

CMOC 洛阳钼业

洛陽欒川鉬業集團股份有限公司
CMOC Group Limited*

(A joint stock limited company incorporated in the People's Republic of China)

Stock Code: 3993



2022 ANNUAL REPORT

To be a respected, modern, and
world-class resources company

* For identification purposes only

Contents

| | |
|--|-----|
| COMPANY PROFILE | 2 |
| FINANCIAL HIGHLIGHTS | 3 |
| CEO'S STATEMENT | 12 |
| MARKET REVIEW AND PROSPECTS | 15 |
| BUSINESS REVIEW AND PROSPECTS | 24 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 30 |
| RESOURCES AND RESERVES | 44 |
| MATERIAL EVENTS | 53 |
| MATERIAL EVENTS | 53 |
| HONOURS | 55 |
| DOMESTIC AND OVERSEAS INDUSTRY POLICIES | 56 |
| RISK WARNING | 58 |
| CORPORATE GOVERNANCE REPORT | 59 |
| REPORT OF THE BOARD OF DIRECTORS | 80 |
| REPORT OF THE SUPERVISORY COMMITTEE | 121 |
| PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT | 125 |
| AUDITOR'S REPORT | 132 |
| CORPORATE INFORMATION | 369 |
| DEFINITION OF COMMON TERMS | 371 |

COMPANY PROFILE

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

The Company engages in the non-ferrous metal industry, mainly the mining and processing business, which includes mining, beneficiation, smelting and refining of base and rare metals, and mineral trading business. With its main business located over Asia, Africa, South America, Oceania and Europe, the Company is the world’s leading producer of tungsten, cobalt, niobium and molybdenum and a major copper producer. It is also a leading producer of phosphate fertilizer in Brazil. In terms of trading business, the Company is one of the leading base metal traders in the world. The Company ranks 918 among the top 2,000 global listed companies by Forbes 2022 and 20 among top 40 global mining companies (by market value) in 2022.

The Company’s vision is to become a “highly respected, modern and world-class resource company”. In the context of global strategy of carbon neutrality, the Company has formulated a “three-step” development path, of which the first step is to “lay a foundation of low cost and high efficiency” that focuses on system and team building via organization upgrade and a corporate management system that covers global operations. The second step is to “ramp up with multiplying production capacity” as the two world-class projects, TFM mixed ore project and KFM project, complete construction and start production. This step aims at a modern and effective corporate governance structure with clear division of responsibilities and a stronger team that is tested through involvement in world-class projects that are launched to expand our production capacity. The third step is to achieve “stellar growth” towards a world-class company and our vision when new milestones are achieved in business size and cash flows, when teams and project pipelines are more robust, and when we are ready to seek greater growth around our strategic goals in key regions and key products.



FINANCIAL HIGHLIGHTS

I. SUMMARIZED FINANCIAL INFORMATION

Unit: Yuan Currency: RMB

| Major accounting information | 2022 | 2021 | Increase or decrease as compared to last year (%) | 2020 |
|--|---------------------------|--------------------|---|--------------------|
| Operating revenue | 172,990,857,221.36 | 173,862,586,154.82 | -0.50 | 112,981,018,624.55 |
| Net profit attributable to shareholders of listed company | 6,066,946,564.19 | 5,106,017,249.81 | 18.82 | 2,328,787,511.92 |
| Net profit after deduction of non-recurring profits or losses attributable to shareholders of listed company | 6,066,908,349.50 | 4,103,233,118.22 | 47.86 | 1,090,576,448.35 |
| Net cash flow from operating activities | 15,453,761,072.68 | 6,190,648,051.98 | 149.63 | 8,492,453,630.20 |

| | At the end of 2022 | At the end of 2021 | Increase or decrease as compared to last year (%) | At the end of 2020 |
|---|---------------------------|--------------------|---|--------------------|
| Net assets attributable to shareholders of listed company | 51,698,562,059.68 | 39,845,286,626.30 | 29.75 | 38,891,780,788.15 |
| Total assets | 165,019,219,538.77 | 137,449,772,623.15 | 20.06 | 122,441,249,889.87 |

II. MAJOR FINANCIAL INDICATORS

| Item | 2022 | 2021 | Increase or decrease as compared to last year (%) | 2020 |
|---|--------------|-------|---|------|
| Basic earnings per share (RMB Yuan per Share) | 0.28 | 0.24 | 16.67 | 0.11 |
| Diluted earnings per share (RMB Yuan per Share) | 0.28 | 0.24 | 16.67 | N/A |
| Basic earnings per share after deduction of non-recurring profits or losses (RMB Yuan per Share) | 0.28 | 0.19 | 47.37 | 0.05 |
| Weighted average return on net assets (%) | 13.41 | 12.93 | Increased by 0.48 percentage point | 5.83 |
| Weighted average return on net assets after deduction of non-recurring profits or losses (%) | 13.41 | 10.39 | Increased by 3.02 percentage points | 2.78 |

FINANCIAL HIGHLIGHTS

III. ITEMS AND AMOUNTS OF NON-RECURRING PROFITS OR LOSSES

Unit: Yuan Currency: RMB

| Non-recurring profit or loss items | 2022 | Notes | 2021 | 2020 |
|--|--------------------------|--|-------------------|-------------------|
| Profits or losses from disposal of non-current assets | 29,128,043.33 | | -5,274,617.13 | -812,670.82 |
| Government grants included in profit and loss for the current period, except for those closely relevant to the Company's normal business and in compliance with national policies and regulations and granted continuously according to certain standardized amounts or quotas | 85,350,604.54 | | 58,214,845.39 | 38,232,080.76 |
| Capital utilization fees received from non-financial institutions included in profit or loss for the current period | 23,307,175.31 | | - | - |
| Profit and loss of changes in fair value arising from holding of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities, and investment gains from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities, and other debt investments, except for effective hedging activities associated with normal business operations of the Company | -1,684,640,006.66 | Including RMB-1,340 million change in fair value of derivative financial instruments of IXM metal trading business | -3,663,615,218.75 | -1,934,640,418.79 |
| Other non-operating income or expenses other than the above items | -84,589,768.19 | | -33,359,535.00 | -71,108,615.99 |
| Other profit or loss items falling within the definition of non-recurring profit and loss | 1,697,549,933.24 | Including RMB1,602 million profit or loss in relation to IXM metal trading business other than the above items | 4,845,052,558.31 | 3,425,280,730.73 |
| Less: Income tax effects | 66,688,586.86 | | 198,826,642.76 | 241,903,714.24 |
| Effects of non-controlling interests (after tax) | -620,819.98 | | -592,741.53 | -23,163,671.92 |
| Total | 38,214.69 | | 1,002,784,131.59 | 1,238,211,063.57 |

FINANCIAL HIGHLIGHTS

IV. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

Unit: Yuan Currency: RMB

| Item | 31 December 2022 | 31 December 2021 | Increase (decrease) |
|---|---------------------------|--------------------|---------------------|
| Current assets: | | | |
| Cash and bank balances | 32,647,565,268.28 | 24,318,024,989.56 | 34.25% |
| Held-for-trading financial assets | 4,236,792,942.19 | 7,117,297,565.38 | -40.47% |
| Derivative financial assets | 1,944,853,567.32 | 1,830,819,434.83 | 6.23% |
| Accounts receivables | 800,256,289.83 | 745,903,478.74 | 7.29% |
| Financing receivables | 388,389,728.54 | 662,973,657.80 | -41.42% |
| Prepayments | 2,129,545,006.22 | 1,473,068,744.38 | 44.57% |
| Other receivables | 5,017,084,484.19 | 2,158,421,687.51 | 132.44% |
| Including: Interests receivable | 618,379,463.56 | 409,454,105.99 | 51.03% |
| Dividends receivable | - | 900,000.00 | -100.00% |
| Inventories | 32,254,722,426.64 | 26,959,964,452.91 | 19.64% |
| Non-current assets due within one year | 1,757,787,239.02 | 573,733,642.62 | 206.38% |
| Other current assets | 4,504,795,377.38 | 5,115,673,898.16 | -11.94% |
| Total current assets | 85,681,792,329.61 | 70,955,881,551.89 | 20.75% |
| Non-current assets: | | | |
| Long-term equity investment | 1,933,910,294.77 | 1,249,467,501.47 | 54.78% |
| Other investments in equity instruments | 14,827,558.48 | 67,772,733.31 | -78.12% |
| Other non-current financial assets | 3,554,476,351.83 | 3,912,404,655.76 | -9.15% |
| Fixed assets | 28,055,742,014.75 | 24,959,306,845.68 | 12.41% |
| Construction in progress | 13,659,085,249.76 | 3,882,051,384.27 | 251.85% |
| Right-of-use assets | 264,313,360.66 | 358,652,931.81 | -26.30% |
| Intangible assets | 19,447,513,419.29 | 19,398,989,322.92 | 0.25% |
| Inventory | 7,001,735,495.28 | 6,111,544,354.19 | 14.57% |
| Goodwill | 422,968,781.50 | 387,204,155.33 | 9.24% |
| Long-term prepaid expenses | 217,666,607.09 | 178,843,869.89 | 21.71% |
| Deferred tax assets | 1,111,487,581.86 | 987,702,345.62 | 12.53% |
| Other non-current assets | 3,653,700,493.89 | 4,999,950,971.01 | -26.93% |
| Total non-current assets | 79,337,427,209.16 | 66,493,891,071.26 | 19.32% |
| Total assets | 165,019,219,538.77 | 137,449,772,623.15 | 20.06% |

