disposals of fixed assets, intangible assets and other long term assets	<b>24,417,189.84</b>	43,630,402.62	-44.04%
Cash received related to other investing activities	<b>3,009,624,827.50</b>	0.00	100%
Sub-total of cash inflows from investment activities	<b>9,450,993,351.75</b>	6,327,602,966.42	49.36%
Cash paid for acquiring or construction of fixed assets, intangible assets and other long-term assets	<b>2,718,622,240.73</b>	2,807,367,389.57	-3.16%
Cash paid for investment	<b>5,095,283,003.45</b>	4,852,213,461.04	5.01%
Net cash paid on acquisition of subsidiaries and other operating units	<b>2,069,009,623.30</b>	0.00	100.00%
Cash paid for other investment activities	<b>2,247,181,202.53</b>	1,065,210,116.95	110.96%
Sub-total of cash outflow from investment activities	<b>12,130,096,070.01</b>	8,724,790,967.56	39.03%
Net cash flows from investment activities	<b>-2,679,102,718.26</b>	-2,397,188,001.14	11.76%



Items	For the year ended 31 December		Increase (Decrease)
	2019	2018	
<b>III. Cash flows from financing activities:</b>			
Cash received from borrowings	<b>32,091,740,322.20</b>	8,571,932,316.83	274.38%
Cash received from other financing activities	<b>2,903,278,100.00</b>	3,013,968,920.00	-3.67%
Sub-total of cash inflows from financing activities	<b>34,995,018,422.20</b>	11,585,901,236.83	202.05%
Cash paid for debt repayment	<b>31,372,194,483.49</b>	9,999,663,814.94	213.73%
Cash paid for distribution of dividends, profits or interest payment	<b>4,203,154,203.48</b>	2,646,126,449.90	58.84%
Cash paid for other financing activities	<b>9,667,041,045.09</b>	2,786,560,371.98	246.92%
Sub-total of cash outflow from financing activities	<b>45,242,389,732.06</b>	15,432,350,636.82	193.17%
Net cash flow from financing activities	<b>-10,247,371,309.86</b>	-3,846,449,399.99	-166.41%
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>373,190,382.07</b>	268,388,806.15	39.05%
<b>V. Net increase in cash and cash equivalents</b>	<b>-10,848,455,762.18</b>	3,459,284,995.17	-413.60%
Add: Balance of cash and cash equivalents at the beginning of year	<b>23,240,703,274.03</b>	19,781,418,278.86	17.49%
<b>VI. Balance of cash and cash equivalents at the end of year</b>	<b>12,392,247,511.85</b>	23,240,703,274.03	-46.68%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

#### Changes in Significant Accounting Policies

##### *New Lease Standards*

The Group has adopted the Accounting Standards for Business Enterprises No. 21 – Leases (hereinafter referred to as the “**New Lease Standards**”, and the previous lease standards referred to as the “**Previous Lease Standards**”) revised by the Ministry of Finance in 2018 since 1 January 2019 (the “**Date of Initial Application**”). The New Lease Standards modify the definition of leases by adding the identification, separation and consolidation of leases; for a lessee to classify its operating leases and finance leases, the lessee is required to recognise right-of-use assets and lease liabilities for all leases (other than short-term leases and leases of low value assets), and to recognise depreciation and interest expense separately at the commencement of the lease term. The Standards improve the lessee’s subsequent measurement of the lease by adding accounting treatment methods under the scenarios of option revaluation and lease change; and add relevant disclosure requirements.

For a contract that had already existed prior to the Date of Initial Application, the Group has elected not to reassess whether such contract is, or contains a lease.

##### *The Group as lessee*

The Group adjusted the retained earnings at the Date of Initial Application and the amounts of other related items in the financial statements based on the cumulative effect of the initial adoption of the New Lease Standards, and did not adjust the information for the comparative period.

For operating leases other than leases with low value prior to the Date of Initial Application, the Group elected to apply one or more of the following simplified approaches for each lease:

- For a lease that will be completed within 12 months from the Date of Initial Application, it was treated as a short-term lease;
- The same discount rate was applied to the leases with similar characteristics in measuring the lease liabilities;

- The measurement of right-of-use assets did not include initial direct costs;
- Where there is an option to renew or terminate the lease term, the Group determines the lease term based on the actual exercise of the option before the first execution date and other updates.

As for the Date of Initial Application, for an operating lease prior to the Date of Initial Application, the Group measured the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the Date of Initial Application, and chose to measure the right-of-use assets according to the same amount of the lease liability, adjusted for any rental prepayments as necessary.

The Group recognised lease liabilities of RMB109,224,275.11 and right-of-use assets of RMB176,934,415.36 as at 1 January 2019. For operating leases prior to the Date of Initial Application, the Group measured the lease liability at the present value discounted using the incremental borrowing rates at the Date of Initial Application, and the weighted average of such rates was 7.61%.

The difference between the lease liabilities recognised by the Group on 1 January 2019 and the significant operating lease commitments disclosed in the 2018 financial statements is as follows:

	<i>Unit: RMB</i>
<b>Item</b>	<b>Amount</b>
I. Operating leases commitment as at 31 December 2018	235,517,029.03
Lease liabilities discounted at the incremental borrowing rate as at the Initial Execution Day	150,517,515.40
Add: Leases for which the operating lease commitments are not disclosed due to insignificant amount	27,563,365.26
Lease liabilities recognised upon execution of the New Lease Standards in relation to the original operating leases	<u>178,080,880.66</u>
II. Lease liabilities as at 1 January 2019	178,080,880.66
Of which: Non-current liabilities due within one year	68,856,605.55
Lease liabilities	<u>109,224,275.11</u>

The composition of the carrying amount of right-of-use assets as at 1 January 2019 is as below:

	<i>Unit: RMB</i>
<b>Item</b>	<b>1 January 2019</b>
Right-of-use assets:	
Right-of-use assets recognised in the operating leases prior to the Initial Execution Day	178,080,880.66
Reclassified rental payable (originally presented in other current liabilities)	<u>(1,146,465.30)</u>
Total	<u><u>176,934,415.36</u></u>

The right-of-use assets by category as at 1 January 2019 is disclosed as below:

	<i>Unit: RMB</i>
<b>Item</b>	<b>1 January 2019</b>
Buildings and plants	145,106,765.27
Machinery equipment	<u>31,827,650.09</u>
Total	<u><u>176,934,415.36</u></u>

### ***The Group as a lessor***

The leases of the Group as a lessor will not be adjusted in accordance with the transitional requirements to which accounting treatment will be conducted pursuant to the New Lease Standards from the Initial Execution Day. The implementation of the New Lease Standards had no material effect on accounting treatment for the Group as a lessor.

The impact of executing the New Lease Standards on relevant items of the balance sheet of the Group as at 1 January 2019 is as below:

*Unit: RMB*

Item	31 December 2018	Adjustment	1 January 2019
<b>Non-current assets:</b>			
Right-of-use assets	176,934,415.36	176,934,415.36	176,934,415.36
<b>Current liabilities:</b>			
Non-current liabilities due within one year	2,929,839,224.28	68,856,605.55	2,998,695,829.83
Other current liabilities	130,541,907.62	(1,146,465.30)	129,395,442.32
<b>Non-current liabilities:</b>			
Lease liabilities	109,224,275.11	109,224,275.11	109,224,275.11

### ***Format of presentation of financial statements***

The Group has prepared financial statements for 2019 in accordance with the Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No. 6, hereinafter referred to as the “**Caikuai No. 6 Document**”) promulgated by the Ministry of Finance on 30 April 2019. The Caikuai No. 6 Document made amendments to certain items presented in the balance sheets and the income statements by separating the line item “Notes and accounts receivable” into two line items, namely “Notes receivable” and “Accounts receivable” and the line item “Notes and accounts payable” into two line items, namely “Notes payable” and “Accounts payable”. It also defined or amended the presentation contents of the “Interest income”, “Other income”, “Asset disposal gains”, “Non-operating income” and “Non-operating expenses” under the “Non-current assets due within one year”, “Deferred income”, “Other equity instruments”, “Research and development expenses” and “Financial expenses”, adjusted the presentation line item of “Asset impairment loss”, and defined the presentation contents of “Capital contributed by the holders of other equity instruments”. The Group has made restatements to the comparable information for the previous year for the changes in the above-mentioned presentation line items.

## 2. FINANCING RECEIVABLES

*Unit: RMB*

Category	2019	2018
Notes receivables		
Including: bank acceptances	<b>298,935,317.60</b>	1,303,563,428.96
commercial acceptances	<u>77,000,327.79</u>	<u>320,277,672.42</u>
Total	<u><b>375,935,645.39</b></u>	<u>1,623,841,101.38</u>

The Group discounts or endorses part of notes receivable according to its day-to-day capital demand, so the relevant notes receivable are classified as financial assets at FVTOCI.

### (1) Credit risk of financing receivables:

The Group measures the ECL of financing receivables on the basis of the comparison table of credit exposure rating and loss given default. The ECL in the financing receivables is as follows:

*Unit: RMB*

Internal credit rating	2019		
	Expected average loss rate	Book value	Expected credit loss
Lower risk (not-credit-impaired)	0.01%	329,948,077.60	29,700.00
Normal (not-credit-impaired)	2.27%	47,084,195.66	1,066,927.87
Loss (credit-impaired)	<u>100.00%</u>	<u>12,650,000.00</u>	<u>12,650,000.00</u>
Total		<u><b>389,682,273.26</b></u>	<u><b>13,746,627.87</b></u>

- (2) At the end and beginning of the year, financing receivables endorsed or discounted by the Group but yet to mature as at the balance sheet date are as follows:

*Unit: RMB*

<b>Category</b>	<b>Amount derecognised as at the end of 2019</b>	Amount derecognised as at the end of 2018
Bank acceptances	<u>1,509,138,489.45</u>	<u>324,130,239.49</u>
Total	<u><u>1,509,138,489.45</u></u>	<u><u>324,130,239.49</u></u>

*Note:* Since major risks including the interest rate risks as well as the remuneration related to such bank acceptance have been substantially transferred to banks or other parties, the Group derecognised these discounted or endorsed bank acceptances.

- (3) At the end and beginning of the year, receivables financing with an amount of RMB220,266,943.78 of the Group were used for pledge of issuing bills payable.
- (4) At the end and beginning of the year, none of the Group's notes was transferred to accounts receivable due to the drawers' failure in performing the agreements.

### 3. ACCOUNTS RECEIVABLE

#### (1) Disclosure by aging

*Unit: RMB*

Aging	Accounts receivable	2019 Provision for loss	Percentage of accrual (%)
Within 1 year	1,447,493,181.23	14,088,851.61	0.97
More than 1 year but not exceeding 2 years	72,085,630.15	9,043,657.34	12.55
More than 2 years but not exceeding 3 years	5,879,624.20	5,879,624.20	100.00
More than 3 years	<u>42,557,901.01</u>	<u>28,495,762.94</u>	<u>66.96</u>
Total	<u>1,568,016,336.59</u>	<u>57,507,896.09</u>	<u>3.67</u>

#### (2) Credit risk of accounts receivable

As the Group has a long-term and stable transaction relationship with the customers with high credit rating in respect of the niobium business in Brazil, the management believes that the credit risk is low.



As a part of credit risk management of the Group, the Group conducts internal credit rating for tungsten and molybdenum business in China and phosphorus business in Brazil, and determines the expected loss rate of accounts receivable for each rating, respectively. At the balance sheet date, the Group recognises the provision for ECL on the accounts receivable based on impairment matrix.

*Unit: RMB*

Internal credit exposure rating	Expected average loss rate	2019		
		Book balance	Impairment provision	Book value
Low risk	0.06%	1,074,863,215.71	689,873.46	1,074,173,342.25
Normal	2.26%	101,035,330.59	2,283,269.58	98,752,061.01
Attention	5.96%	358,314,896.82	21,359,397.94	336,955,498.88
Doubtful (impaired)	49.46%	1,241,641.83	614,103.47	627,538.36
Loss (impaired)	100.00%	32,561,251.64	32,561,251.64	–
Total		<u>1,568,016,336.59</u>	<u>57,507,896.09</u>	<u>1,510,508,440.50</u>

The expected average loss rate is measured based on historical practical impairment rate with the current situation and prediction on future economy taken into consideration. There were no changes in evaluation approach and significant assumption of the Group in 2019 and 2018.

**(3) Changes in expected credit loss for accounts receivable***Unit: RMB*

	Full lifetime ECL (not credit- impaired)	Full lifetime ECL (credit- impaired)	Total
1 January 2019	6,106,231.11	50,905,628.50	57,011,859.61
– Transfer from not credit-impaired	5,786,571.43	(5,786,571.43)	–
Provision of ECL for the period	11,425,691.36	–	11,425,791.36
Reversal of ECL for the period	(135,988.51)	(6,676,814.29)	(6,812,802.80)
Write-off for the period	(45,965.61)	(5,266,887.67)	(5,312,853.28)
Changes in exchange rate	1,196,001.20	–	1,196,001.20
31 December 2019	24,332,540.98	33,175,355.11	57,507,896.09

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

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total account receivable (%)	Credit impairment loss
31 December 2019				
Company A	Third Party	699,100,000.02	46.28	743,690.47
Company H	Third Party	98,003,599.84	6.49	7,578,758.32
Company C	Third Party	41,602,694.13	2.75	–
Company D	Third Party	28,694,839.27	1.90	30,525.07
Company E	Third Party	27,104,903.82	1.79	13,042,765.75
Total		<u>894,506,037.08</u>	<u>59.22</u>	<u>21,395,739.61</u>

#### 4. PREPAYMENTS

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

*Unit: RMB*

Aging	For the year ended 31 December			
	2019		2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,058,923,660.46	99.38	129,129,737.09	85.51
1 to 2 years	5,619,915.06	0.53	20,526,003.36	13.59
2 to 3 years	87,984.55	0.01	578,364.87	0.38
Over 3 years	862,960.76	0.08	770,128.90	0.52
Total	<u>1,065,494,520.83</u>	<u>100.00</u>	<u>151,004,234.22</u>	<u>100.00</u>

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

*Unit: RMB*

Name of entity	Relationship with the Company	Amount	Proportion of the amount to the total prepayments (%)
Company J	Third Party	250,553,097.33	23.52
Company K	Third Party	173,894,803.64	16.32
Company L	Third Party	100,834,790.51	9.46
Company M	Third Party	29,514,692.23	2.77
Company N	Third Party	19,976,348.70	1.87
Total		<u>574,773,732.41</u>	<u>53.94</u>

## 5. RETAINED PROFITS

*Unit: RMB*

Item	2019	2018
Retained profits at the beginning of the year	<b>8,682,123,314.63</b>	5,880,287,139.89
Add: Net profit attributable to shareholders of the parent company for the year	<b>1,857,014,210.98</b>	4,635,583,953.16
Transfer from other comprehensive income	<b>44,800,000.00</b>	–
Less: Appropriation to statutory surplus reserve	<b>126,430,810.70</b>	192,205,494.11
Ordinary shares payable	<b><u>2,375,916,464.13</u></b>	<u>1,641,542,284.31</u>
<b>Retained profits at the end of the year</b>	<b><u>8,081,590,250.78</u></b>	<b><u>8,682,123,314.63</u></b>

## 6. DIVIDEND

### (1) Implementation of cash dividend distribution policy

On 14 June 2019, the profit distribution plan for 2018 was considered and approved at the 2018 annual general meeting of the Company. The cash dividend per share was RMB0.11/share (tax inclusive), and the total cash dividends of RMB2,375.92 million (tax inclusive) was distributed for 2018, accounting for 51.25% of the net profit attributable to shareholders of parent company for the year. The implementation of dividend distribution was completed.

### (2) Proposal of dividend distribution

Based on the total share capital at the date of closure of register of members when the profit distribution is implemented, a cash dividend of RMB0.43 (tax inclusive) for every 10 shares is distributed to all the Shareholders, a total of RMB928,767,345.07 (tax inclusive) of cash dividend will be paid, accounting for 50.014% of the net profits attributable to the shareholders of the parent company for the year. In case from the date of disclosure of profit distribution plan to the date of closure of register of members, there are changes in the total share capital of the Company due to the conversion of convertible shares/repurchase of shares/cancellation of repurchased shares granted under equity incentive schemes/cancellation of repurchased shares due to material asset restructuring, the Company proposes to remain the total distribution amount unchanged, and to adjust the distribution ratio per share accordingly.

The proposal has been considered and approved at the eighth meeting of the fifth session of the Board of Directors, and is subject to the approval by Shareholders of the Company at the forthcoming annual general meeting (the “AGM”). The dividend distribution is expected to be completed within two months after the approval at the AGM.

The Company will despatch a circular containing, among others, relevant proposed distribution of final dividend and further information of the AGM to shareholders as soon as practicable.

## 7. OPERATING INCOME AND OPERATING COSTS

### (1) Operating income (by category)

*Unit: RMB*

Item	2019		2018	
	Revenue	Costs	Revenue	Costs
Principal operating activities	68,473,937,938.91	65,411,048,279.05	25,785,918,756.05	16,010,717,728.76
Including: Sales of goods	19,297,085,807.79	14,756,114,519.74	25,785,918,756.05	16,010,717,728.76
Metal trading	49,176,852,131.12	50,654,933,759.31	–	–
Other operating activities	202,627,069.88	194,643,397.35	176,944,017.72	169,529,391.70
Including: Income from hotel services	65,879,624.30	47,753,389.08	58,766,484.37	47,841,714.15
Other income	136,747,445.58	146,890,008.27	118,177,533.35	121,687,677.55
Total	<u>68,676,565,008.79</u>	<u>65,605,691,676.40</u>	<u>25,962,862,773.77</u>	<u>16,180,247,120.46</u>

### (2) Principal operating activities (by products)

*Unit: RMB*

Name of products	2019		2018	
	Operating income	Operating costs	Operating income	Operating costs
Molybdenum, tungsten related products	4,505,451,936.38	2,127,804,615.84	4,749,130,358.46	1,888,847,291.12
Niobium related products	2,266,737,876.53	1,462,542,498.12	2,155,536,187.79	1,508,705,257.58
Phosphorus related products	2,832,467,143.61	2,294,591,570.59	2,821,185,746.52	2,323,517,812.18
Copper, cobalt related products	8,331,866,319.98	7,818,073,933.04	14,373,797,900.75	9,172,220,457.93
Copper, gold related products	1,322,524,050.21	1,030,953,199.21	1,458,264,277.62	1,030,876,464.38
Mineral metal trading	13,806,496,826.50	15,344,493,459.78	–	–
Refined metal trading	35,370,355,304.62	35,310,440,299.53	–	–
Others	38,038,481.08	22,148,702.94	228,004,284.91	86,550,445.57
Total	<u>68,473,937,938.91</u>	<u>65,411,048,279.05</u>	<u>25,785,918,756.05</u>	<u>16,010,717,728.76</u>

## 8. FINANCIAL EXPENSES

*Unit: RMB*

Item	2019	2018
Interest expenses on bonds	<b>229,441,618.42</b>	93,400,000.00
Discount interest of notes receivable	<b>15,287,693.50</b>	21,961,919.70
Interest expenses on lease liabilities	<b>16,804,328.07</b>	–
Interest expenses of bank loans	<b>1,578,693,657.32</b>	1,335,377,172.75
Total interest expenses	<b>1,840,227,297.31</b>	1,450,739,092.45
Less: Interest income	<b>929,942,890.97</b>	1,037,941,410.44
Exchange differences	<b>(54,028,588.95)</b>	(248,004,137.17)
Gold lease charges	<b>82,099,619.58</b>	115,799,546.91
Expenses of return to shareholders of BHR		
Newwood Investment Management Limited		
<i>(Note)</i>	<b>142,003,384.79</b>	211,902,215.20
Others	<b>170,478,980.41</b>	150,550,821.47
Total	<b><u>1,250,837,802.17</u></b>	<b><u>643,046,128.42</u></b>

*Note:* On 20 January 2017, the Group entered into a framework cooperation agreement with BHR and its investors to secure the control of the BHR and its ancillary assets by way of a control agreement and to undertake to provide BHR investors with a fixed annualized exit return during the corresponding period. The Group accrued finance fees based on the agreed return.

## 9. INVESTMENT INCOME

### (1) Details of investment income

Item	<i>Unit: RMB</i>	
	2019	2018
Income from long-term equity investments under equity method	<b>21,744,539.34</b>	69,110,578.55
Investment income from long-term equity investment originally held from acquisition of remaining equity interests of joint ventures	<b>52,605,210.42</b>	–
Investment income received from other non-current financial assets held for the period	<b>55,879,547.61</b>	87,156,988.46
Investment income on disposal of held-for-trading financial assets	<b>23,305,635.62</b>	–
Investment income on disposal of other non-current financial assets	<b>41,094,495.15</b>	46,591,865.10
Investment loss on disposal of derivative financial assets	–	(589,586.35)
Total	<b><u>194,629,428.14</u></b>	<b><u>202,269,845.76</u></b>

**(2) Gains (losses) from long-term equity investments under equity method:***Unit: RMB*

Investee	2019	2018	Reasons for change between this year and last year
Luoyang Yulu Mining Company Limited (洛陽豫鷺礦業有限責任公司)	120,225,172.69	114,098,798.55	The changes in profits of the invested company
Luoyang Shenyu Molybdenum Co., Ltd. (洛陽申兩鉬業有限責任公司)	8,331.56	(177,816.66)	The changes in profits of the invested company
Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. (洛陽高科鉬鎢材料有限公司)	(1,029,553.31)	(7,066,150.12)	The changes in profits of the invested company
Xuzhou Huan Yu Molybdenum Co., Ltd. (徐州環宇鉬業有限公司)	(61,228,247.67)	(56,493,675.24)	The changes in profits of the invested company
Natural Resources Investment Fund (自然資源投資基金)	(33,049,846.78)	18,749,422.02	The changes in profits of the invested company
Zhejiang Youqing Trade (浙江友青貿易)	(1,500,000.00)		- The changes in profits of the invested company
Walvis Bay Cargo Terminal Pty. Ltd	(1,573,631.88)		- The changes in profits of the invested company
PT.Huayue Nickel Cobalt (華越鎳鈷(印尼)有限公司)	(107,685.27)		- The changes in profits of the invested company
Total	<u>21,744,539.34</u>	<u>69,110,578.55</u>	

There is no material restriction on the return of the Group's investment income.

Investment income during the year and the prior year was generated from investments in unlisted entities.

**10. TOTAL PROFIT**

Profit for the year after deducting the following items:

*Unit: RMB*

	2019	2018
Depreciation	<u>2,354,294,576.54</u>	<u>2,614,789,058.40</u>
Amortization	<u>1,378,007,843.49</u>	<u>1,346,616,857.59</u>



## 11. INCOME TAX EXPENSES

*Unit: RMB*

Item	2019	2018
Current income tax calculated according to the tax laws and relevant requirements	1,142,310,827.87	2,809,420,983.78
Differences arising on settlement of income tax for the previous year	(6,609,658.92)	45,047,581.11
Adjustments to deferred income tax	<u>(543,101,082.88)</u>	<u>(1,014,652,655.50)</u>
Total	<u><u>592,600,086.07</u></u>	<u><u>1,839,815,909.39</u></u>

Reconciliation of income tax expenses to the accounting profit is as follows:

*Unit: RMB*

	2019	2018
Accounting profit	2,358,448,463.92	6,989,857,415.63
Income tax expenses calculated at 15% (2018: 15%)	353,767,269.59	1,048,478,612.34
Effects of non-deductible expenses for tax purpose	291,427,986.65	274,484,184.80
Effects of tax-free income/extra deductible expense for tax purpose	(159,302,560.88)	(78,381,156.49)
Effects of utilizing previously unrecognised deductible losses and deductible temporary differences for tax purpose	(1,811,160.89)	(22,241,328.57)
Effects of unrecognised deductible loss and deductible difference for tax purpose	7,751,430.48	14,603,307.41
Exchange rate impact on non-monetary items	(40,610,962.01)	(41,104,893.32)
Deductible losses generated from tax reports	(36,347,770.47)	(154,482,424.28)
Effects of different tax rate in subsidiaries in other jurisdictions	142,645,522.31	753,412,026.39
Difference arising on settlement of income tax for the previous years	(6,609,658.92)	45,047,581.11
Registered capital tax ( <i>Note</i> )	8,051,598.58	–
Change in deferred income tax arising from the change in tax rate	<u>33,638,391.63</u>	<u>–</u>
Total	<u><u>592,600,086.07</u></u>	<u><u>1,839,815,909.39</u></u>

*Note:* Being the income tax from IXM, a subsidiary of the Group, payable in accordance with the established ratio of the registered capital under tax laws of Switzerland.