FINANCIAL HIGHLIGHTS

| Item | 31 December 2022 | 31 December 2021 | Increase (decrease) |
|--|---------------------------|-------------------|---------------------|
| Current liabilities: | | | |
| Short-term borrowings | 20,107,509,714.04 | 26,911,899,635.42 | -25.28% |
| Held-for-trading financing liabilities | 3,651,811,361.47 | 4,402,513,686.53 | -17.05% |
| Derivative financial liabilities | 2,350,847,071.76 | 2,636,505,095.30 | -10.83% |
| Notes payable | 2,409,419,326.42 | 2,906,023,727.49 | -17.09% |
| Accounts payable | 1,547,305,043.03 | 1,260,247,972.87 | 22.78% |
| Contract liabilities | 1,689,792,175.08 | 637,933,776.57 | 164.89% |
| Employee benefits payable | 1,017,993,590.42 | 897,749,900.38 | 13.39% |
| Taxes payable | 804,749,758.78 | 2,704,678,920.67 | -70.25% |
| Other payables | 6,861,265,106.60 | 2,918,190,968.03 | 135.12% |
| Including: Interests payable | 234,561,190.61 | 161,655,596.08 | 45.10% |
| Dividends payable | 27,885,796.67 | 27,885,796.67 | 0.00% |
| Non-current liabilities due within one year | 6,905,036,819.39 | 4,954,382,332.64 | 39.37% |
| Other current liabilities | 2,715,386,791.93 | 429,943,105.54 | 531.57% |
| Total current liabilities | 50,061,116,758.92 | 50,660,069,121.44 | -1.18% |
| Non-current liabilities: | | | |
| Long-term borrowings | 18,975,172,198.88 | 13,610,578,855.09 | 39.41% |
| Bonds payable | 2,150,000,000.00 | 1,150,000,000.00 | 86.96% |
| Non-current derivative financial liabilities | 230,168,848.27 | 357,204,494.71 | -35.56% |
| Lease liabilities | 209,349,065.29 | 233,937,993.67 | -10.51% |
| Long-term employee benefits payable | 356,539,615.25 | 308,472,990.96 | 15.58% |
| Provision | 3,167,361,155.32 | 3,081,821,758.57 | 2.78% |
| Deferred income | 45,713,239.10 | 53,103,694.70 | -13.92% |
| Deferred tax liabilities | 6,092,532,551.64 | 6,136,296,210.55 | -0.71% |
| Other non-current liabilities | 21,693,849,406.96 | 13,594,075,166.39 | 59.58% |
| Total non-current liabilities | 52,920,686,080.71 | 38,525,491,164.64 | 37.37% |
| Total liabilities | 102,981,802,839.63 | 89,185,560,286.08 | 15.47% |

FINANCIAL HIGHLIGHTS

| Item | 31 December 2022 | 31 December 2021 | Increase (decrease) |
|---|---------------------------|--------------------|---------------------|
| Owners' equity (or shareholders' equity) | | | |
| Paid-in capital (or share capital) | 4,319,848,116.60 | 4,319,848,116.60 | 0.00% |
| Other equity instruments | 1,000,000,000.00 | – | 100.00% |
| Including: Perpetual bonds | 1,000,000,000.00 | – | 100.00% |
| Capital reserve | 27,681,918,087.25 | 27,645,855,518.39 | 0.13% |
| Less: Treasury share | 1,325,021,131.22 | 876,357,019.96 | 51.20% |
| Other comprehensive income | 294,879,708.74 | -6,406,227,030.65 | 104.60% |
| Special reserve | 22,655,587.06 | 487,314.82 | 4,549% |
| Surplus reserve | 1,684,388,527.69 | 1,463,370,956.65 | 15.10% |
| Retained profits | 18,019,893,163.56 | 13,698,308,770.45 | 31.55% |
| Total equity attributable to owners of the parent company | 51,698,562,059.68 | 39,845,286,626.30 | 29.75% |
| Non-controlling interests | 10,338,854,639.46 | 8,418,925,710.77 | 22.80% |
| Total owners' equity (or shareholders' equity) | 62,037,416,699.14 | 48,264,212,337.07 | 28.54% |
| Total liabilities and owners' equity (or shareholders' equity) | 165,019,219,538.77 | 137,449,772,623.15 | 20.06% |

FINANCIAL HIGHLIGHTS

Consolidated Income Statement

Unit: Yuan Currency: RMB

| Item | 2022 | 2021 | Increase (decrease) |
|---|---------------------------|--------------------|---------------------|
| I. Total operating revenue | 172,990,857,221.36 | 173,862,586,154.82 | -0.50% |
| Including: Operating revenue | 172,990,857,221.36 | 173,862,586,154.82 | -0.50% |
| II. Total operating costs | 162,246,417,529.62 | 161,808,822,844.14 | 0.27% |
| Including: Operating costs | 156,926,248,131.67 | 157,539,542,348.74 | -0.39% |
| Taxes and levies | 1,235,110,800.28 | 1,256,077,808.20 | -1.67% |
| Selling expenses | 97,171,422.69 | 89,749,939.10 | 8.27% |
| Administrative expenses | 1,790,812,081.35 | 1,556,010,571.73 | 15.09% |
| Research and development expenses | 388,609,726.55 | 272,384,715.46 | 42.67% |
| Financial expenses | 1,808,465,367.08 | 1,095,057,460.91 | 65.15% |
| Including: Interest expenses | 2,795,047,621.88 | 1,764,472,539.36 | 58.41% |
| Interest income | 1,189,038,307.66 | 748,777,605.00 | 58.80% |
| Add: Other income | 85,350,604.54 | 58,214,845.39 | 46.61% |
| Investment income (losses are indicated by "-") | 725,919,489.77 | 110,295,857.36 | 558.16% |
| Including: Income from investments in associates and joint ventures | 645,307,049.56 | -2,281,770.77 | 28,380.98% |
| Gains from changes in fair value (losses are indicated by "-") | -1,610,830,289.45 | -3,367,748,632.59 | 52.17% |
| Gains from credit impairment (losses are indicated by "-") | -19,677,971.29 | 148,459.55 | -13,354.77% |
| Gains from impairment of assets (losses are indicated by "-") | -65,273,094.66 | -60,725,346.54 | -7.49% |
| Gains from disposal of assets (losses are indicated by "-") | 29,128,043.33 | -5,274,617.13 | 652.23% |
| III. Operating profit (loss is indicated by "-") | 9,889,056,473.98 | 8,788,673,876.72 | 12.52% |
| Add: Non-operating income | 19,666,081.51 | 19,162,108.50 | 2.63% |
| Less: Non-operating expenses | 104,255,849.70 | 52,521,643.50 | 98.50% |
| IV. Total profit (total loss is indicated by "-") | 9,804,466,705.79 | 8,755,314,341.72 | 11.98% |
| Less: Income tax expenses | 2,612,765,878.42 | 3,327,700,999.16 | -21.48% |

FINANCIAL HIGHLIGHTS

| Item | 2022 | 2021 | Increase (decrease) |
|---|--------------------------|-------------------|---------------------|
| V. Net profit (net losses are indicated by "-") | 7,191,700,827.37 | 5,427,613,342.56 | 32.50% |
| (I) Classified by operation continuity | | | |
| 1. Net profit from continuing operations (net losses are indicated by "-") | 7,191,700,827.37 | 5,427,613,342.56 | 32.50% |
| (II) Classified by ownership | | | |
| 1. Net profit attributable to owners of the parent company (net losses are indicated by "-") | 6,066,946,564.19 | 5,106,017,249.81 | 18.82% |
| 2. Non-controlling interests (net losses are indicated by "-") | 1,124,754,263.18 | 321,596,092.75 | 249.74% |
| VI. Other comprehensive income, net of tax | 7,493,237,348.93 | -3,066,390,685.93 | 344.37% |
| (I) Other comprehensive income attributable to owners of the parent company, net of tax | 6,701,106,739.39 | -2,885,808,367.60 | 332.21% |
| 1. Other comprehensive income that cannot be reclassified subsequently to profit or loss | -28,675,646.01 | 17,782,366.26 | -261.26% |
| (1) Remeasurement of changes in defined benefit plans | 10,901,976.24 | 31,667,410.20 | -65.57% |
| (2) Changes in fair value of other equity instrument investments | -39,577,622.25 | -13,885,043.94 | -185.04% |
| 2. Other comprehensive income that will be reclassified subsequently to profit or loss | 6,729,782,385.40 | -2,903,590,733.86 | 331.77% |
| (1) Cash flow hedge reserve | 3,064,856,969.64 | -2,094,684,175.28 | 246.32% |
| (2) Foreign exchange differences from translation of financial statements | 3,664,925,415.76 | -808,906,558.58 | 553.07% |
| (II) Other comprehensive income attributable to non-controlling shareholders, net of tax | 792,130,609.54 | -180,582,318.33 | 538.65% |
| VII. Total comprehensive income | 14,684,938,176.30 | 2,361,222,656.63 | 521.92% |
| (I) Attributable to owners of the parent company | 12,768,053,303.58 | 2,220,208,882.21 | 475.08% |
| (II) Attributable to non-controlling shareholders | 1,916,884,872.72 | 141,013,774.42 | 1,259.36% |
| VIII. Earnings per share: | | | |
| (I) Basic earnings per share (<i>RMB Yuan per Share</i>) | 0.28 | 0.24 | 16.67% |
| (II) Diluted earnings per share (<i>RMB Yuan per Share</i>) | 0.28 | 0.24 | 16.67% |