## 12. CALCULATION PROCESS OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

For the purpose of calculating basic earnings per share, net profit attributable to ordinary shareholders for the current period is as follows:

	<i>Unit: RMB</i>	
	<b>2019</b>	2018
Net profit attributable to ordinary shareholders for the current year	<b>1,857,014,210.98</b>	4,635,583,953.16

In calculating the basic earnings per share, the denominator is the weighted average number of the issued and outstanding ordinary shares and its calculation process is as follows:

	<b>2019</b>	2018
Number of outstanding ordinary shares at the beginning of year	<b>21,599,240,583</b>	21,599,240,583
Add: Weighted average number of ordinary shares issued during the year	–	–
Weighted average number of outstanding ordinary shares at the end of year	<b>21,599,240,583</b>	21,599,240,583

### Earnings per share:

	<i>Unit: RMB</i>	
	<b>2019</b>	2018
Calculated based on net profit attributable to shareholders of the parent company:		
Basic earnings per share	<b>0.09</b>	0.21
Diluted earnings per share	<b>N/A</b>	N/A

## II. FINANCIAL REVIEW

### Overview

During the reporting period, the Company's net profit decreased from approximately RMB5,150.04 million for the year ended 31 December 2018 to approximately RMB1,765.85 million, which decreased by approximately RMB3,384.19 million or 65.71%. Among others: net profit attributable to shareholders of the parent company amounted to approximately RMB1,857.01 million, representing a decrease of approximately RMB2,778.57 million or 59.94% from approximately RMB4,635.58 million for the year ended 31 December 2018. It was mainly due to the significant drop of the market prices of the Company's principal products such as copper, cobalt and tungsten during the reporting period.

### Principal Businesses by Industry, Product and Region

*Unit: Yuan Currency: RMB*

By industry	Principal businesses 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 (percentage points)	
Mineral exploration and processing	19,259,047,326.71	14,733,965,816.80	23.50	-24.65	-7.47	decreased by 14.19 percentage points	
Mineral trading (note)	49,176,852,131.12	50,654,933,759.31	-3.01	/	/	/	
Others	38,038,481.08	22,148,702.94	41.77	-83.32	-74.41	decreased by 20.27 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 (percentage points)
<b>Mineral exploration and processing</b>						
Molybdenum and tungsten	4,505,451,936.38	2,127,804,615.84	52.77	-5.13	12.65	Decreased by 7.46 percentage points
Copper and gold	1,322,524,050.21	1,030,953,199.21	22.05	-9.31	0.01	Decrease by 7.26 percentage points
Niobium and phosphate	5,099,205,020.14	3,757,134,068.71	26.32	2.46	-1.96	Increased by 3.32 percentage points
Copper and cobalt	8,331,866,319.98	7,818,073,933.04	6.17	-42.03	-14.76	Decreased by 30.02 percentage points
<b>Mineral trading</b>						
<i>(note)</i>						
Mineral metals	13,806,496,826.50	15,344,493,459.78	-11.14	/	/	/
Refined metals	35,370,355,304.62	35,310,440,299.53	0.17	/	/	/
<b>Others</b>	38,038,481.08	22,148,702.94	41.77	-83.32	-74.41	Decreased by 20.27 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 (percentage points)
<b>Mineral exploration and processing</b>						
China	4,505,451,936.38	2,127,804,615.84	52.77	-5.13	12.65	Decreased by 7.46 percentage points
Australia	1,322,524,050.21	1,030,953,199.21	22.05	-9.31	0.01	Decrease by 7.26 percentage points
Brazil	5,099,205,020.14	3,757,134,068.71	26.32	2.46	-1.96	Increased by 3.32 percentage points
DRC	8,331,866,319.98	7,818,073,933.04	6.17	-42.03	-14.76	Decreased by 30.02 percentage points
<b>Mineral trading</b>						
<i>(Note)</i>						
China	13,100,159,995.13	12,398,119,837.34	5.36	/	/	/
Outside China	36,076,692,135.99	38,256,813,921.97	-6.04	/	/	/
<b>Others</b>						
China	38,038,481.08	22,148,702.94	41.77	-83.32	-74.41	Decreased by 20.27 percentage points

### Explanation to Principal Businesses by Industry, Product and Region

*Note:* IXM is engaged in the metal trading business which combines the futures and spot commodities. The Group only included the corresponding cost of the spot commodities in accordance with the requirements of the Accounting Standards for Enterprises when accounting for the operating cost of the metal trade; the profit and loss related to the futures business is recognized in gains and losses in fair value change and investment income.

## Analysis of Production and Sales Volume of Principal Products

Principal products	Unit	Production (procurement volume) volume	Sales volume	Inventory volume	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 volume as compared to last year (%)
<b>Mineral exploration and processing</b>							
Molybdenum	Tonnes	14,918	14,969	1,746	-3.01	-17.89	-6.23
Tungsten	Tonnes	10,722	10,743	1,305	-8.34	-3.73	-4.21
Niobium	Tonnes	7,489	7,453	2,676	-16.39	-17.64	53.00
Phosphate fertilizer (HA+LA)	Tonnes	1,097,623	1,051,120	195,363	-1.68	2.76	28.64
Copper (TFM)	Tonnes	177,956	159,116	32,120	5.73	-7.47	141.87
Cobalt	Tonnes	16,098	15,130	3,630	-14.13	-21.97	37.05
Copper (80% equity interest of NPM)	Tonnes	28,591	29,191	1,507	-10.46	-7.80	70.09
Gold	Ounces	19,781	20,095	/	-21.89	-19.22	/
<b>Mineral trading</b>							
Mineral metals ( <i>Note 1</i> )	Tonnes	1,214,293	1,061,979	470,972	/	/	/
Refined metals ( <i>Note 2</i> )	Tonnes	1,422,010	1,435,618	315,076	/	/	/

*Note 1:* the primary products of metal minerals, mainly are the concentrates.

*Note 2:* the smelting and processing products of metal minerals.

## Component of Cost of Principal Products

*Unit: RMB'000*

By industry	Component of cost	By Industry		Amount for last year	Percentage over total cost for last year (%)	Percentage of changes in amount as compared to last year (%)
		Amount for the current year	Percentage over total cost for the current year (%)			
Mineral exploration and processing	Materials	7,441,821	48.16	7,410,043	46.81	0.43
	Labour	1,587,884	10.28	1,600,048	10.11	-0.76
	Depreciation	3,347,840	21.67	3,696,336	23.35	-9.43
	Energy	757,474	4.90	765,587	4.84	-1.06
	Manufacturing fees	2,317,077	15.00	2,356,862	14.89	-1.69
Mineral trading	Purchase cost	51,847,507	100.00	/	/	/

By product	Component of cost	By Product			Amount for last year	Percentage over total cost of last year (%)	Percentage changes in amount as compared of last year (%)
		Amount for the current year	Percentage over total cost for the current year (%)	Amount for last year			
<b>Mineral exploration and processing</b>							
Molybdenum and tungsten related products	Materials	667,142	36.50	596,810	35.07	11.78	
	Labour	316,691	17.32	296,106	17.40	6.95	
	Depreciation	152,266	8.33	157,581	9.26	-3.37	
	Energy	237,253	12.98	227,576	13.37	4.25	
	Manufacturing fees	454,615	24.87	423,537	24.89	7.34	
Copper and gold related products	Materials	193,320	19.54	166,253	16.88	16.28	
	Labour	143,671	14.52	141,875	14.41	1.27	
	Depreciation	400,910	40.52	408,549	41.49	-1.87	
	Energy	122,424	12.37	131,604	13.37	-6.98	
	Manufacturing fees	129,043	13.04	136,381	13.85	-5.38	
Niobium and phosphate related products	Materials	1,107,697	29.99	1,190,151	31.25	-6.93	
	Labour	610,586	16.53	596,838	15.67	2.30	
	Depreciation	560,436	15.17	587,819	15.43	-4.66	
	Energy	185,146	5.01	205,660	5.40	-9.97	
	Manufacturing fees	1,230,229	33.30	1,228,580	32.25	0.13	
Copper and cobalt related products	Materials	5,473,662	61.22	5,456,829	58.46	0.31	
	Labour	516,936	5.78	565,229	6.06	-8.54	
	Depreciation	2,234,228	24.99	2,542,387	27.24	-12.12	
	Energy	212,650	2.38	200,747	2.15	5.93	
	Manufacturing fees	503,189	5.63	568,363	6.09	-11.47	
<b>Mineral trading</b>							
Mineral metals	Purchase cost	15,344,493	100.00	/	/	/	
Refined metals	Purchase cost	36,503,014	100.00	/	/	/	



## **Administrative Expenses**

For the year ended 31 December 2019, the administrative expenses of the Group amounted to approximately RMB1,233.70 million, representing an increase of approximately RMB300.35 million or 32.18% from approximately RMB933.35 million for the same period in 2018, mainly due to the completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business in the reporting period.

## **Finance Expenses**

For the year ended 31 December 2019, the finance expenses of the Group amounted to approximately RMB1,250.84 million, representing an increase of approximately RMB607.79 million or 94.52% from approximately RMB643.05 million for the same period in 2018, mainly due to a year-on-year increase in net interest expenditure and a year-on-year decrease in exchange gains as a result of the completion of merger and acquisition of IXM on 24 July 2019.

## **Gains on changes of Fair Value**

For the year ended 31 December 2019, gains on changes of fair value of the Group amounted to approximately RMB2,703.86 million, representing an increase of approximately RMB2,581.45 million or 2,108.86% from approximately RMB122.41 million for the same period in 2018, mainly due to the completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business in the reporting period.

## **Non-operating Income**

For the year ended 31 December 2019, the non-operating income of the Group amounted to approximately RMB170.39 million, representing an increase of approximately RMB167.81 million or 6,504.26% from approximately RMB2.58 million for the same period in 2018, mainly due to the recognition of negative goodwill arising from the merger and acquisition of IXM in the reporting period.

## **Income Tax Expenses**

For the year ended 31 December 2019, the income tax expenses of the Group amounted to approximately RMB592.60 million, representing a decrease of approximately RMB1,247.22 million or 67.79% from approximately RMB1,839.82 million for the same period in 2018, mainly due to a year-on-year decrease of the income tax expenses from copper and cobalt business in the reporting period.

## **Financial Position**

As at 31 December 2019, the total assets of the Group amounted to approximately RMB116,862.23 million, comprising non-current assets of approximately RMB62,684.72 million and current assets of approximately RMB54,177.50 million. Equity attributable to shareholders of the parent company as at 31 December 2019 decreased by approximately RMB146.10 million or 0.36% to approximately RMB40,802.77 million from approximately RMB40,948.87 million as at 31 December 2018.

### **Current Assets**

As at 31 December 2019, the current assets of the Group increased by approximately RMB15,013.12 million or 38.33% to approximately RMB54,177.50 million from approximately RMB39,164.38 million as at 31 December 2018.

### **Non-current Assets**

Non-current assets of the Group increased by approximately RMB632.99 million or 1.02% from approximately RMB62,051.73 million as at 31 December 2018 to approximately RMB62,684.72 million as at 31 December 2019.

### **Scope of Restricted Assets**

As at the end of 2019, the bank acceptance bond deposits of the Group amounted to approximately RMB900.00 million (opening balance for the year: approximately RMB882.34 million), the loan guarantee deposits amounted to approximately RMB2,196.19 million (opening balance for the year: approximately RMB1,903.36 million), the special security deposits for the mine environment restoration and rehabilitation amounted to approximately RMB45.76 million (opening balance for the year: approximately RMB39.53 million), and other deposits amounted to approximately RMB0.5 million (opening balance for the year: approximately RMB0.5 million).

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

### **Current Liabilities**

The current liabilities of the Group increased by approximately RMB18,596.63 million or 116.38% to approximately RMB34,575.37 million as at 31 December 2019 from approximately RMB15,978.74 million as at 31 December 2018.

### **Non-current Liabilities**

The non-current liabilities of the Group decreased by approximately RMB2,848.19 million or 7.99% to approximately RMB32,791.26 million as at 31 December 2019 from approximately RMB35,639.45 million as at 31 December 2018.

## Explanation to the Balance Sheet Items

Unit: RMB

Items	Balance as at the end of the current period	Balance as at the end of the current period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Cash and bank balances	15,647,900,059.61	13.39	26,647,644,058.81	26.28	-41.28	Payment of the consideration of equity acquisition, dividends and payments for auction bid of the APT of Kunming Fanya Metal Exchange Holdings Company Limited during the reporting period
Held-for-trading financial assets	7,719,450,290.97	6.61	774,326,692.25	0.76	896.92	Completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business in the reporting period
Derivative financial assets	2,178,322,223.39	1.86	0.00	0.00	100.00	Completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business in the reporting period
Accounts receivable	1,510,508,440.50	1.29	860,999,687.88	0.85	75.44	Increase in accounts receivable of molybdenum and tungsten business during the reporting period
Financing receivable	375,935,645.39	0.32	1,623,841,101.38	1.60	-76.85	Receipt of bills receivable during the reporting period
Prepayments	1,065,494,520.83	0.91	151,004,234.22	0.15	605.61	Completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business in the reporting period

Items	Balance as at the end of the current period	Balance as at the end of the current period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Inventories	20,730,673,736.79	17.74	6,615,914,805.21	6.53	213.35	Completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business for the reporting period
Other current assets	3,830,180,430.37	3.28	1,450,605,120.41	1.43	164.04	Completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business for the reporting period
Long-term equity investments	1,033,168,028.11	0.88	2,522,865,277.94	2.49	-59.05	NCCL Natural Resources Investment Fund LP, shares of which held by the Company, has completed the disposal of its investment in IXM and quitted the project for the reporting period
Short-term borrowings	18,589,025,832.49	15.91	4,588,152,515.23	4.53	305.15	Completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business for the reporting period
Derivative financial liabilities	2,640,928,053.07	2.26	75,423,332.52	0.07	3,401.47	Completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business for the reporting period
Accounts payable	1,944,506,406.62	1.66	1,119,073,099.06	1.10	73.76	Increase in metal trade business payables for the period

Items	Balance as at the end of the current period	Balance as at the end of the current period as a percentage of total assets (%)	Balance as at the end of the corresponding period of last year	Balance as at the end of the corresponding period of last year as a percentage of total assets (%)	Change in balance as at the end of the current period as compared with balance as at the end of the corresponding period of last year (%)	Explanation
Taxes payable	399,251,199.18	0.34	1,110,201,369.36	1.09	-64.04	Decrease in total taxes payable due as at the end of the reporting period arising from the decrease in profit
Other payables	1,584,737,923.47	1.36	1,027,781,797.06	1.01	54.19	Completion of merger and acquisition of IXM on 24 July 2019 and the addition of fundamental metal trading business for the reporting period
Other current liabilities	1,167,803,612.80	1.00	130,541,907.62	0.13	794.58	Issuance of ultra short-term financing bonds during the reporting period
Bonds payable	5,092,860,000.00	4.36	2,000,000,000.00	1.97	154.64	Issuance of corporate bonds and overseas USD-denominated bonds during the reporting period
Provision	2,495,171,563.73	2.14	1,908,084,106.78	1.88	30.77	Increase in reclamation and disposal costs of overseas mine during the reporting period
Other non-current liabilities	238,141,518.84	0.20	3,294,336,000.00	3.25	-92.77	Completion of acquisition of 24% equity interests in DRC during the reporting period.

## Gearing Ratio

Gearing ratio (total liabilities divided by total assets) of the Group increased to 57.65% as at 31 December 2019 from 51.00% as at 31 December 2018.

## Cash Flow

As at 31 December 2019, cash and cash equivalents of the Group decreased by approximately RMB10,848.45 million or 46.68% to approximately RMB12,392.25 million from approximately RMB23,240.70 million as at 31 December 2018. For the year ended 31 December 2019, net cash inflow generated from operating activities of the Group was approximately RMB1,704.83 million; net cash outflow from investment activities was approximately RMB2,679.10 million; and net cash outflow generated from financing activities was approximately RMB10,247.37 million.

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

*Unit: Yuan Currency: RMB*

Item	Amount of current year	Amount of last year	Change (%)	Explanation
Cash receipts from sales of goods and rendering of services	71,786,252,657.57	29,243,394,765.11	145.48	Completion of merger and acquisition of IXM on 24 July 2019 and a year-on-year increase of metal trading business of bulk commodity for the current year
Cash receipts relating to other operating activities	4,753,257,983.02	1,136,280,555.91	318.32	Completion of merger and acquisition of IXM on 24 July 2019 and a year-on-year increase of metal trading business of bulk commodity for the current year
Cash payments for goods purchased and services received	66,328,481,964.48	13,838,634,782.28	379.30	Completion of merger and acquisition of IXM on 24 July 2019 and a year-on-year increase of metal trading business of bulk commodity for the current year, and the payment in September of the bid for the APT auction to Kunming Fanya Metal Exchange Inc.
Cash payments relating to other operating activities	2,029,913,147.43	1,171,363,876.61	73.29	Completion of merger and acquisition of IXM on 24 July 2019 and a year-on-year increase of metal trading business of bulk commodity for the current year
Cash receipts from investment income	1,632,774,545.59	207,156,988.46	688.18	Year-on-year increase in dividends from associates in the current year
Cash receipts relating to investing activities	3,009,624,827.50	0.00	100.00	Amount received from borrowings lent to external units during the current year

Item	Amount of current year	Amount of last year	Change (%)	Explanation
Net cash payments for acquisitions of subsidiaries and other business units	2,069,009,623.30	0.00	100.00	Year-on-year increase in expenses for acquisition of equity interest of subsidiaries for the current year
Other cash payments relating to investing activities	2,247,181,202.53	1,065,210,116.95	110.96	Year-on-year increase in the amount lent to the external units for the current year
Cash receipts from borrowings	32,091,740,322.20	8,571,932,316.83	274.38	Year-on-year increase in short-term borrowings obtained after the adjustment to financing structure for the current year
Cash repayments of borrowings	31,372,194,483.49	9,999,663,814.94	213.73	Year-on-year increase in repayment of long/short-term borrowings after the adjustment to financing structure for the current year
Cash payments for distribution of dividends or profits or settlement of interests	4,203,154,203.48	2,646,126,449.90	58.84	Year-on-year increase in distribution of dividends for the current year
Other cash payments relating to financing activities	9,667,041,045.09	2,786,560,371.98	246.92	Year-on-year increase in repayments of gold lease business due during the current year

## Capital Structure

As at 31 December 2019, the equity interests of shareholders of the Company amounted to approximately RMB49.5 billion, among which the equity attributable to shareholders of the parent company was approximately RMB40.8 billion. There was no change in the capital of the Company during 2019.

As at 31 December 2019, the Company issued 21,599,240,583 shares, comprising 17,665,772,583 A shares and 3,933,468,000 H shares.

## **RISK WARNING**

### **1. Exposure to Risks Related to Price Fluctuations of Principal Products**

The revenue of the Company primarily generates from the sale of metals and phosphate products, including copper cathode, copper concentrates, cobalt hydroxide, ferromolybdenum, tungsten concentrates, ferroniobium, phosphate fertilizer and other related products. Its operating results are largely subject to fluctuations in the market prices thereof. The NPM copper and gold mine of the Company also has sales of gold as by-product. Accordingly, the price fluctuations in gold will also have an impact on the Company. Since the fluctuations in the costs of mining and smelting process are relatively insignificant, the Company's profit and profit margin during the reporting period are closely related to the price trend of the commodities. Therefore, significant fluctuations in the prices of resource products and gold may cause instability of the operating results of the Company. Particularly, if the prices of resource products record sharp decrease, the operating results of the Company will fluctuate significantly.

Given that the product price fluctuations may have certain impact on the Company's performance, the Company has formulated the CMOC Administrative Measures of Derivatives Trading Business, choosing the right opportunity to hedge the market risk with the appropriate derivatives trading business. At the same time, it regulates the behavior and provides risk prevention for derivatives trading of the Company.

### **2. Exposure to Risks Related to Reliance on Mineral Resources**

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

Relevant internal technical staff of the Company will regularly review and update the reserve of resources and grade according to the development of resources, and optimize mining schemes and plans, thereby verifying resources of the Company and implementing the best mining plans.



### **3. Exposure to Risks Related to Production Safety or Natural Disasters**

The Company engages in the mining business and mineral resources processing, and the Company has invested substantial resources in production safety to form a relatively complete system of production safety management and continuously pushed forward the standardized safety management so as to establish a sound system for safe production management, risk prevention and supervision. However, safety incidents cannot be totally avoided. As an enterprise for mineral resource development, large amounts of waste rocks and tailings are produced in the production process. Inefficient management of slag discharge fields and tailing storage facilities may result in disaster in certain area. The Company uses explosives in the mining process. If there are defects in the process of storage and use of such materials, there may be risks of casualties. In addition, tailing storage facilities and slag discharge fields may be damaged if serious natural disaster occurs such as rainstorms or debris flows.

The Company will continue to prevent and control safety risks by formulating and improving safety system, intensifying accountability and assessment in relation to safety and environmental protection, continuously increase investment in production safety and environmental protection and promoting standardized safety management. The Company will improve the ability and level of prevention and control of natural disaster through the formulation and drills of natural disaster emergency plans such as “rainy season” emergency plan and issuance of the “Corporate Governance Standard for Tailings and Mineral Residue Management” and other measures applicable to global businesses.

### **4. Exposure to Risks Related to the COVID-19 Outbreak**

Given the global spread of the COVID-19 since the beginning of 2020, currently speaking, the epidemic in China has seen further effective control while the epidemic overseas was exposed to further aggravation. As the epidemic has spread rapidly overseas, the World Health Organization has redefined it as “pandemic”, and if the epidemic cannot be contained in the short term, it will cause substantive impact on the global real economy. Shrinking demand, economic turmoil and market panic will bring risks of significant decrease in the prices of products, as well as new challenges and adverse impact on the supply of goods, logistics guarantee, and business travel of multinational companies. There will be increasing operating business pressure, epidemic prevention pressure and cost of the Company.

The Company will pay particular attention to the development of the epidemic, actively review the trend of the commodity market, and strengthen the prevention and control of the epidemic.

## **5. Exposure to Risks Related to Exchange Rates**

The Company's exposure to risks related to exchange rates is primarily arising from assets and liabilities held in foreign currencies other than the functional currency and the international business commenced by IXM B.V. ("IXM") Group. Its assets and liabilities are denominated in functional currencies different from those of the entities and are therefore subject to changes in foreign exchange rates. The exchange rates risks exposed to the Company are mainly associated with USD, HK\$, EUR, CAD, RMB, BRL, GBP, CDF and other currencies. All principal business operations of domestic subsidiaries are denominated and settled in RMB; the principal business operations of subsidiaries in Australia are mainly denominated and settled in AUD or USD; the niobium and phosphates businesses in Brazil are mainly denominated and settled in USD and BRL; and the copper and cobalt business in the DRC is mainly denominated and settled in USD and CDF. The functional currency of IXM Group is USD. The Company manages its exchange rates risks with the principle of matching the currencies of assets/revenue with those of liabilities, so the exchange rates risks exposure arising from financing is insignificant.

Currencies used for denominating revenue and cost may be different for certain parts of business, the fluctuation in the short-term exchange rates of all settlement currencies may have a certain effect on the operating results of the Company. The Company has paid close attention to the impact of the changes in exchange rates on the Group, and made use of financial instruments, such as forward foreign exchange contracts to hedge against foreign exchange rates risks in due course. For BRL with significant fluctuations in exchange rate, the Company has made certain hedging arrangements for daily operation and capital expenditure. IXM and its affiliates have all entered into contracts on foreign exchange derivatives to hedge the risks back into their own functional currencies.

## **6. Exposure to Risks Related to Policy**

The primary operation of the Company locates in various countries and regions including China, DRC, Brazil and Australia. As there are major discrepancies in state politics and economy development level among different countries and there are major risks relating to policy implementation and adjustments in developing countries and underdeveloped countries, such as state macroeconomic control policies, foreign exchange administration policies, industry policies and tax policies in operating countries, which may incur certain impacts on the operation of the Company.

In 2018, the DRC government introduced the new law for mining industry and its implementation rules, involving substantial changes on equity, financial tax policies and foreign exchange management policies. Even though the DRC government is willing to continue carrying out discussion and negotiation in respect of the above matters, failure of reaching consensus through negotiation will still incur significant impact on the operation of the Company in the future.

The Company maintains close communication with government authorities in each of its business operating areas and pays attention to changes in political and economic circumstances in relevant countries so as to improve its ability in preventing and responding to policy risks.

## **7. Exposure to Risks Related to Politics**

The operating assets of the Company are distributed in different countries and regions, of which copper and cobalt mine of TFM is located in the DRC, which is one of the underdeveloped countries in the world with critical social problems. If the political and security situation of the DRC deteriorates in the future, it will cause adverse effects on the production and operation of the Company. The overseas assets operational philosophy of the Company underlines the establishment of positive relations with local government, communities and social organizations. As the political ties between China and the DRC stabilize and draw ever closer, outbound investments into the DRC have been encouraged by the Chinese government and have become a trend. To further reduce potential economic losses of the Company incurred by relevant risks in operations, the Company has purchased overseas equity investment insurance for the DRC project from China Export & Credit Insurance Corporation. The insured investment includes: paid-up capital, retained profit and investment for equity acquisition. The insured risks include: foreign exchange restrictions, confiscation, war and political riots.

## **8. Exposure to Risks Related to Operations of Overseas Assets**

The Company has a relatively extensive experience in operating and managing overseas assets. However, certain differences among different countries in terms of operation environment such as politics, economy, law and labour pose material challenges to the operation and management of assets by the Company in different regions. In addition, as the Company accelerates its pace of internationalization, it posts a big challenge to the reserve, cultivation and introduction of all kinds of professionals by the Company for international management. The operation and management of the Company may be subject to a shortage of professionals to a certain extent.