FINANCIAL HIGHLIGHTS

Consolidated Statement of Cash Flow

Unit: Yuan Currency: RMB

| Item | 2022 | 2021 | Increase (decrease) |
|---|---------------------------|--------------------|---------------------|
| I. Cash flows from operating activities: | | | |
| Cash received from sales of goods and rendering services | 181,115,607,819.21 | 178,911,705,871.18 | 1.23% |
| Cash received from tax refund | 179,958,356.30 | 210,603,969.12 | -14.55% |
| Cash received related to other operating activities | 5,824,961,505.57 | 755,068,590.12 | 671.45% |
| Sub-total of cash inflows from operating activities | 187,120,527,681.08 | 179,877,378,430.42 | 4.03% |
| Cash paid for purchasing goods and receiving labour services | 158,344,577,825.15 | 164,689,040,889.30 | -3.85% |
| Cash paid to employees and paid for employees | 3,036,911,440.69 | 2,821,176,646.71 | 7.65% |
| Taxes and fees paid | 9,598,244,714.12 | 4,441,568,895.75 | 116.10% |
| Cash paid for other operating activities | 687,032,628.44 | 1,734,943,946.68 | -60.40% |
| Sub-total of cash outflow from operating activities | 171,666,766,608.40 | 173,686,730,378.44 | -1.16% |
| Net cash flow from operating activities | 15,453,761,072.68 | 6,190,648,051.98 | 149.63% |
| II. Cash flows from investing activities: | | | |
| Cash received from investment contribution | 7,994,947,087.13 | 9,357,480,545.74 | -14.56% |
| Cash received from investment income | 1,599,113,255.66 | 202,617,528.10 | 689.23% |
| Net cash received from disposals of fixed assets, intangible assets and other long-term assets | 48,037,339.88 | 21,282,617.12 | 125.71% |
| Net cash received from disposals of subsidiaries and other operating units | 73,757,200.00 | 55,505,000.00 | 32.88% |
| Cash received related to other investing activities | 1,910,915,060.38 | 1,077,853,530.69 | 77.29% |
| Sub-total of cash inflows from investing activities | 11,626,769,943.05 | 10,714,739,221.65 | 8.51% |
| Cash paid for acquiring or construction of fixed assets, intangible assets and other long-term assets | 10,517,759,270.88 | 4,281,675,570.51 | 145.65% |
| Cash paid for acquiring investments | 6,264,524,646.22 | 9,239,478,169.67 | -32.20% |
| Cash paid for other investing activities | 2,216,140,264.62 | 2,085,385,035.55 | 6.27% |
| Sub-total of cash outflow from investing activities | 18,998,424,181.72 | 15,606,538,775.73 | 21.73% |
| Net cash flows from investing activities | -7,371,654,238.67 | -4,891,799,554.08 | -50.69% |

FINANCIAL HIGHLIGHTS

| Item | 2022 | 2021 | Increase (decrease) |
|--|-------------------|-------------------|---------------------|
| III. Cash flows from financing activities: | | | |
| Cash received from investment contribution | 997,034,823.00 | 1,004,559,574.00 | -0.75% |
| Including: Cash received from minority shareholders' investments obtained by subsidiaries | 34,823.00 | - | 100.00% |
| Cash received from borrowings | 59,482,719,800.04 | 45,430,966,241.84 | 30.93% |
| Cash received from other financing activities | 5,076,200,366.50 | 11,762,118,200.00 | -56.84% |
| Sub-total of cash inflows from financing activities | 65,555,954,989.54 | 58,197,644,015.84 | 12.64% |
| Cash repayments of borrowings | 61,359,033,301.53 | 45,227,614,462.85 | 35.67% |
| Cash paid for distribution of dividends, profits and interest | 4,791,671,968.37 | 2,600,708,171.47 | 84.24% |
| Including: Dividends and profits paid by subsidiaries to minority shareholders | - | 165,166,381.80 | -100.00% |
| Cash paid for other financing activities | 1,501,795,631.15 | 2,480,683,943.05 | -39.46% |
| Sub-total of cash outflow from financing activities | 67,652,500,901.05 | 50,309,006,577.37 | 34.47% |
| Net cash flow from financing activities | -2,096,545,911.51 | 7,888,637,438.47 | -126.58% |
| IV. Effect of exchange rate changes on cash and cash equivalents | 2,667,296,884.74 | -243,745,530.93 | 1,194.30% |
| V. Net increase of cash and cash equivalents | 8,652,857,807.24 | 8,943,740,405.44 | -3.25% |
| Add: Balance of cash and cash equivalents at the beginning of year | 20,392,690,843.69 | 11,448,950,438.25 | 78.12% |
| VI. Balance of cash and cash equivalents at the end of year | 29,045,548,650.93 | 20,392,690,843.69 | 42.43% |

CEO'S STATEMENT

Dear Shareholders,

On behalf of CMOC, I am honored to have this opportunity to express my heartfelt gratitude for your long-term trust and support during this time every year.

During this year, the frequent occurrence of international geopolitical conflicts brought great uncertainty, which deeply affected our business. In the face of major changes unseen in a century, we still maintained a good momentum of development.

We achieved record performance supported by stable production and operations, continuous technical upgrade, and rise in both commodity prices and production of key varieties. We accelerated the conversion of resources into production capacity and reached the milestones for the two world-class projects of TFM mixed ore and KFM, both ready to put into production this year. CATL became our new strategic shareholder, which marked our breakthrough in the layout of lithium resources. We completed the organizational upgrade at our headquarters and continued to improve IT, human resources, and headquarters function development. The project of the SAP Phase I was launched successfully to build a foundation for global digital management and we have steadily improved our global governance capabilities.

2023 is likely to see continued global economic uncertainties amid the Russia-Ukraine conflict, rising inflation, tightening macro policies, and great power conflicts, despite of the accelerating recovery of Chinese economy. The mineral market is prone to supply disruption caused by rising resources nationalism and geopolitical turbulence. To navigate these profound changes, “Stick to the original heart, Grasp the law, Continuous evolution” will be our response.

“Stick to the original heart” means to always maintain the passion for the ancient industry of mining, and we are proud that we provide the raw materials that are the building blocks for the world’s technological progress, industrial upgrading, and daily life improvement. We will walk through the volatility in overseas markets with the commitment along our journey of becoming a world-class company. Difficulties and challenges are not scary, what kind of mental state to face will test the true quality of the Company. We believe that as long as we uphold the concept of “responsible mining, make the world a better place” and continue to create the greatest value for all stakeholders, we will be able to deal with various risks and challenges.

“Grasp the law” means to have a deep understanding of the nature of mining competition, eliminate interference, be calm and do the right thing quietly. “Don’t be afraid of floating clouds to cover your eyes, it’s just because you are at the highest level.” As all players in the mining industry sell the same products, the competitiveness of a company lies in cost, which is determined by resources and management abilities. We will continue to focus on acquiring high-quality resources and improving management to sustain our strength in industry competition and commodity cycle.

“Continuous evolution” means to stick to the existing strategy, improve international operations, promote cost and efficiency initiatives, increase ESG performance, strengthening the connection with stakeholders and making firm efforts to respond to the uncertainty of the external environment.

CEO'S STATEMENT

2023 marks the tenth year since CMOC started its global journey. Ten years ago, even the most optimistic mind would never have imagined that today CMOC is one of the players in the center of the global new energy revolution. It is remarkable that we are now fully ready to achieve stellar growth with a global development presence and world-class resources. Guided by the three-step strategy of “laying the foundation, moving up the ladder, and achieving stellar growth”, we will focus on the following aspects this year:

PRODUCTION AND OPERATIONS

TFM mixed ore and KFM will start production in 2023. The two projects, both independently operated by CMOC, show the spirit of “challenging the impossible” of all CMOC employees. We are proud to say we have made significant progress on building a top-performing team and delivering international operations abilities based on our experience of constructing world-class projects within over two years. We will see tremendous incremental production capacity and strong potential for future development once TFM mixed ore project and KFM ramp up to full production.

We also aim for major breakthroughs in Brazil's management improvement and CMOC China's strategic shift in 2023. We must unswervingly adhere to the coordination of “mining + trade” and take the road of modern mining. The transition of IXM's management will bring further dynamism to both of our organic and inorganic growth. The closer we are to fulfilling our strategic goal of building a world-class resources company, the stronger the commitment and efforts are required.

RESOURCES ACQUISITION

The world's mining industry is built on M&As and it is continuous acquisitions of quality resources that keep companies competitive. In recent years, the rapid growth in the new energy sector has prompted a surge of M&As in new energy metals, and consequently, the rising market zeal towards related resources. Though it's always easier to go with the tide, we stay calm and conscious and stick to our disciplines amid market heat, being patient when no good opportunity is available and being quick to take actions when there is one, as demonstrated by the important move we made in lithium resources in 2022. In 2023, in response to the ongoing global energy transition, we will focus on new energy metals to acquire key varieties in key regions. We will actively involve ourselves in the new energy revolution by cooperating with upstream and downstream partners, seeking global opportunities, and investing in new projects.

CORPORATE GOVERNANCE

We are well aware of the gaps between us and industry-leading players in terms of resources and reserves, size of operations, profitability, and management capabilities. We have a long way to go before becoming a “respected” company. We have been exploring a more effective international operations and management approach to match our growing business footprint. We believe that the purpose of management is to inspire employees to reach their full potential and seek success, a rule works for employees of all nationalities. This is why we keep on track to practice the management principles integrating the strengths of both Eastern and Western styles, bring into play the virtues of hard work of the Chinese people and the pursuit of cost control while respecting local history and culture, and motivate the creativity and initiative of people. This is not going to be easy, but we are on the right track and will chart a course to a more globalized management method for a Chinese company.

CEO'S STATEMENT

This year, we will roll out incentive programs to align personal growth with company development and to allow more sharing with employees. We will continue to implement tailored and dedicated incentive plans for key tasks and projects to reflect our concept of achievement sharing.

ESG DEVELOPMENT

ESG has come to the forefront of the mining industry and is integral to what constitutes a respectable international player. A resources company, inherently exposed to high environmental and social risks, bears greater responsibility to improve ESG management and disclosure transparency to mitigate risks and address the concerns of stakeholders, including investors, communities, and host governments. This has become a firm-wide priority of the Company.

We will relentlessly pursue improvements in our top ESG performance to enhance our soft power. The ultimate goal of ESG management is to echo the global pursuit of green and harmonious development and reach sustainable and high-quality development through structural transformation, industrial upgrading, environmental-friendly efforts, and harmony with community. In 2023, we developed our carbon-neutral roadmap and identified the carbon neutral goal by 2050. We are pleased to honor the commitment and to make a meaningful contribution to the carbon neutral dialogue of the world.

CORPORATE CULTURE

We presented our vision of becoming “a respected, world-class, and modern resources company” in 2022 based on reflections of the lessons learned over past years. We are also nurturing a corporate culture pillared by the time-honored Chinese style of simplicity, honesty and humbleness while embracing the aspiration for excellence and truth-seeking. This culture incorporates the ideas of cost control and lean management of a mining company and is embedded with a modern inclination for utilizing financial tools and industry cycle. We are shaping values of CMOC that boasts industry characteristics and supports our international development. CMOC culture and spirit, as they are refined over time, will be the force driving the sustainability and robustness of our business growth.

According to our strategic planning, 2023 will be a critical year of transition from “laying the foundation” to “moving up the ladder”. 2023 will be the year of advancement and will see our all-rounded improvement in management, cost, technology, M&A, production capacity, efficiency, and comprehensive protection. I would like to thank CMOC employees for their dedication and hard work and our investors, clients and partners for your support and encouragement during this process.

A smooth sea never made a skilled sailor. As long as we rise against all the challenges and changes with commitment, adaptability, and progress, we will come out stronger and greater!

Sun Ruiwen
CEO

MARKET REVIEW AND PROSPECTS

(I) MARKET REVIEW

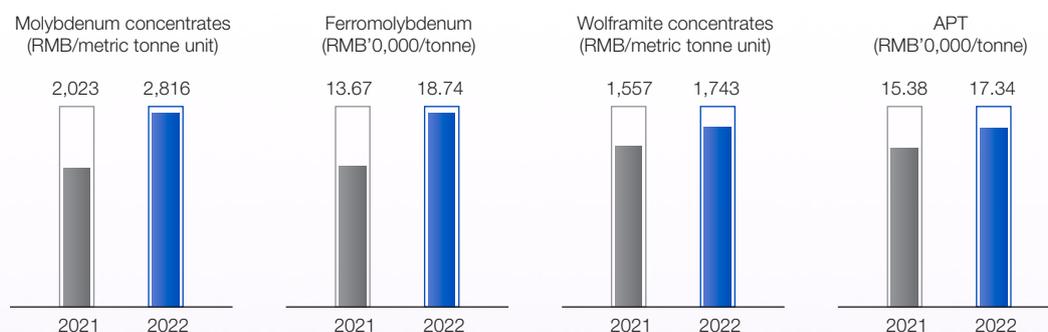
During the reporting period, the Company's revenue mainly came from copper, cobalt, molybdenum, tungsten, niobium, phosphate and related products, and the operating performance was mainly affected by the price fluctuations of the aforesaid resources. At the same time, the Company also sold gold as a by-product in NPM, and the price fluctuations of which also had a certain impact on the Company's performance.

1. Price comparison of metal products related to the major products of the Company in 2022 over the same period

Domestic market price of the relevant products of the Company

| Products | | 2022 | 2021 | Increase/ decrease on a year-on- year basis (%) |
|------------|--|--------------|-------|---|
| Molybdenum | Molybdenum concentrates (RMB/metric tonne unit) | 2,816 | 2,023 | 39.20 |
| | Ferromolybdenum (RMB'000/tonne) | 18.74 | 13.67 | 37.09 |
| Tungsten | Wolframite concentrates (RMB/metric tonne unit) | 1,743 | 1,557 | 11.95 |
| | APT (RMB'000/tonne) | 17.34 | 15.38 | 12.74 |

Note: Data from the average prices quoted on the website of Comelan (product standard: 47.5% for molybdenum concentrate, 60% for ferromolybdenum, grade I for wolframite concentrate, APT GB-0).

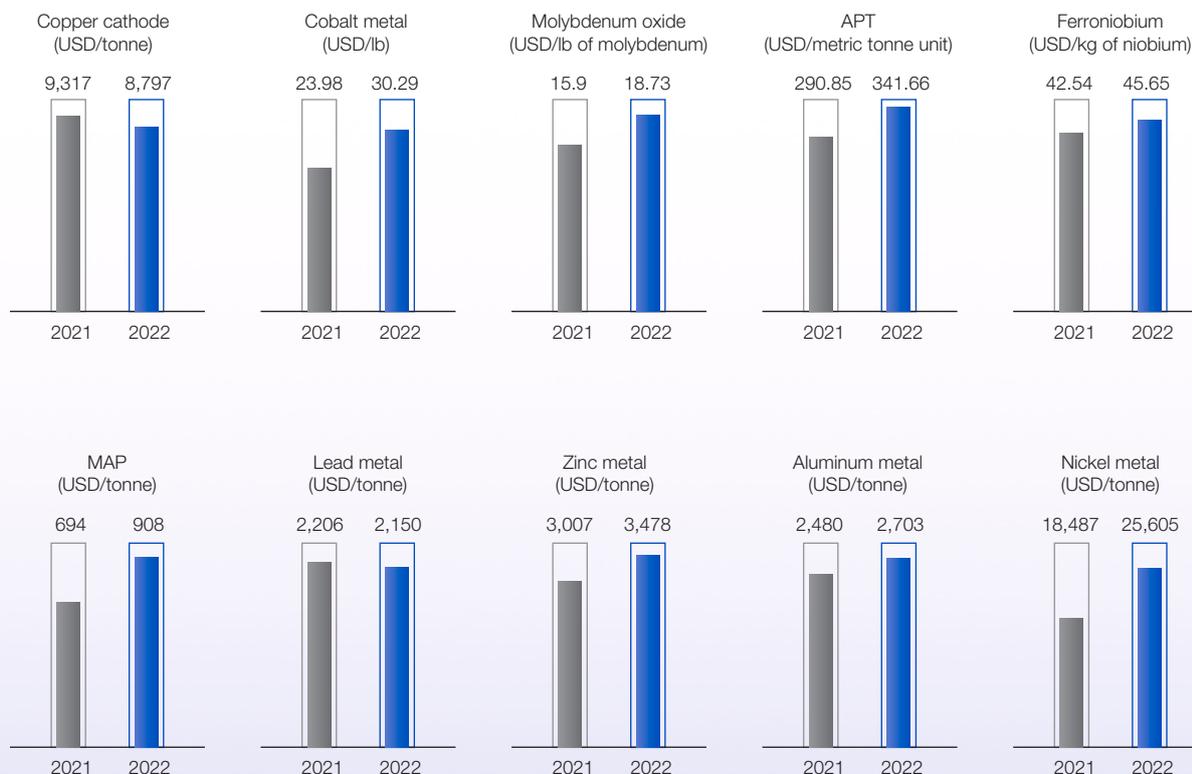


MARKET REVIEW AND PROSPECTS

International market price of relevant products of the Company

| Products | | 2022 | 2021 | Increase/ decrease on a year-on- year basis (%) |
|------------|--|---------------|--------|---|
| Copper | Copper cathode (USD/tonne) | 8,797 | 9,317 | -5.58 |
| Cobalt | Cobalt metal (USD/lb) | 30.29 | 23.98 | 26.31 |
| Molybdenum | Molybdenum oxide (USD/lb of molybdenum) | 18.73 | 15.9 | 17.80 |
| Tungsten | APT (USD/metric tonne unit) | 341.66 | 290.85 | 17.47 |
| Niobium | Ferroniobium (USD/kg of niobium) | 45.65 | 42.54 | 7.31 |
| Phosphate | MAP (USD/tonne) | 908 | 694 | 30.84 |
| Lead | Lead metal (USD/tonne) | 2,150 | 2,206 | -2.54 |
| Zinc | Zinc metal (USD/tonne) | 3,478 | 3,007 | 15.66 |
| Aluminum | Aluminum metal (USD/tonne) | 2,703 | 2,480 | 8.99 |
| Nickel | Nickel metal (USD/tonne) | 25,605 | 18,487 | 38.50 |

Note: The price of molybdenum oxide is the average price quoted on the Metals Week (MW); the prices of copper, lead, zinc, aluminum and nickel are the spot average price on LME (London Metal Exchange); cobalt price is the average low price of MB (Metal Bulletin) standard grade cobalt; phosphate fertilizer price is from Argus Media; ferroniobium price is from Asian Metal.