The Company actively implements the strategy of talent cultivation and introduction, independently introduces worldwide human resources with extensive industry operation experience and international management capabilities, explores and creates a management structure and control model applicable to the development of the Company and gives full play to the specialities of all kinds of talents, in order to achieve efficient governance of the Company's global business and reduce operational risks.

## EMPLOYEES AND PENSION PLAN

As at 31 December 2019, the Group had approximately 11,183 full-time employees, classified as follows:

<b>Category of professional composition</b>	<b>Number of professionals</b>
Production staff	7,671
Sales staff	152
Technical staff	973
Financial staff	273
Administrative staff	1,202
Other supporting personnel	912
	<hr/>
Total	<u><u>11,183</u></u>

*Note:* The Company has completed the merger and acquisition of IXM on 24 July 2019, coupled with the addition of employees for the current year.

The remuneration policy for the employees of the Company principally consists of a salary point and performance remuneration system, based on employees' positions and responsibilities and their quantified assessment results. The employees' remuneration is evaluated in line with the Company's operating results and personal performance in order to provide a consistent, fair and equitable remuneration system for all employees. The subsidiaries of the Company domiciled in China have participated in the social insurance contribution plans introduced by China's local governments. In accordance with the laws and regulations regarding the national and local labour and social welfares in China, the Company is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, health insurance, unemployment insurance, maternity insurance, work injury insurance and housing provident fund. Pursuant to current applicable local regulations in China, the percentages of certain insurances are as follows: the pension insurance, health insurance, unemployment insurance, work injury insurance and the contribution to housing provident fund of our Chinese employees represent 16%, 7.5%, 0.7%, 0.2% 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. Such pension contribution plans are known as defined contribution plans, under which the Company is not allowed to reduce the current contribution level by using forfeited contributions.

The overseas employees of the Company are required to participate in pension and healthcare plans under the requirement of the laws in the countries where they reside.

## ANALYSIS ON MAJOR SUBSIDIARIES

### Basic information of major subsidiaries

Company name	Principal products	Registered capital	Shareholding method	Shareholding proportion
CMOC Mining Pty Limited	Copper and gold related products	USD346,000,000	Indirect	100%
CMOC International DRC Holdings Ltd.	Copper and cobalt related products	USD10,000	Indirect	100%
Luxembourg SPV	Niobium and phosphates related products	USD20,000	Indirect	100%
IXM B.V.	Mineral trading	CHF32,290,000	Indirect	100%

## FINANCIAL INDICATORS OF MAJOR SUBSIDIARIES DURING THE REPORTING PERIOD

*Unit: RMB'000*

Company name	Operating revenue	Operating profit	Net profit attributable to shareholders of the parent company	Total assets	Net assets
CMOC Mining Pty Limited	1,333,781	191,215	143,401	5,955,976	3,011,206
CMOC International DRC Holdings Ltd.	9,322,081	-27,805	75,176	43,198,507	33,004,890
Luxembourg SPV	5,038,197	496,726	332,528	14,878,696	4,432,526
IXM B.V.	49,586,673	372,324	271,875	26,660,476	4,037,308

## RESOURCES AND RESERVES

### 1. Basic information of proprietary mines

As at 31 December 2019, the information of the ore resources and reserves of the Company is as follows:

Name of mine	Main category	Resources (million tonnes)	Grade (%)	Recoverable reserve (million tonnes)	Grade (%)	Annual production volume <sup>(4)</sup> (million tonnes)	Remaining exploitable years of resources <sup>(1)</sup> (year)	Validity period of the exploration right/License (year)
Sandaozhuang Molybdenum and Tungsten Mine	Molybdenum	438.96	0.101	220.47	0.105			
Sandaozhuang Molybdenum and Tungsten Mine	Tungsten	438.96	0.092	220.47	0.123	19.91	11	1
Shangfanggou Molybdenum Mine <sup>(2)</sup>	Molybdenum	462.45	0.139	40.85	0.181			
Shangfanggou Molybdenum Mine	Iron	26.47	17.50	1.35	31.19	0.38	45	14
Xinjiang Molybdenum Mine <sup>(3)(5)</sup>	Molybdenum	441	0.115	141.58	0.139	0	38	25
NPM copper and gold mine in Australia	Copper	616.33	0.55	132.83	0.55			
NPM copper and gold mine in Australia	Gold	616.33	0.2 (g/t)	132.82	0.2 (g/t)	6.42	21	9-17
TFM copper and cobalt mine in the DRC	Copper	857.7	2.9	182.6	2.2			
TFM copper and cobalt mine in the DRC	Cobalt	857.7	0.29	182.6	0.31	5.42	33	6-15
Brazil Mine area I	Niobium	150.2	1.05	48.9	0.96	2.09	20	Same as service term of the mine area
Brazil Mine area II	Niobium	452.1	0.28	203.7	0.34			Same as service term of the mine area
Brazil Mine area II	Phosphate	452.1	11.22	203.7	12.16	5.61	36	Same as service term of the mine area

*Notes:*

- (1) Calculation of remaining exploitable years of resources: calculated by dividing the recoverable reserve in the mine under exploration at the end of 2019 by the actual production scale (annual production volume) in 2019. Update on the reserves and changes in the actual production scale (due to technology, equipment, etc.) of the Company will affect the changes in the remaining exploitable years of resources of the Company. The remaining exploitable term of resources of Shangfanggou and Xinjiang Molybdenum Mine is the term of design and service.
- (2) The Shangfanggou Molybdenum Mine is owned by Luoyang Fuchuan Mining Co., Ltd. (“**Fuchuan Mining**”), a joint venture of the Company. The Company has control over Fuchuan Mining through contract arrangements. As at the date of this announcement, Fuchuan Mining’s shareholding structure is as follows: a 10% equity interest of which is owned by Luanchuan Fukai Business and Trading Company Limited (樂川縣富凱商貿有限公司), a wholly-owned subsidiary of the Company and a 90% equity interest of which is owned by Xuzhou Huanyu Molybdenum Industry Co., Ltd. (徐州環宇鉬業有限公司) (“**Xuzhou Huanyu**”), a joint venture of the Company (the Company holds a 50% equity interest in Xuzhou Huanyu and Luoyang Guo’an Trade Co., Ltd. (洛陽國安商貿有限公司) holds a 50% equity interest in Xuzhou Huanyu).
- (3) Resources and reserves of mines are measured under the standard of the Joint Ore Reserves Committee (聯合礦山儲量委員會), except for those of Xinjiang Molybdenum Mine measured under the PRC standard. The above ore resources, including reserves, have been confirmed by internal expert of the Company.
- (4) The annual production volume mentioned in the table above was the actual ore consumption (processing volume) during the reporting period, excluding comprehensive utilization amount of tailings.
- (5) During the reporting period, no mining activities were conducted in Xinjiang Molybdenum Mine.

## **2. EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES**

### **(I) Exploration**

#### ***(1) TFM Copper and Cobalt Mine in the DRC***

During 2019, the exploration activities were carried out around the Dipeta Syncline and the Fungurume 88 deposit, mainly exploiting and developing the underground sulfide resources. Total amount of diamond drilling for the first half of 2019 was 28,627m of core drilling (including 11,257m in the Dipeta Syncline area, 4,289m in the Fungurume 88 high grade cobalt deposit and 2,740m in the Mofya limestone to support the increase of the reserves of quicklime plant). No drilling work was conducted in the second half of 2019. The exploration team worked on moving all historical core out of the base camp to the new storage area of LIP.



During the year, the exploration work of some greenfield areas was conducted in the Kamakonde, Pumpi and Musoko areas. No significant cobalt mineralization was found, and only minor copper mineralization showings were identified.

## **(2) *Niobium and Phosphate Mine in Brazil***

In 2019, drilling activities were conducted at Boa Vista Mine, Coqueiros Project and Chapadão Mine, respectively. The drilling work in the Boa Vista Mine in 2019 was commenced in January and finished in April, with 9 diamond drill holes totaling 3,394m using 2 drill rigs. The drilling work in the Coqueiros Project in 2019 started in May and finished in early June, with 26 diamond drill holes totaling 2,369m using 2 drill rigs. The drilling work in the Chapadão Mine in 2019 started in late June and finished in late December, with 32 diamond drill holes, totaling 7,193m using 2 drill rigs.

Regarding activities in the unexplored areas, the Company mainly submitted reports to Agencia Nacional de Mineracao (“ANM”) (National Mining Agency), conducted geophysics surveys, and sought for new opportunities/projects and drilling targets. In terms of mineral rights, the Company has submitted four partial reports to ANM, requesting for additional 3 years of mineral research in Monjolos and Irai de Minas areas (Minas Gerais State) in the first half of 2019, and delivered three negative final reports of Goias State in the second half of 2019. Based on geophysical anomalies, CMOC was awarded by ANM 16 new unexplored areas in Britânia region (Goias State), and in the first half of 2019, obtained permission of mineral research and production of nine drilling targets (two drilling targets were drilled in 2019 with a total of 1,061m) in the next 3 years. Geological and structural mapping and sampling were conducted in other research areas (Monjolos and Irai de Minas) to examine the geological potential. Regarding new opportunities and projects, two new areas had been investigated to examine the potential for graphite and sound geographical potential of gold/copper areas (Pará State).

## **(3) *Mines in the PRC***

Sandaozhuang Molybdenum and Tungsten Mine: production and exploration of mines were conducted in the northern mine area, with drilling work from the surface of the opencast mine, and the area of deploying mine exploration engineering was 36,000m<sup>2</sup>. The Company performed the construction of 22 holes drilling with reverse circulation SL400A drill rig, completing the drilling of 1,565m.



Shangfanggou Molybdenum Mine: exploration was carried out at the airspace level of around 1202, 1263, and 1274, while exploration and drill activities were conducted in Wangjiawa high-oxidation mining areas, in order to ensure production safety and mine oxidation rate in the review areas. The Company performed the exploration at the airspace level of 1,778.9m with reverse circulation drill rigs, and performed construction, production, exploration and drilling of 1,086.5m with down-the-hole drill rig.

Xinjiang Molybdenum Mine: during the reporting period, the Company did not conduct any exploration activities.

**(4) *NPM Copper and Gold Mine in Australia***

Drilling activities (ML1247, ML1367, EL5800, EL5801, EL5323, EL8377) were conducted in mining and exploration areas, amounting to a total of 15,983m. The drilling activities consisted of 9,198m of surface diamond core, 3,913m of surface reverse circulation and 2,872m of air core drilling.

**(II) Development**

**(1) *TFM Copper and Cobalt Mine in the DRC:***

60 hectares of clear and grub activities for waste dumping were completed at Fungurume 6, Kwatebala 6, Katuto 2 and southern Tenke. Activities for waste dumping relating to road construction for material transportation outside the pit of Katuto have been completed. Dewatering activity focused mainly on Tenke 3/5 pits, completing the construction of 4 dewatering wells, among which 1 dewatering well was located at Mofya. Sub-stations were built in Tenke and Mwadinkomba for the operation of dewatering pumps and cessation of the use of the diesel generators. Weep berms were built in the area of Katuto and Pumpi.

**(2) *Brazil Niobium and Phosphates Mine:***

In order to collaborate with mining plan for quality control, the Company conducted drilling of 737 drill holes (totaling a drilled length of 21,916m) with one drill rig and reverse circulation in Boa Vista Mine. In the Chapadão Mine, the Company has made in aggregate 61 drill holes (totaling a drilled length of 2,967m) with one drill rig and reverse circulation.

**(3) Mines in the PRC:**

Shangfanggou Molybdenum Mine: implementation of relocation project of 1# crushing station as well as construction of ore transportation roads and slag discharge and relocation of surrounding residents.

Sandaozhuang Molybdenum and Tungsten Mine and Xinjiang Molybdenum Mine: during the reporting period, the Company did not carry out any development activities.

**(4) NPM Copper and Gold Mine in Australia**

In 2019, the Company continued underground development of the E26 L1N block cave, completing 3,689m during the year. The Company also completed underground development of the inclined ventilation shaft with additional 828m and E26 underground hole with 182.2m.

The Company completed the construction of new floating pool of phase II construction and commissioning of the tailings pond, which formed a part of the construction expansion engineering and earthwork project for establishing new crushing facilities.