MARKET REVIEW AND PROSPECTS

2. Market Review on Each Metal Segment in 2022

(1) *Copper market*

The Company mainly sells copper cathode and copper concentrate to the international markets. In 2022, the annual average LME copper spot settlement price was USD8,797 per tonne, representing a year-on-year decrease of 5.58%. In the first quarter, the domestic economy performed well, and the conflict between Russia and Ukraine overseas caused concerns about the limited supply of Russian copper, pushing copper prices to the highest point of the year at USD10,730 per tonne. In the second quarter, operation and production of some factories suspended in Eastern China, which affected downstream consumption and market sentiment. The US dollar index continued to strengthen since the US Federal Reserve and other overseas central banks in Europe and the United States began to raise interest rates, and copper prices fell sharply. In the third quarter, the full resumption of operation and production in Eastern China combined with incentive policies spurred copper prices. In addition, the market expected that the pace of interest rate hikes by the US Federal Reserve would slow down, and LME copper inventories remained low. These factors together supported a slight rebound in copper prices. In the fourth quarter, the performance of the domestic manufacturing industry weakened. However, the pace of interest rate hikes by the US Federal Reserve aboard slowed down, with slow and slight rise in copper prices.

(2) *Cobalt market*

The Company sells intermediate products of cobalt hydroxide to the international markets. In 2022, the annual average low price of MB metal cobalt was USD30.29 per lb, representing a year-on-year increase of 26.31%. In the first quarter, the prosperity of the new energy sector continued to improve, and the port of Durban in South Africa, the transportation route for African cobalt raw materials, had low turnover efficiency due to the impact of heavy rains and floods, constantly driving up the cobalt price. In the second quarter, the production of the new energy vehicle industry chain in Eastern China slowed down, and the price of downstream products continued to decline, which dragged down the cobalt raw materials price, and the payable of cobalt hydroxide dropped from a high of 88 to 63. In the third quarter, there was a short-term metal cobalt stock-up after the end of the overseas summer break. Meanwhile, the prosperity of downstream centralized procurement improved in the peak season of the domestic new energy vehicle sector, and cobalt prices rose slightly. In the fourth quarter, cobalt prices fell again since overseas metal cobalt stock-up ended, and the domestic new energy sector turned into an off-season with a persistent weak 3C sector.

MARKET REVIEW AND PROSPECTS

(3) *Molybdenum market*

The major molybdenum product of the Company is ferromolybdenum, which is mainly sold in China. In 2022, the annual average ferromolybdenum price was RMB187,400 per tonne, representing a year-on-year increase of 37.09%. In the first quarter, the price of ferromolybdenum took off riding on the sound performance of domestic economy as well as the restricted production of ferromolybdenum companies during the Winter Olympics. In the second quarter, the production and raw material procurement of some steel mills in Eastern China was sluggish, and the end consumption was greatly affected. The market sentiment was depressed, and the price of ferromolybdenum weakened sharply. In the third quarter, after the full resumption of operation and production, the price of ferromolybdenum continued to weaken after a brief recovery due to high-temperature weather and low profits of steel mills, and then the price of ferromolybdenum began to soar due to the shortage of raw material molybdenum concentrate and the improvement in the utilization rate of steel mills. In the fourth quarter, supply of raw material molybdenum concentrate remained tight. However, as the steel mills successively entered the intensive stocking period before the Spring Festival, coupled with the boost in molybdenum demand as driven by faster resumption of work and production of enterprises, the price of ferromolybdenum was continuously pushed up in a rapid pace.

(4) *Tungsten market*

The major tungsten products of the Company are ammonium paratungstate (APT), which are sold in the domestic market in China. In 2022, the annual average APT price was RMB173,400 per tonne, representing a year-on-year increase of 12.74%. In the first quarter, the domestic economy performed well, and the APT price rose to the highest level of the year at RMB182,000 per tonne attributable to the stocking before the Spring Festival in combination with robust overseas demand. In the second quarter, there was a significant contraction in downstream demand for tungsten in the Yangtze River Delta region, with poor market sentiment and a nosedive in APT price. In the third quarter, the downstream demand for tungsten recovered after the full resumption of operation and production in the Yangtze River Delta region. The downstream enterprises in the industrial chain started to ramp up their operations, and the purchase of APT increased, driving up tungsten prices. In the fourth quarter, the demand for tungsten weakened, and the price entered the down range. Nevertheless, in the later stage, downstream enterprises entered the market in advance to purchase raw materials with concerns that the transportation of goods would be hindered, causing the APT price to rebound from the low point of RMB165,000 per tonne in the year to more than RMB170,000 per tonne.

MARKET REVIEW AND PROSPECTS

(5) *Niobium market*

The major niobium product of the Company is ferroniobium, which is sold to the international market. In 2022, the annual average ferroniobium price was USD45.65 per kg of niobium, representing a year-on-year increase of 7.31%. In the first quarter, heavy rains in Brazil affected port delivery efficiency, and global supply was relatively tight. While the domestic economy performed well, and the conflict between Russia and Ukraine overseas restricted the flow of steel between Russia and the EU so that steel mills in overseas and domestic market were more willing to purchase ferroniobium, driving prices to continue to rise. In the second quarter, the price of ferroniobium continued its upward trend in the previous period to the highest point of USD48.5 per kg of niobium, and then began to fall back slowly. In the third quarter, the price of ferroniobium had a relatively long period of stability. Later, as the overseas macroeconomy weakened and European energy prices remained high, some overseas steel mills suspended production, driving the price of ferroniobium to accelerate downward. In the fourth quarter, with the increase in purchase inquiries from overseas steel mills, the price of ferroniobium rose temporarily, but the overall downward trend remained as the recovery of actual demand was less than expected.

(6) *Phosphate market*

The major phosphate products of the Company are phosphate fertilizer (MAP, DAP), phosphoric acid and DCP, which are sold in the Brazilian market. In 2022, MAP Brazilian delivered price was USD908 per tonne, representing a year-on-year increase of 30.84%. In the first quarter, the Russia-Ukraine conflict triggered concerns about the food and fertilizer crisis in global markets, and the price of MAP once soared to a historical high of USD1,300 per tonne. In the second quarter, as global central banks began to raise interest rates, food prices fell sharply and downstream profits shrank, the willingness to purchase fertilizers was affected, leading to a sharp drop in MAP prices. Although the third quarter is the peak season for phosphate fertilizers in the Brazilian market, due to the overstocking of the downstream during the Russia-Ukraine conflict, and the lack of profit support after the fall of grain prices, the enthusiasm of the downstream to purchase phosphate fertilizers was less than expected, and the price of MAP continued to fall. In the fourth quarter, the price of MAP fell back to the level before the Russia-Ukraine conflict, traded sideways at USD600 per tonne. By the end of the year, trading volume was boosted by fertilizer winter storage in the PRC, leading to slight price rise of phosphate fertilizer in international market.

MARKET REVIEW AND PROSPECTS

(7) *Nickel market*

The major nickel product of the subsidiaries invested in by the Company is mixed nickel-cobalt hydroxide (MHP), which is mainly sold to the domestic market. In 2022, the annual average LME nickel spot settlement price was USD25,605 per tonne, representing a year-on-year increase of 38.50%. In the first quarter, under the influence of the conflict between Russia and Ukraine, the market worried that the supply of Russian nickel would be limited, and the price fluctuated sharply. In the second quarter, the market sentiment gradually calmed down. The ramp-up of the Indonesian nickel project brought an increase in production. Along with high global inflation and lowered economic growth expectations, the nickel price dropped drastically to a relatively normal range. In the third quarter, nickel prices fluctuated under the influence of factors in anticipation of the market such as LME's restriction on Russian nickel and Indonesia's imposition of tariffs on low-grade nickel products. In the fourth quarter, nickel prices continued to strengthen dramatically against the background that the pace of the US Federal Reserve's rate hike slowed down.

(8) *Mineral trading market*

Aluminum market: In 2022, the aluminum market fluctuated greatly as the conflict between Russia and Ukraine greatly affected the aluminum market. The market worried about the uncertainty of Russian supply. Meanwhile, the European energy markets were affected, and the output of European electrolytic aluminum dropped drastically. As affected by power shortages, the demand in Chinese market decreased, resulting in decline in output of electrolytic aluminum. As the interest rates of overseas central banks raised, the cost of obtaining goods increased, and participants in all links of the supply chain were pressured to reduce inventory.