**(III) Exploration, Development and Mining Expenses of the Company**

For the year ended 31 December 2019, the summary of the expenditures of exploration, development and mining activities of the Company is as follows:

**(1) Domestic segment mining expenses:**

*Unit: RMB'0000*

<b>Project</b>	<b>Exploration</b>	<b>Development</b>	<b>Mining</b>
Sandaozhuang Molybdenum and Tungsten Mine	41.20	0.00	49,338.18
Shangfanggou Molybdenum Mine	47.22	13,653.66	1,313.20
Total	<u>88.42</u>	<u>13,653.66</u>	<u>50,651.38</u>

(2) *Overseas segment mining expenses:*

*Unit: USD Million*

Project	Exploration	Development	Mining
Niobium Mine	0.695	1.499	22.407
Phosphate Mine	1.641	0.355	11.602
TFM Copper and Cobalt Mine	12.37	36.66	237.44
NPM Copper and Gold Mine	4.51	25.90	33.55
Total	<u>19.216</u>	<u>64.414</u>	<u>304.959</u>

### III. MARKET REVIEW

For the year ended 31 December 2019, the Company generated revenue mainly from the sales of copper, cobalt, molybdenum, tungsten, niobium, phosphates and other relevant products. The Company's operating results are largely subject to the fluctuations in the prices of the above resources. At the same time, Northpakes copper/gold mine of the Company in Australia ("NPM") also has sales of gold as a by-product, and the fluctuation of the prices in gold would also have certain impact on the results of the Company.

#### Comparison of Prices of Major Relevant Metal Products of the Company for the Year of 2019

##### Domestic market price of the relevant products of the Company

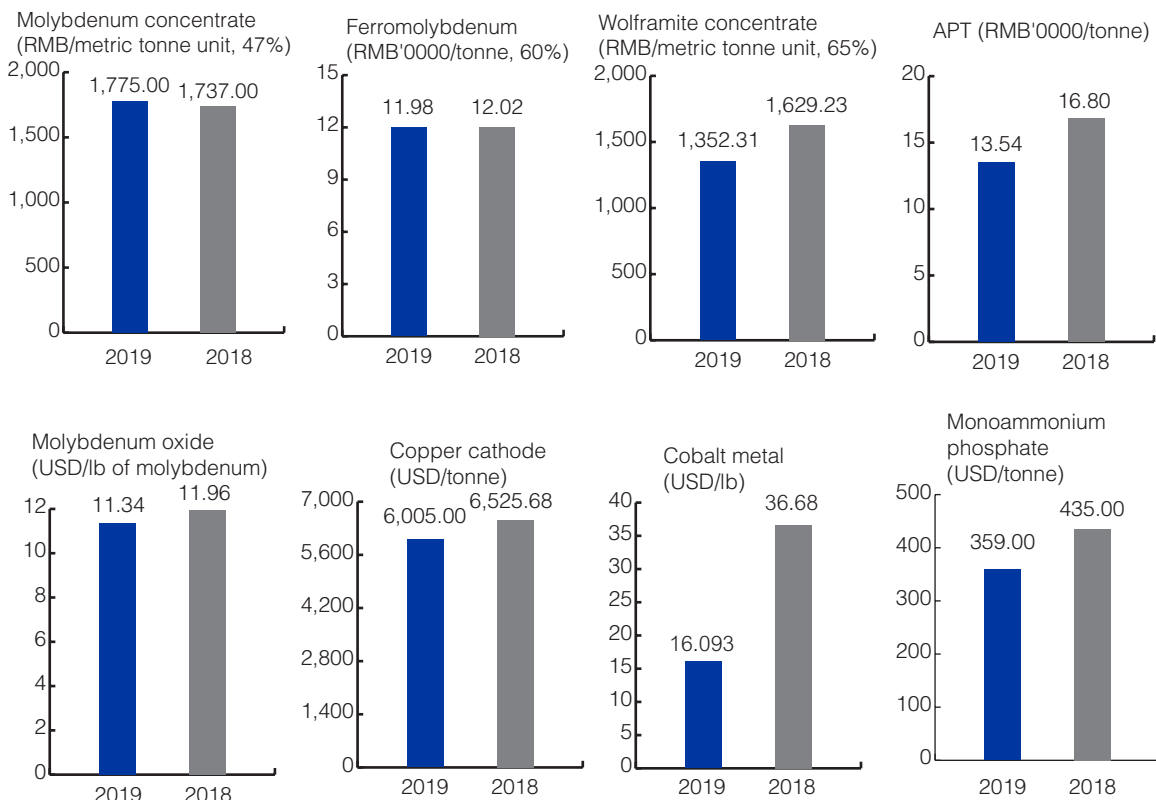
Products		2019	2018	Increase/ decrease on a year-on- year basis (%)
Molybdenum	Molybdenum concentrates (RMB/metric tonne unit, 47%)	<b>1,775.00</b>	1,737.00	2.19
	Ferromolybdenum (RMB0'000/tonne, 60%)	<b>11.98</b>	12.02	-0.33
Tungsten	Wolframite concentrates (RMB/metric tonne unit, 65%)	<b>1,352.31</b>	1,629.23	-17.00
	APT (RMB0'000/tonne)	<b>13.54</b>	16.80	-19.40

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

## International market price of mineral processing and mineral trading products of the Company

Products		2019	2018	Increase/ decrease on a year-on- year basis (%)
Molybdenum	Molybdenum oxide (USD/lb of molybdenum)	<b>11.34</b>	11.96	-5.18
Copper	Copper cathode (USD/ tonne)	<b>6,005.00</b>	6,525.68	-7.98
Cobalt	Cobalt metal (USD/lb)	<b>16.093</b>	36.68	-56.13
Phosphate	MAP (USD/tonne)	<b>359.00</b>	435.00	-17.47
Lead	Lead concentrate (USD/tonne)	<b>1,962</b>	2,120	-7.45
Zinc	Zinc concentrate (USD/tonne)	<b>2,385</b>	2,694	-11.47

*Note:* The information of the price of molybdenum oxide is from international relevant website, and the price of copper, lead and zinc is the average price of LME. The price of cobalt is the average low range of MB standard. The price of phosphates fertilizer is from Argus Media.



## **MARKET REVIEW ON EACH METAL SEGMENT IN 2019**

### **(1) Copper market**

The Company mainly sells both copper concentrate and copper cathode to the international markets. According to the data of the UK's Commodity Research Unit (“CRU”), global copper consumption fell approximately 0.35% during 2019, led primarily by sluggish global auto sector and home appliances consumption, a slowdown in Chinese infrastructure investment, the impact on the global trade activities arising from Sino-US trade conflict, as well as increased political uncertainties caused by events such as the Brexit. Despite this, CRU estimated that Chinese demand on copper continued to grow by 1.0%, though this marked a significant slowdown as compared with the growth of approximately 5.0% in 2018. Weak terminal consumption and market sentiment were perfectly evidenced by how the copper prices moved throughout 2019 – started on quite a bright note rallying towards the USD6,500/t in the first quarter before dragged down to a range of around USD5,600/t to USD6,000/t between May and the end of November due to uncertainties of global trade in 2019. Since then, China and the USA reached the first-phase trade deal, which pushed the price of copper up by 3.36% to closing price at USD6,149/t. In addition, the domestic supply of copper scrap has shrunk to some extent as Chinese government has determined to cut foreign waste imports since 2017 by a complete ban on Category 7 scrap, a quota limitation on Category 6 scrap, and tightened environmental control on domestic scrap generation. However, this has actually been a positive for off-grade copper cathodes consumption as some domestic semis fabricators had to seek alternatives. Meanwhile, driven by the quickly expanding smelting capacity of China and the tightened environment of international copper concentrate market, there has been a substantial decrease in the price of copper concentrates processing in 2019, which has brought much pressure to the operation of smelting industry.

### **(2) Cobalt market**

The Company is the second largest producer of mined cobalt in the world. 2019 saw the back end of a large downside correction in the cobalt price from USD20/lb down to USD12.6/lb in August, where the market finally found a floor. The downward adjustment was primarily driven by a combination of two factors, firstly the demand side story, EV market not playing out rapidly as anticipated and secondly the build-up of high cost inventories largely due to significantly increased artisanal supplies in DRC that profited on skyrocketing cobalt price in the past two years and pushed the market into a surplus, and brought much pressure to the operation of smelting industry. However the lower price in the second half of 2019 did cause some cobalt supply to switch-off, most notably, Glencore announced to reduce 25,000t annual cobalt production, while part of the artisanal supply also suspended due to the low cobalt prices. As the cobalt market

gradually balanced itself, the cobalt price in the second half of 2019 finally found a support with the Metal Bulletin ended the year increasing to just over USD15/lb for standard grade.

### **(3) Molybdenum market**

The major molybdenum product of the Company is ferromolybdenum, which is sold mainly in the domestic market in China. Despite the effect of the supply side reform and the normalization of environmental protection supervision of the steel industry in China in 2019, the output of crude steel and stainless steel in China represented a year-on-year increase of 10.5% to 22,489,700 tonnes over the first three quarters, and the profitability of iron and steel enterprises still remained relatively high. The supply side of molybdenum raw materials recorded a year-on-year increase of 5.89%, lower than the expansion speed of the downstream demand side, which brought an increase of 2.19% to the average price of domestic molybdenum concentrate, causing a market trend of restraint after rise in the domestic molybdenum market.

In 2019, the average price of molybdenum concentrate was RMB1,775/metric tonne unit, representing a year-on-year increase of 2.19% and with the lowest price of RMB1,390/metric tonne unit and the highest price of RMB2,040/metric tonne unit. Throughout the year, the average price of ferromolybdenum was RMB119,800/tonne, representing a year-on-year decrease of 0.33%. The lowest price was RMB98,000/tonne, and the highest price was RMB140,000/tonne.

In 2019, the average price of molybdenum oxide of MW (a weekly magazine of metals in the US) was USD11.34/pound/Mo, representing a year-on-year decrease of 5.18%. The lowest price was USD8.2/pound/Mo, and the highest price was USD12.8/pound/Mo.

### **(4) Tungsten market**

The major tungsten products of the Company are tungsten concentrate and ammonium paratungstate (APT), which are sold in the domestic market in China. In 2019, the overall tungsten market showed a trend of rise after restraint. In particular, the market price of tungsten remained stable in the first quarter. Affected by the Lunar New Year holiday, the supply of tungsten concentrate was slightly tight, but smelters progressively resumed production and increased procurement of tungsten after the festival. As a result, the market supply and demand were kept relatively balanced. The price of tungsten constantly declined in the second quarter. Due to concerns about the expected impact of the Pan-Asian auction on the market, APT price was rendered a rapid decline and thus triggering a stamping effect, accompanied by a weaker market demand of tungsten concentrate and subsequently sharp decline in the price of tungsten concentrate resulting from the production reduction and maintenance of certain

APT enterprises due to price inversion. Affected by the cost support of tungsten concentrate and the events of auction of Pan Asian APT inventory in the third quarter, the price of tungsten concentrate was lower than the cost line of most mines. Hot monies entered the market to purchase tungsten concentrate, procuring the price to hit the bottom and remain stable. The domestic tungsten market operated with fluctuation in the fourth quarter. Upon the completion of Pan-Asian auction, the unfavorable expectation in the global tungsten market was eliminated, procuring price rebound, and the willingness of disposal of low-cost sources seized by hot monies in the early stage saw sudden enhancement after the stagflation of price, resulting in a reasonable bounce of market price. However, with the emergence of the downstream solid procurement demand, the market picked up steadily before the end of the year.

In 2019, the average domestic price of 65% black tungsten concentrates was RMB87,900/tonne, representing a year-on-year decrease of 17.00%. The lowest price was RMB71,000/tonne, and the highest price was RMB96,500/tonne. The average price of APT was RMB135,400/tonne, representing a year-on-year decrease of 19.40%. The lowest price was RMB108,000/tonne, and the highest price was RMB153,000/tonne.

According to the data of the UK's Metal Bulletin, the average price of APT in the European market in 2019 was USD230/metric tonne unit, representing a year-on-year decrease of 22.29%. The lowest price was USD175/metric tonne unit, and the highest price was USD271/metric tonne unit.

## **(5) Niobium market**

The start of 2019 saw global demand for ferroniobium remaining strong as evidenced by a year-on-year increase of 19% in exports from Brazil. Ferroniobium prices increased during annual contract negotiations at the early period for the year 2019 and remained stable. However, due to the trade dispute between the US and the PRC, the price of niobium declined at the end of the year, which brought pressure to the confidence in industry. Demand for ferroniobium is expected to increase slightly during 2020 with the increase of PMIs in major economies.

## **(6) Phosphates market**

In 2019, due to impact of heavy rains over plantation of corn and soybeans in the United States, lower application rates in the PRC and delays in the Monsoon Crop season in India, the demand of fertilizers in the international declined. Oversupply of phosphates, reduction in sulphur prices and currency depreciation in many producing countries also added pressure to prices. The standard price of the fertilizer market in Brazil (Brazil CFR MAP) in 2019 recorded a year-on-year decrease of 18%, and the second half of 2019 recorded a year-on-year decrease of 29%.