Lead and zinc market: In 2022, the lead market presented a regional imbalance between supply and demand. Due to the limited supply of overseas lead concentrate, frequently disturbed production of metallic lead, and great demand for batteries, supply of both the overseas lead concentrate and metallic lead markets were relatively tight. Nevertheless, the domestic lead metal inventory was high while the market performance was relatively weak, and the export of lead metal and batteries increased. Both zinc concentrate and zinc metal markets demonstrated high volatility in 2022. The processing fee increased from USD80 per tonne at the end of 2021 to USD270 per tonne. In particular, the premium went up from USD220 per tonne to USD500 per tonne in Europe, and rose from USD240 per tonne to USD970 per tonne in the United States. The main reasons were: firstly, the Russia-Ukraine conflict led to record high energy prices in Europe, which had a significant impact on concentrate consumption and metal supply; secondly, the market demand in China was sluggish. At the end of 2022, central banks in western countries raised interest rates in response to high inflation, European energy prices also fell sharply, and the concentrate and metal markets began to return to rationality.

MARKET REVIEW AND PROSPECTS

(II) MARKET PROSPECTS FOR EACH METAL SEGMENT IN 2023

1. Copper market

The global copper mines will see a more concentrated release of incremental production capacity, with smelting capacity also increasing but at a slower rate than the mining side. In 2023, the TC/RC benchmark hit a record high since 2017, indicating a relatively consistent market expectation for future copper easing. Demand for copper in relation to new energy is expected to grow rapidly against the backdrop of carbon neutrality and carbon peaking. The pace of interest rate hikes by the US Federal Reserve and other European and US central banks may slow down, alleviating the dampening effect of the US dollar on copper prices, while global copper inventories remain at low levels, supporting higher copper prices.

2. Cobalt market

The global cobalt raw material supply continues to increase, mainly from the production expansion of cobalt hydroxide in the DRC. The MHP production ramp-ups in Indonesia also boost the supply of cobalt raw materials to a certain extent. Power battery continues to be the main source of incremental cobalt demand. Despite the rapid development of lithium iron phosphate battery and the trend of high-nickel ternary battery, the overall growth rate of power battery remains considerable as driven by the high-speed growth of new energy vehicles, which will support cobalt demand.

3. Molybdenum market

Global molybdenum supply is relatively stable as a whole. The production volume of domestic copper, molybdenum associated ores has increased slightly, but the quality of some of the existing mines has downgraded, and the production disturbance of part of the copper, molybdenum associated ores in South America has not fully recovered. The global economic slowdown may drag down the growth rate of molybdenum demand, but the expected further growth in production of stainless steel containing molybdenum and alloy steel by virtue of domestic steel industry structural reform and further development of high-end manufacturing will support the further growth of demand for molybdenum.

MARKET REVIEW AND PROSPECTS

4. Tungsten market

The large uncertainty on commencement of production of overseas tungsten mining projects, the tightening of domestic environmental protection policies, the closure of unqualified mines and the decline in the grade of some mines have restricted the supply of tungsten raw materials. With the recovery of production in the Yangtze River Delta region where the downstream tungsten enterprises are concentrated, it is expected that the downstream enterprises will be able to have more stable production. Considering that the replacement of cemented carbide tools will enter its peak, the demand for tungsten will be stimulated.

5. Niobium market

Global niobium supply is highly concentrated and new production capacity has been kept within a moderate range. Although the risk of global economic slowdown may dampen overseas production of steel mills, demand for niobium is expected to present stable growth in view of the restructuring of the China's steel industry, the further development of high-end manufacturing and the expected increase in the proportion of alloy structural steel to be used in infrastructure projects.

6. Phosphates market

The global phosphate fertilizer market is gradually returning to a normal price range after the huge volatility caused by the Russia-Ukraine conflict in 2022. Although the price of agricultural products has also experienced a comeback, the extent of which has been less than that of phosphate fertilizers, which will support the resurgence of willingness to purchase of downstream enterprises. Considering that the Brazilian crop planting area continues to increase, it is expected that phosphate fertilizer demand will be able to maintain growth.

7. Nickel market

The global nickel supply has increased significantly, mainly from the MHP and NPI products in Indonesia, and these projects are expected to have further production ramp-ups, contributing to the further significant increase in nickel supply. The growth rate of nickel demand for stainless steel is relatively stable, while the nickel demand for power battery is the main source of growth. Despite the rapid development of lithium iron phosphate battery, the advantage of high nickel ternary battery in terms of energy density makes it more competitive, which is expected to support the demand for nickel. Meanwhile, the nickel inventories on the exchanges remain at a relatively low level, which will provide underlying support for nickel prices.

MARKET REVIEW AND PROSPECTS

8. Mineral trading

Aluminum market: In view of the persistent conflict between Russia and Ukraine, coupled with high interest rates in a highly inflationary environment, the aluminum market in 2023 remains uncertain. Fundamentally, there are certain production and supply risks in China, and it is uncertain as to whether smelters will increase production in 2023 after the restricted production caused by power shortage in 2022. LME inventories were at low levels at the beginning of the year, but over-the-counter inventories have increased. In terms of macroeconomic background, overseas demand for electrolytic aluminum is subject to downside risk. As logistics bottleneck is diminishing, logistics management will become more controllable.

Lead and zinc markets: Overseas lead and zinc metal markets will remain tight in 2023, but it will mainly depend on the specific performance of end-use demand in a high interest rate environment. The domestic metal market is expected to be relatively weaker due to lower demand and better smelter margins, which will encourage smelters to maximize capacity utilization. The market is still worried about the lead and zinc metal inventories which are at historic lows. In the concentrate market, zinc concentrate is expected to be broadly balanced as European smelters are expected to resume production, but political and social factors may still affect supply from mines. The lead concentrate market is expected to remain tight, mainly due to strong competition among traders for high silver lead concentrates, which are blended with other quality lead concentrates and exported to China as silver concentrates.

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BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW ON EACH METAL SEGMENT IN 2022

| Principal products | Production volume of 2022 | Production volume of 2021 |
|---|---------------------------|---------------------------|
| TFM copper metal (tonne) | 254,286 | 209,120 |
| TFM cobalt metal (tonne) | 20,286 | 18,501 |
| Molybdenum metal (tonne) | 15,114 | 16,385 |
| Tungsten metal (excluding Yulu Mining) (tonne) | 7,509 | 8,658 |
| Niobium metal (tonne) | 9,212 | 8,586 |
| Phosphate fertilizer (HA+LA) (0'000 tonne) | 114 | 112 |
| NPM copper metal (80% equity interest of NPM) (tonne) | 22,706 | 23,534 |
| NPM gold (80% equity interest of NPM) (ounce) | 16,221 | 19,948 |
| Concentrate products (0'000 tonne) (trade volume) | 311.8 | 288.4 |
| Refined metal products (0'000 tonne) (trade volume) | 313.7 | 361.3 |

OPERATION REVIEW FOR THE YEAR OF 2022

(1) Record business results pillared by the focus on value creation

The Company captured cyclical opportunities of metal market with a focus on value creation, maximized its production efficiency and improved the production through enhancement of management with higher-than-planned production results of key mineral products in 2022, including record output of copper and cobalt by TFM and of phosphate fertilizer by Brazil operations since start of its production facility. Underpinned by the strong production, the Company has made revenue of RMB173 billion and net profit attributable to the parent company of over RMB6 billion for the year, a new record with a YoY growth of 19%. Trading business maintained its resilience despite the changing market environment and worked closely with the mining business units to capture positive market windows.

(2) Quicker conversion of resources with key projects on top of agenda

The Company worked in unity to ensure services and provisions of supplies around key projects to speed up conversion of resources into production and realization of financial contribution. Across the mining business units, over 200 engineering initiatives were rolled out throughout the year with an approximately 141% YoY growth of capex. During the reporting period, progress of TFM mixed ore project included completion of infrastructure stripping and civil works, 90% completion of installation of the central zone, and 30% completion of construction of the eastern zone, and progress of KFM, which is expected to start production in Q2 2023, included completion of producing facilities and living quarters, completion of key equipment installation, and safe high-quality and efficient commissioning.

BUSINESS REVIEW AND PROSPECTS

(3) Continued efforts in cost and efficiency to unleash strength in business potential

Different business segments of the Company continuously exploited organic potential, and adhered to reducing cost and improving efficiency through various means. TFM's copper and cobalt segment was committed to re-engineering management and technology innovation continuously; for the molybdenum and tungsten segment, costs were reduced by improving various indicators such as on-site management and recovery rate, and economic benefits were created by exporting waste rock pile, rebellious ore, ore with low molybdenum and high iron content, molybdenum and iron slag; for the niobium and phosphate segment, potential of cost reduction was exploited through various means such as contracted cleaning, cost control and technology management, and phosphogypsum, wet-and-fine phosphate concentrates and strong magnetic tailings were sold instead of being wasted, thus increasing sales revenue.

(4) Stronger commitment in sustainable development

The Company maintained its A Class MSCI ESG rating, a continued representation of global its industry-leading ESG performance. During the reporting period, the Company kicked off a broad ESG framework-building system, set up an independent ESG Development Department, and appointed a Vice President responsible for work related to sustainable development. The Company rolled out its carbon-neutral roadmap and joined the UN Global Compact, thus further enhancing the Group's strategic image and offering a strong defense for the Company to achieve financing, obtain approvals and achieve high-quality growth. The cobalt supply-chain initiative advanced together with Glencore and ERG which enabled the traceability of mineral products from mine to battery and is one of the first two pilots of the Global Battery Alliance Electric Vehicle Battery Passport. At the same time, the HSE oversight system was built, and relevant reviews were performed to ensure effective coverage of all mining business units. HSE performance remained stable with zero fatality, zero major environmental incident, and zero new case of occupational disease, keeping the historical best record and providing strong defense to production.

(5) Multiple steps forward in inorganic growth

During the reporting period, the Company kept searching, screening, and studying quality potential assets at various stages centering around the new energy sector. In January 2023, the Company worked with CATL to jointly develop two large brines within the border of Bolivia and build lithium extraction plants, demonstrating one important step towards expansion of the new energy business. Leveraging on the existing network in Africa, South America, and Southeast Asia, the Company further integrated into the new energy comprehensive value chain and extended coverage of its marketing footprint with an aim to secure new projects.

BUSINESS REVIEW AND PROSPECTS

(6) Improved global oversight enabled by digitalization

Phase I of the SAP project of the Company was rolled out successfully. A global unified digital intelligence platform was built with ERP, OA, procurement platform, sales platform, expense control, and shared financial services functions covering business modules including centralized procurement, sales, production and supply, and project management. Phase I of global center of shared financial services was successfully launched, offering a prototype of shared financial and taxation, global procurement, and cooperative work platform. The Company continued to concentrate on its strategic missions and enhanced its regional planning to support fulfilment of its strategies.

(7) Robust governance structure

During the reporting period, the headquarters of the Company completed its organizational upgrade with full-fledged functions constructions and clear division of responsibilities between the headquarters and core business units. The Company built a comprehensive audit and supervision system to identify risks and facilitate initiatives to reduce cost, a risk prevention and control system to improve risk screening and internal control review, and a credit risk management framework with credit lines management rules to ensure financial safety. The firm-wide anti-corruption framework was also established to define things of zero tolerance, smooth global report channels and audits in key areas, and disciplinary reviews were conducted to create transparency management.

(8) Promote core values as guided by corporate culture

The Company continued to build a stronger team bonded by its core values. It promoted the cooperation between Chinese and overseas teams, and improved the cohesion and strength of the team. The Company updated its English name and enhanced its international communications to represent the broader vision and mission of the Company and its brand value.

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BUSINESS REVIEW AND PROSPECTS

2023 BUSINESS PROSPECT

1. Based on future economic and market dynamics, the production guidance set by the Company are as follows:

| Major products | Production guidance for 2023 (0'000 tonnes) |
|--|---|
| TFM copper metal | 29.00-33.00 |
| TFM cobalt metal | 2.10-2.40 |
| KFM copper metal | 7.00-9.00 |
| KFM cobalt metal | 2.40-3.00 |
| Molybdenum metal | 1.20-1.50 |
| Tungsten metal (excluding Yulu Mining) | 0.65-0.75 |
| Niobium metal | 0.84-1.00 |
| Phosphate fertilizer (HA+LA) | 105.00-125.00 |
| NPM copper metal (80% equity interest) | 2.40-2.70 |
| NPM gold (80% equity interest) | 25,000-27,000 ounces |
| Physical trade volume | 570-670 |

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 and other factors, which is subject to uncertainty.

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

2. **Priorities of the Company for 2023:**

- (1) *Advancement of work from all aspects*

As the Company progresses along the “three-step” strategy from “laying the foundation” to “climbing up the ladder”, 2023 will be a year of advancement and will require overall improvement in every aspect including management, cost, technical, extension, production capacity, financial performance, and logistics to solidify the foundation for growth. All segments, centering on strategic planning of the Company, will take ownership with the five functions “5233” of the Group’s headquarters in consolidating resources to build regional value chain, supply chain, and marketing chain in support of the Group’s strategy and the full completion of the annual production and operation indicators.

BUSINESS REVIEW AND PROSPECTS

(2) *Advance project construction*

2023 will be a year witnessing start of production of key projects. In Africa, construction of KFM copper-cobalt mine and TFM mixed ore projects will be advanced at full speed in line with milestones and first production is expected in 2023. Teams from China operations will continue to tap the potential of Sandaozhuang, improve the mining capacity of Shangfanggou and speed up development of Donggebi Molybdenum Mine. In Australia, NPM will focus on planning of ore sources and supply, including early production of E31 and E31N, reduction of E48 supply, higher supply from E26, and feasibility study of E22, and on increasing ore grade. At Brazil operations, with the aim to seize market opportunities, put into production quickly, increase capacity efficiency and reduce capital expenditure, mining of southwest of the phosphate mine will be accelerated and ore grade will be improved. The Company will push for early production of key projects, improve operating performance, and reduce capital expenditure to capture favorable market windows.

(3) *Relying on the advantages of the mines with focus on the breakthrough*

Greater value creation will be realized by technical innovation. In 2023, as TFM mixed ore project starts production, utilization of sulfide, oxide, and mixed ores will be studied in advance to design and optimize technical processes specific to different orebody characteristics and maximize values of resources. China operations and NPM will work closer with industry research institutes to testify full-process trial results and ensure stability of technical performance despite falling ore grade. Niobium segment in Brazil will also leverage strengths of both China and overseas research institutes to improve recovery rate, as well as to review study of recovery of iron ore from tailings of magnetic floatation and recovery of rare earth elements, driving for new breakthroughs and additional profit drivers.

(4) *Strengthening modernization and reshaping trading engineer with high quality*

The Company will continue to reshape IXM towards a business model integrating physical trading, execution and arbitrage, create an independent physical trading system strengthen the risk control ability of self-operated business, and innovate the overall risk management and control system. Focuses on managing financing cost and increasing utilization of working capital will be stressed to reduce financial cost. The coordination between IXM and other operating business units will be enhanced in particular to create greater synergy in production and sales, business with the Group, investment and financing opportunities with financial institutions, and network and human resources from up and downstream clients. The Company is committed to building a first-class sales and physical trading platform.

(5) *Stronger soft-power based on leading ESG performance*

In 2023, a firm-wide ESG system will be built up covering all business units with a set of CMOC standards and more integration of ESG into business operations by embedding ESG concepts into all business processes including major constructions, M&A, production, and financing, promoting high-quality corporate development with ESG, striving to maintain its position as a world-class mining company with top ESG performance as the carbon neutral target is announced and commitment to the UN Global Compact and five-year strategic planning of ESG to be fulfilled.

BUSINESS REVIEW AND PROSPECTS

(6) *Expansion into new territories*

The Company will further explore extension growth opportunities and work closer with CATL to promote the battery value chain project in Africa and the lithium brine project in Bolivia, trying to kick off relevant works within the year. The Company will focus on new energy metals and other key metals where we have advantage in by exploring market opportunities and seeking to make important moves this year to consolidate our strength in M&A, boost market confidence, and broaden the foundation for future growth.

(7) *Attract and retain talents*

The Company will attract more talent by launching various recruitment and referral campaigns and will continue to build up its talent pool to bolster rapid growth of the Company as key projects are to be completed, expansionary activities continue, and the headquarters management keep improving. Meanwhile, multiple incentive plans will also be launched to motivate people including pushing forward the roll-out of long-term incentive plan and the phase II employee share ownership plan will be rolled out to share with the teams the achievements they make together.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the reporting period, the Company's net profit increased from RMB5,428 million in 2021 to RMB7,192 million in 2022, increased by RMB1,764 million or 32.50%. Among them: net profit attributable to shareholders of the parent company amounted to RMB6,067 million, representing an increase of RMB961 million or 18.82% from RMB5,106 million in 2021. This was mainly due to the increase in market prices of our major products, including molybdenum, tungsten, niobium and phosphate, during the year, resulting in a year-on-year increase in profits.