Even under the condition of falling prices and low profit margin, Moroccan and Saudi Arabian projects are ramping-up and high-cost Chinese producers also maintained relatively flat production. Total fertilizer deliveries in Brazil are expected to reach 36.6 Mt in 2019, representing an increase of approximately 1.1Mt as compared to 2018. As reported, grain production may create new records for this year and next, bringing favorable opportunities of the fertilizer industry.

## (7) Mineral trading market

**Copper concentrate:** The copper concentrate market in 2019 is characterized by a predictable shortage, on which IXM has been able to make use of such feature to achieve high trading volume during the reporting period.

**Zinc and lead concentrate:** Despite of the adverse market conditions in 2019 characterized by oversupply of zinc and lead concentrate, weak investment, and in particular, an unprecedented high processing cost in recent two years rendering obstacles for most traders, IXM still maintained growth amid the downward trend in its sales and market shares.

**Refined metal:** The international copper cathode market recorded continuous fluctuations in 2019. The layout of the market cost of copper cathode in China, insurance and freight charges was changed, further reducing the scale and liquidity of the market.

The zinc market has certain favorable opportunities on the forward curve, but there was a higher entry barrier for those who failed to obtain relevant asset underwriters and therefore, the participation opportunities were limited.

In the US aluminium market, a significant decrease was seen at the end of the year, leading to separation from fundamentals of the rest of the world, while the premiums and warehousing-related trading strategies in Asia and Europe provided better opportunities for the market. During the reporting period, IXM continued to focus on expanding operation of small-volume retail business with continuous growth of its overall sales.

**Special metal:** In 2019, upon completion of acquisition of IXM, according to the unified arrangement of the Company, IXM undertook to arrange niobium and cobalt markets. Despite its late start, IXM has successfully gained a foothold in the market and accounted for a certain market share.



## **IV. BUSINESS REVIEW**

### **1. Mineral exploration and processing**

#### ***1. Copper and cobalt sector***

During the reporting period, TFM Copper/Cobalt Mine achieved a production volume of 177,956 tonnes of copper metal, and 16,098 tonnes of cobalt metal.

#### ***2. Molybdenum and tungsten sector***

During the reporting period, the Company realized a production volume of molybdenum metal of 14,918 tonnes, and tungsten metal of 10,722 tonnes (excluding Yulu Mining). Production volume of iron concentrate (65% content) reached 17,700 tonnes.

#### ***3. Niobium and phosphate sector***

During the reporting period, Brazil achieved a production volume of phosphate fertilizers (high concentration fertilizer and low concentration fertilizer) of 1,097,623 tonnes and niobium metal of 7,489 tonnes.

#### ***4. Copper and gold sector***

During the reporting period, where calculated based on 80% of equity interests, NPM achieved a production volume of copper metal of 28,591 tonnes and gold of 19,781 ounces.

### **2. Mineral trading**

From the closing in July 2019 to the end of the reporting period, IXM achieved a physical trading volume (sales volume) of metal mineral of 1.062 million tonnes and 1.4219 million tonnes of refined metal minerals.

## **OPERATION REVIEW FOR THE YEAR OF 2019**

### **1. Reinforcing the capability of control of advantageous assets while expanding the layout of the industrial chain with the appearance of layout of an internationalized resources company**

A series of major overseas resource-related mergers and acquisitions have been completed since 2016. The company has grown into an international company integrating mining, trading business. The Company has become an international leading mineral exploration, processing and trading company. During the reporting period, the acquisitions of 24% non-controlling equity interests in TFM in the DRC and 100% equity interests of IXM by the Company were successfully completed, which not only increased the proportion of shareholding of the Company in advantageous mines but also added the mineral trading business into the Company, representing an important step for the development of the Company.

The advantageous mining resources acquired by the Company through counter-cyclical merger and acquisition movements have laid solid competitive advantages for the Company in the industry. The merger and acquisition of the world's third largest metal trader extended the Company's business to the field of mine trading business. The Company will achieve integration and improvement of its existing business based on the mature supply chain and market research advantages of the minerals trading sector in the future.

### **2. Significant achievements in adjustment to globally integrated management and control structure and accelerating integration of management and technology**

Guided by the corporate culture of “meritocracy, cost control, continuous improvement and achievement sharing”, the Company built a globally integrated management and control structure, and improved its capabilities and standards of management and control of business of the Company while realized development in management, technology and cultural integration. The Company promoted its healthy development through the innovative management model, efficient management chain and execution. The Company strived for the integrated management objectives of simplified policies, detailed objectives, responsible personnel, clear duties, practicable system, reliable measurement, strict examination and well-executed improvement.

During the reporting period, the Company completed the adjustment to the management and control structure of TFM, made full use of the advantages of Chinese and western management system and achieved the in-depth integration of “high efficiency”, “low cost”, “fineness” of Chinese management and “platformization” and “informationization” of Western management. In addition, based on the technology advantages of beneficiation and smelting in the PRC,

we are currently accelerating the projects of efficient use of TFM resources, and exploring its endogenous potential growth with an aim to achieve the growth in production capability and efficiency improvement with small amount capital investment.

During the reporting period, relying on the technical advantages accumulated by tungsten and molybdenum business to deal with refractory ores in the PRC, the Company proactively accelerated the technological renovation and optimization of niobium production business in Brazil, and dispatched excellent technical personnel and management teams from the PRC to support the production site in Brazil. A series of projects aiming to improve the production efficiency and reduce the cost of niobium business are in steady development and promising in the future.

### **3. Deepening management reform to boost cost reduction and efficiency enhancement, rapidly increasing organic growth potential**

The Company pushed forward cost reduction and efficiency enhancement with great efforts through refined management and technological transformation and upgrade. During the reporting period, cash cost of the same caliber has seen a year-on-year decrease of approximately RMB1.469 billion. Among which, each of the Company's mining units reduced cash cost of production and operation by approximately RMB1.288 billion, which included: the cash cost of production and operation of TFM recorded a year-on-year decrease of over USD130 million under the effort of the Chinese management team after taking over its management. The recovery rate of acid-soluble copper increased by 2.6 percentage points. The molybdenum-tungsten mines in the PRC used for the first time the operation of 40 units of pure electric mining trucks, reducing energy consumption and maintenance costs by more than 50% as compared with diesel-powered trucks with equivalent power. The Headquarters reduced management costs by approximately RMB33.90 million through business system reconstruction and management structure optimization, thereby reducing tax cost by approximately RMB147 million. Such cost reduction and efficiency enhancement measures will have a positive effect on the future operation of the Company, and will lead to continuous improvement in the operation of the Company.

### **4. Continuously promoting the optimization of production layout and technological innovation, and focusing on long-term development strategies to explore its endogenous growth and consolidate industry competitiveness**

During the reporting period, the Company continued to optimize its industrial layout and launched a series of project development, technology upgrade, process research and transformation projects, guided by technological innovation and on the basis of quality mining assets and reserves of the Company, and focused on long-term development strategies.

Molybdenum and tungsten business in China: at the time of the preliminary achievement of improving capability of the beneficiation enhancement, Shangfanggou molybdenum iron mine was successfully relaunched after the industrial test and large-scale production of high talcum mine achieved satisfactory results, which effectively make up for the impact of grade decline of Sandaozhuang mine by making full use of the existing beneficiation business capacity. By recovering the associated iron resources of Shangfanggou molybdenum mine, the Company was able to cultivate new profit growth point in it. 5G technology was also applied to realize the remote drilling system and unmanned intelligent dispatching in Sandaozhuang molybdenum mine.

Copper and cobalt business in the DRC: the Company achieved optimization of the mining business by improving the ore extraction structure and reducing loss and dilution. Meanwhile, the Company proactively stabilized and improved the comprehensive recovery rate of copper and cobalt through technological modification and testing. The Company also applied existing technology advantages in China to promote efficient utilization of low-grade resources and accelerate the development and utilization of sulfide ores.

#### **5. Fully leveraging on the advantages of supply chain in trade business to achieve efficient integration with the existing business**

Relying on the perfect supply chain and customer system of IXM, the Company accelerated the business integration to realize the supply chain sharing and the supply chain cost reduction. Meanwhile, the Company integrated the existing sales business, deeply took advantage of the strength of global sales network and logistic warehousing system of IXM to achieve value-added sales of its original businesses.

By virtue of strong support of the Company, IXM completed significant business expansion in Russia, Turkey and South Africa, and expanded its precious metals raw materials business, including a large amount of anode copper, clay and gold concentrate, and continued its increasing in the trade volume in zinc and lead concentrates. IXM also significantly increased its market participation in the African copper belt, which provided support for TFM in the sale of copper cathode as well as the outbound logistics business. IXM successfully integrated cobalt and niobium products into the system of its original sales business. As at the end of 2019, IXM significantly reduced its operating costs of business through more efficient operating system and the advantage of logistics.

## **6. Promoting the concept of integrated sustainable development to address security, environment and anti-corruption issues with the highest standards**

The realization of the concept of integrated sustainable development and the active implementation of social responsibilities have laid the foundation for healthy and sustainable development of the Company. As at the date of this announcement, the Company formulated and issued a series of sustainable development policies, including the Code of Business Conduct, Code of Conduct for Suppliers, Anti-corruption Policy, Export Control Policy, Economic Sanctions Policy, Human Rights Policy, Environmental Policy and Community Policy to regulate the operation of its global business.

With the goal of “zero harm” and “zero pollution”, the Company maintained high-pressure condition in terms of safety and environmental protection, and strengthened the management and control of major dangerous sources and management of emergencies to ensure normal operation and sustainable development of each business segment. The molybdenum and tungsten business in China have achieved zero death for four years and four months in a row, zero injuries for two years and three months in a row, and won “Safety Production Advanced Unit in Henan Province” for two consecutive years. The No. 2 Ore Processing Branch and the Tungsten Company passed the first batch of safety and double prevention benchmarking enterprises in Henan province; Zero pollution was achieved in terms of environmental protection throughout the year.

In the face of the outbreak of novel coronavirus epidemics, the Company, while focusing on management and control of the epidemics, made equal efforts in production and operation, launched the emergency response plan with careful organization, implemented strict control and deployment, mobilized full staff to jointly fight against and respond to the impact of the epidemics, gave full play to the advantages of the global layout, opened up overseas procurement channels, purchased and donated materials for epidemics prevention to support prevention and control of epidemics in the country.

## **MATERIAL EVENTS**

### **(1) Acquisition of 100% equity interests of IXM**

The Company and New Silk Road Commodities Limited (hereinafter referred to as “NSR”), a wholly-owned subsidiary of Natural Resources Investment Fund, entered into a share purchase agreement through CMOC Limited, a wholly-owned subsidiary of the Company in Hong Kong. Pursuant to such agreement, the Company purchased from NSR the 100% equity interests held by it in New Silk Road Commodities SA (hereinafter referred to as “NSRC”), which in turn indirectly holds the 100% equity interests of IXM through NSRC, with a consideration of USD495,000,000 plus the net profit of the target group in a certain period.

As at 24 July 2019, such acquisition has been completed after receiving relevant internal and external approvals and filing. The financial statement of IXM has been included in the consolidation scope of the Company after the date of completion.

For details, please refer to the relevant announcements published by the Company during the period from 4 December 2018 to 25 July 2019.

The acquisition of IXM will help the Company improve its international competitiveness, and its position and influence in the global resources market. IXM’s advanced metal procurement, mixing, transportation and trade service system will help the Company expand its business scope, develop new growth engines and follow the supply-demand adjustments in the industry, therefore extending the industry chain and creating synergies for existing businesses.

### **(2) Acquisition of 24% non-controlling equity interests in TFM in the DRC**

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 (hereinafter referred to as “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 USD1,135,993,578.71. After the transaction was completed, CMOC Limited currently holds 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 Mine.

As at 28 September 2019, such acquisition has been completed after receiving relevant internal and external approvals and filing.

For details, please refer to the relevant announcements published by the Company during the period from 20 June 2019 to 27 September 2019.

## **V. PROSPECTS**

### **1. Copper market**

Following the conclusion of the first-phase trade agreement between China and the United States, the performance of the global copper market is very bright at the beginning of the year. However, the outbreak of the new coronavirus epidemic has significantly reversed market sentiment. Therefore, any judgment on the copper market in 2020 will largely depend on how the epidemic eventually develops. Owing to the extended public holiday in many areas of China and the adoption of strict isolation measures, for example, labours cannot return to their work as scheduled after the holiday, industrial activities have been significantly slowed down and consumption in the first quarter has also been heavily hit. In this regard, it is reasonable to assume that, although some lost consumption may be covered later this year (with effective suppression of epidemic), some lost consumption is difficult to recover. Governments led by the United States have decided to provide further support to the economy by cutting taxes, giving green lights to large local government bonds, and encouraging infrastructure investment, then we would encounter this being turned in a recovery in domestic Chinese copper consumption and eventually a gradually rebound for copper price.

Moreover, there has been an expectation that a slight tightness in the copper concentrate market may feed through into the copper cathode market but again these statements are somewhat up in the air as a result of recent market events, especially new regulations issued by Chinese government on copper scrap imports following the re-classification of some copper scrap into renewable raw materials which should provide a slight improvement in scrap supply to the domestic Chinese market.

## **2. Cobalt market**

We expect that in 2020, the cobalt market remains broadly balanced, and cobalt prices to be supported and even to break the ceiling of USD18/lb under the consumption of limited new supplies globally, no further subsidies cut for NEV in China, and sped-up development of electric vehicle sector in developed countries. Nevertheless, in 2020, we believe that the main driving force for price fluctuations is still from the supply side rather than the demand side, and the EV story will only really start to take hold from a turning point after 2022. In the short to medium term, the global supply and demand stay relatively stable thus there is unlikely a trend of significant increase in cobalt price, but in the long term the market is expected to have insufficient supply caused by strong market demand. Moreover, to address the serious violation of human rights problems which might be involved in the upstream supply chain of cobalt, more and more customers wished to regulate the supply sources and implement responsible procurement, further promoting sustainable development of industry chain of cobalt. The long-term price is anticipated to keep above USD18/lb. In 2020, the automobile industry has been severely affected since the outbreak of coronavirus, but the development trend was not altered. We see the cobalt price will fluctuate in a range of USD16/lb to USD18/lb unless any major shocks to the system.

## **3. Molybdenum market**

In 2020, the domestic economy is expected to continue to maintain a stable operation, and the contribution to improving weakness in the construction of railway, highway and infrastructure aspects will continue to be strengthened. The large-scale infrastructure contribution and tax reduction measures proposed by China will bring new investment increments to the development of the real economy, and benefit overall iron and steel demand. From the demand side, crude steel output in the PRC has reached approximately 996 million tonnes in 2019, with an accumulated growth of 192 million tonnes over the past five years, representing an annual compound growth rate of 5.51%; the crude steel output of 21 mainstream stainless steel enterprises in China was 27.13 million tonnes, representing a year-on-year increase of 12.02%. Although the State banned on increasing iron and steel production capacity in 2020, the epidemic has a significant impact on demand for steel in the short term, but the supply-side structural reform and the upgrade of enterprise structure will continue to proceed. With effective suppression of the domestic epidemic, the resumption of work and production in various industries are in steady progress, and it is expected that the demand of alloy in the iron and steel industry will not be significantly affected. From the perspective of the supply side, the molybdenum market price is still



relatively high in 2020, and it is expected that some of the suspended mines will be restarted, and some of the mines in production are expected to increase production capacity. The market supply will increase by approximately 15,000 tonnes, which is expected to increase by approximately 6.64%. The supply-side reform and environmental supervision will optimize the balance of supply and demand in the market. The steel industry and major molybdenum consumption market are both domestically located. After the stabilization in the domestic market, the effect of consumption end will be gradually weakened and the molybdenum market is expected to remain stable.

In the international market, emerging economies are still expected to continue to grow steadily, and the demand in molybdenum market is expected to maintain moderate growth. For international molybdenum supply, due to the decrease in production volume of molybdenum in mines such as Sierra Gorda and the slowdown in economic growth hindering the growth of copper resources demand, together with deterioration of the overseas epidemic, market demand within the near future will be significantly affected, it is expected that the volatility of the international supply market in 2020 will also become more severe.

#### **4. Tungsten market**

In 2020, with the continuous tightening of environmental protection supervision, the grade decline of tungsten ore sources, the reserve decline of large tungsten mine and the level-by-level strengthening of the safety entry threshold for regional small mines, the overall risen operation cost of mines, the rigidly increased cost of tungsten mining, and the overall trend of steady decline in domestic tungsten concentrate output will make more obvious presence, which would gradually consume the surplus output capacity of 2019 and facilitate the healthy operation of the price of primary tungsten products. In terms of domestic economic development trend, the State is expected to continuously promote the economic stimulus plans including tax reduction, and vigorously promote the upgrade of high-tech industry and equipment manufacturing industry. With the growth of emerging strategic industries and investment in the construction of infrastructure, the domestic demand of tungsten is expected to achieve rapid growth. However, the tungsten resources in the PRC are highly reliable on export. If the overseas epidemic fails to be contained in a timely manner, the export and overseas market demand of tungsten will be adversely affected, resulting in downturn of tungsten market in the near future.

## 5. Niobium market

Despite the negative impact by COVID-19, the domestic manufacturing activities declined sharply and the downstream consumption was also frozen in the first quarter, we expect various supportive measures that the government has launched including large liquidity being released to restore financial and market confidence as well as quicker approvals of local government bonds to be turned into a strong pick-up in the domestic infrastructure construction and manufacturing activities once the epidemic is contained later. This will contribute to more consumption of ferroniobium. In addition, due to the relatively balanced supply and demand in the niobium market, the price of niobium is mainly affected by the purchase of steel mills and price fluctuations in international ferro-vanadium market, while the supply of ferro-vanadium in the international market has been blocked recently, and the rise in ferro-vanadium prices has also provided a strong support for the ferroniobium market.

## 6. Phosphates market

Global phosphates demand is expected to rebound in 2020 and increase by approximately 1.5%, according to the International Fertilizer Association (IFA). It is expected that crops production in the United States will return to normal level, and Brazil and India will maintain a strong demand for fertilizers in order to reach grain production goals. Additionally, major global fertilizer producers have announced production cuts, and the market is expected to rebalance in 2020. For the long run, IFA forecasts an annual average demand growth of approximately 1.2%, based on robust drivers such as population growth, food per capita consumption improvement and limitations in resources for agriculture, such as water and fertile soils.

## 7. Mineral trade

**Copper concentrate:** Uncertainties in 2020 will increase significantly compared to that of 2019. All such factors as the ongoing melting problems in India, political uncertainties in Chile, substantial increase in mining and smelting output capacity, and disturbing prospect of metal consumption, accompanied by the global spread of COVID-19, are converged to render greater uncertain prospects for trade decision-making. Taking into consideration of such environment, IXM will be more cautious in decision-making.

**Zinc and lead concentrate:** There are many uncertainties in 2020. From the perspective of balance sheet, it is expected that there will be slightly oversupply situation in 2020 as compared with 2019. Since potential decline in zinc price will affect certain mine vendors, naturally a cap should be

set on its total cost. If feasible, and without any macro or similar negative effects, the zinc price may be adjusted to a lower level during the year.

**Refined metal:** In response to the market situation in 2020, the estimated surplus in the aluminum market may show potential opportunities brought by premium, and strategies may be adopted from time to time, while China's current changes on waste import regulations draw due concerns for cathode import requirements, especially for low-quality metals. The zinc market seems to be easing, but it is actually still in a very nervous situation.

**Special metals:** IXM will consolidate and improve the market share of special metals trade.

## **2020 BUSINESS PROSPECT**

Based on future economic and market dynamics, the Company sets the following production budgets for main products of the Company for 2020:

### **1. Copper and cobalt business:**

Copper metal output from 163,000 tonnes to 200,000 tonnes, and cobalt metal output from 14,000 tonnes to 17,000 tonnes.

### **2. Molybdenum and tungsten business:**

Molybdenum metal output from 12,000 tonnes to 15,000 tonnes, and tungsten metal output from 7,000 tonnes to 9,000 tonnes (excluding Yulu Mining).

### **3. Copper and gold business (calculation on 80% equity):**

NPM copper metal output from 24,000 tonnes to 29,000 tonnes, and gold output from 20,000 ounces to 25,000 ounces.

### **4. Niobium and phosphate business:**

Niobium metal output from 10,000 tonnes to 12,000 tonnes, and phosphate fertilizer (high concentration fertilizer + low concentration fertilizer) output from 1.009 million tonnes to 1.234 million tonnes.

### **5. Mineral trade business:**

Physical trade volume from 4.53 million tonnes to 5.54 million 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.**

## **VI. MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES**

Other than stated in this announcement, the Group did not have any material acquisition and disposal of subsidiaries, joint ventures and associates during the year ended 31 December 2019.

## **VII. PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

## **VIII. CORPORATE GOVERNANCE PRACTICES OF THE COMPANY**

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

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

In the opinion of the Board, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2019, save as the deviation from the code provision E.1.2 of the Corporate Governance Code.

Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board should invite the chairmen of its Board committees to attend the annual general meeting. In their absence, the chairman of the Board should invite another committee member (or his duly appointed delegate if such committee member is absent) to attend. All members of the Remuneration

Committee were unable to attend the annual general meeting of the Company held on 14 June 2019 due to other business commitments. The members of the Audit and Risk Committee, the vice chairman of the Nomination and Governance Committee, the chairman of the Strategic and Sustainability Committee and the chairman of the Supervisory Board, the secretary to the Board and the chief financial officer have all attended such annual general meeting. The Company is of the view that their attendance was sufficient for (i) answering the questions raised by the shareholders who attended the annual general meeting and (ii) effectively communicating with shareholders who attended the annual general meeting. The Company will strive to optimize the planning and procedures of annual general meetings, give adequate time to all Directors to accommodate their work arrangement and provide all necessary support for their presence at and participation in the general meetings so that all Directors will be able to attend future annual general meetings of the Company.

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

#### **IX. AUDIT AND RISK COMMITTEE**

The Audit and Risk Committee has reviewed with the management and external auditor the audited consolidated results of the Group for the year ended 31 December 2019, according to the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters.

#### **X. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND EMPLOYEES**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules in respect of dealings in the Company’s securities by Directors and Supervisors. Having made specific enquiries, all Directors and Supervisors confirmed that the required standards set out in the Model Code have been complied with during the year ended 31 December 2019.

The Company has also formulated written guidelines (the “**Employees Written Guidelines**”) on terms no less exacting than the Model Code for securities transactions by employees of the Company who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance against the Employees Written Guidelines by the employees has been noted by the Company after making reasonable enquiry.

## **XI. FURTHER ANNOUNCEMENT ON THE DATE OF ANNUAL GENERAL MEETING AND 2020 FIRST CLASS MEETING OF H SHAREHOLDERS (“H SHAREHOLDERS’ CLASS MEETING”) AND THE CLOSURE OF REGISTER OF MEMBERS OF H SHARES**

The Board authorized Mr. Li Chaochun, the Chairman, to determine the date of the Company’s forthcoming annual general meeting and H shareholders’ class meeting and the closure of register of members of H shares of the Company pursuant to the relevant laws, regulations and articles of association of the Company.

Upon determination of the date of the above meetings and the closure of register of members of H shares of the Company, the Company will publish relevant notices and despatch the circular containing further information to H shareholders as soon as possible.

## **XII. DIVIDEND**

On basis of the total share capital at the share registration date for profit distribution, the Company will distribute a cash dividend of RMB0.43 (tax inclusive) per 10 shares to all shareholders of the Company, with a total of cash dividend distribution of RMB928,767,345.07 (tax inclusive), accounting for 50.014% of the net profit attributable to shareholders of the parent company for the reporting period. During the period between the disclosure date of profit distribution plan and the share registration date for profit distribution, if there are changes in the total share capital of the Company due to conversion of convertible shares/repurchase of shares/cancellation or repurchase of shares granted under equity incentives/cancellation or repurchase of shares due to material asset restructuring, the Company proposes to remain the total distribution amount unchanged, while adjusting the distribution proportion per share accordingly.

The proposal has been considered and approved at the eighth meeting of the fifth session of the Board of the Company, and is subject to approval of shareholders of the Company at the forthcoming annual general meeting. The dividend distribution is expected to be completed within two months after the AGM.

The Company will dispatch a circular containing, among others, further information in relation to the proposed distribution of final dividend and the AGM to the shareholders of the Company in due course.

### **XIII. AUDITOR'S OPINIONS**

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and an auditor's report for 2019 prepared under the PRC accounting standards with unqualified opinion has been issued.

### **XIV. SUBSEQUENT EVENTS**

The Group did not have any material subsequent events after 31 December 2019.

### **XV. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement has been published on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), the Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the Company at [www.cmoc.com](http://www.cmoc.com). The 2019 annual report of the Company will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

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

Luoyang City, Henan Province, the People's Republic of China, 27 March 2020

*As at the date of this announcement, the Company's executive directors are Mr. Li Chaochun and Mr. Li Faben; the non-executive directors are Mr. Guo Yimin, Mr. Yuan Honglin and Mr. Cheng Yunlei; and the independent non-executive directors are Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua.*

\* *For identification purposes only*