Principal Businesses by Industry, Product and Region

Unit: Yuan Currency: RMB

Principal businesses by industry

| By industry | Operating revenue | Operating cost | Gross profit margin (%) | Increase or decrease in operating revenue as compared to last year (%) | Increase or decrease in operating cost as compared to last year (%) | Increase or decrease in gross profit margin as compared to last year (%) |
|------------------------------------|--------------------|--------------------|-------------------------|--|---|--|
| Mineral exploration and processing | 25,374,526,895.84 | 14,813,578,562.05 | 41.62 | 0.06 | 4.83 | Decreased by 2.65 percentage points |
| Mineral trading ^(Note) | 147,308,074,775.51 | 141,820,271,430.74 | 3.73 | -0.46 | -0.80 | Increased by 0.34 percentage point |
| Others | 205,687.65 | 191,109.90 | 7.09 | 97.88 | 99.44 | Decreased by 0.73 percentage point |

MANAGEMENT DISCUSSION AND ANALYSIS

| By product | Principal businesses by product | | 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 (%) |
|---|---------------------------------|--------------------|-------------------------|--|---|--|
| | Operating revenue | Operating cost | | | | |
| Mineral exploration and processing | | | | | | |
| Molybdenum and tungsten | 6,965,368,091.42 | 4,020,610,663.20 | 42.28 | 30.18 | 27.13 | Increased by 1.39 percentage points |
| Copper and gold | 1,292,786,434.09 | 1,042,987,983.36 | 19.32 | -21.78 | -6.12 | Decreased by 13.46 percentage points |
| Niobium and phosphate | 7,368,147,038.65 | 4,566,124,333.17 | 38.03 | 44.85 | 26.28 | Increased by 9.11 percentage points |
| Copper and cobalt | 9,748,225,331.68 | 5,183,855,582.32 | 46.82 | -26.53 | -16.95 | Decreased by 6.14 percentage points |
| Mineral trading ^(Note) | | | | | | |
| Concentrate products | 39,916,885,676.01 | 38,361,690,395.27 | 3.90 | -6.03 | -3.41 | Decreased by 2.60 percentage points |
| Refined metal products | 107,391,189,099.50 | 103,458,581,035.47 | 3.66 | 1.78 | 0.20 | Increased by 1.52 percentage points |
| Others | 205,687.65 | 191,109.90 | 7.09 | 97.88 | 99.44 | Decreased by 0.73 percentage point |
| Mineral exploration and processing | | | | | | |
| China | 6,965,368,091.42 | 4,020,610,663.20 | 42.28 | 30.18 | 27.13 | Increased by 1.39 percentage points |
| Australia | 1,292,786,434.09 | 1,042,987,983.36 | 19.32 | -21.78 | -6.12 | Decreased by 13.46 percentage points |
| Brazil | 7,368,147,038.65 | 4,566,124,333.17 | 38.03 | 44.85 | 26.28 | Increased by 9.11 percentage points |
| DRC | 9,748,225,331.68 | 5,183,855,582.32 | 46.82 | -26.53 | -16.95 | Decreased by 6.14 percentage points |

MANAGEMENT DISCUSSION AND ANALYSIS

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 (%) |
|--|--------------------|--------------------|-------------------------|--|---|--|
| Mineral trading ^(Note) | | | | | | |
| China | 41,138,537,588.69 | 36,075,415,133.25 | 12.31 | -11.15 | -18.68 | Increased by 8.13 percentage points |
| Overseas | 106,169,537,186.82 | 105,744,856,297.49 | 0.40 | 4.40 | 7.24 | Decreased by 2.64 percentage points |
| Others | | | | | | |
| China | 205,687.25 | 191,109.90 | 7.09 | 97.88 | 99.44 | Decreased by 0.73 percentage point |

Note: IXM engages in metal trading business that combines futures and spot trading. The Group only included the corresponding cost of the trading inventories of commodities in accordance with the requirements of the Accounting Standards for Enterprises when calculating the operating cost of the metal trading; the profit and loss related to the futures business is reported in gains from changes in fair value. The gross profit margin for the period for IXM trading business under International Accounting Standards was 1.00%.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Production and Sales Volume of Principal Products

| Principal products | Unit | Production 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 the end of last year |
|---|--------|-------------------|--------------|------------------|--|---|--|
| | | | | | (%) | (%) | (%) |
| Mineral exploration and processing ^(Note 1) | | | | | | | |
| Molybdenum | Tonnes | 15,114 | 16,044 | 761 | -7.76 | -3.13 | -48.59 |
| Tungsten | Tonnes | 7,509 | 7,745 | 971 | -13.27 | -7.43 | -17.88 |
| Niobium | Tonnes | 9,212 | 9,105 | 694 | 7.29 | 7.26 | 13.77 |
| Phosphate fertilizer (HA+LA) | Tonnes | 1,142,235 | 1,157,340 | 89,970 | 2.26 | 2.44 | -32.57 |
| Copper (TFM) | Tonnes | 254,286 | 130,414 | 135,573 | 21.60 | -36.41 | 137.06 |
| Cobalt | Tonnes | 20,286 | 12,560 | 11,318 | 9.65 | -26.48 | 25.09 |
| Copper (80% equity interest of NPM) | Tonnes | 22,706 | 21,866 | 1,310 | -3.52 | -7.18 | 1,210.00 |
| Gold (80% equity interest of NPM) | Ounces | 16,221 | 16,141 | N/A | -18.68 | -17.86 | N/A |

| Principal products | Unit | Purchase volume | Sales volume | Inventory volume | Increase or decrease of purchase 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 the end of last year |
|--|--------|-----------------|--------------|------------------|--|---|--|
| | | | | | (%) | (%) | (%) |
| Mineral trading | | | | | | | |
| Concentrate products ^(Note 2) | Tonnes | 3,185,639 | 3,117,694 | 337,593 | 14.10 | 8.10 | 0.94 |
| Refined metal products ^(Note 3) | Tonnes | 3,115,585 | 3,136,596 | 505,112 | -14.28 | -13.19 | -4.30 |

Note 1: Data relating to production volume, sales volume and inventory volume in the mining and processing sector of the mines is the self-production data of mines of the Company, and the inventory volume of TFM copper and cobalt includes the inventory volume of self-production held by IXM. The increase was attributable to the restriction in export during the second half of 2022.

Note 2: It represents the primary products of metal minerals, which are mainly the concentrates.

Note 3: Refined metals and chemical products.

MANAGEMENT DISCUSSION AND ANALYSIS

Component of Cost of Principal Products

Unit: Thousand Yuan Currency: RMB

| By industry | Component of cost | By industry | | | | | Explanation |
|------------------------------------|--------------------|-----------------------------|---|----------------------|--|--|-------------|
| | | Amount for the current year | Percentage over total cost for the current year (%) | Amount for last year | Percentage over total cost for last year (%) | Percentage of changes in amount as compared to last year (%) | |
| Mineral exploration and processing | Materials | 8,926,135 | 48.24 | 6,081,319 | 41.46 | 46.78 | |
| | Labour | 1,661,350 | 8.98 | 1,558,382 | 10.62 | 6.61 | |
| | Depreciation | 4,219,702 | 22.80 | 3,926,159 | 26.76 | 7.48 | |
| | Energy | 918,615 | 4.96 | 767,905 | 5.23 | 19.63 | |
| | Manufacturing fees | 2,779,339 | 15.02 | 2,337,102 | 15.93 | 18.92 | |
| Mineral trading | Purchase cost | 157,913,251 | 100.00 | 157,835,380 | 100.00 | 0.05 | |

| By product | Component of cost | By product | | | | | Explanation |
|---|--------------------|-----------------------------|---|----------------------|--|--|--|
| | | Amount for the current year | Percentage over total cost for the current year (%) | Amount for last year | Percentage over total cost for last year (%) | Percentage of changes in amount as compared to last year (%) | |
| Mineral exploration and processing Molybdenum and tungsten related products | Materials | 1,189,923 | 41.11 | 1,180,659 | 44.70 | 0.78 | |
| | Labour | 356,052 | 12.30 | 356,798 | 13.51 | -0.21 | |
| | Depreciation | 222,316 | 7.68 | 169,443 | 6.41 | 31.20 | Year-on-year increase in consideration for mining right amortization |
| | Energy | 318,554 | 11.00 | 274,996 | 10.41 | 15.84 | |
| | Manufacturing fees | 807,954 | 27.91 | 659,613 | 24.97 | 22.49 | |

MANAGEMENT DISCUSSION AND ANALYSIS

| By product | Component of cost | By product | | | | | Explanation |
|--|--------------------|-----------------------------|---|----------------------|--|--|---|
| | | Amount for the current year | Percentage over total cost for the current year (%) | Amount for last year | Percentage over total cost for last year (%) | Percentage of changes in amount as compared to last year (%) | |
| Copper and gold related products | Materials | 194,759 | 20.01 | 232,634 | 21.86 | -16.28 | |
| | Labour | 182,791 | 18.78 | 174,400 | 16.39 | 4.81 | |
| | Depreciation | 318,927 | 32.77 | 393,639 | 36.99 | -18.98 | |
| | Energy | 117,043 | 12.02 | 111,151 | 10.44 | 5.30 | |
| | Manufacturing fees | 159,846 | 16.42 | 152,406 | 14.32 | 4.88 | |
| Niobium and phosphate related products | Materials | 1,811,850 | 39.87 | 1,150,077 | 33.08 | 57.54 | Year-on-year increase in prices of sulfur |
| | Labour | 504,301 | 11.09 | 433,809 | 12.48 | 16.25 | |
| | Depreciation | 689,580 | 15.17 | 692,459 | 19.92 | -0.42 | |
| | Energy | 145,082 | 3.19 | 119,268 | 3.43 | 21.64 | |
| | Manufacturing fees | 1,394,811 | 30.68 | 1,080,859 | 31.09 | 29.05 | |
| Copper and cobalt related products | Materials | 5,729,603 | 56.77 | 3,517,949 | 46.98 | 62.87 | Year-on-year increase in material prices |
| | Labour | 618,206 | 6.13 | 593,375 | 7.92 | 4.18 | |
| | Depreciation | 2,988,879 | 29.62 | 2,670,618 | 35.66 | 11.92 | |
| | Energy | 337,936 | 3.35 | 262,490 | 3.51 | 28.74 | |
| | Manufacturing fees | 416,728 | 4.13 | 444,224 | 5.93 | -6.19 | |
| Mineral trading | | | | | | | |
| Concentrate products | Purchase cost | 38,361,690 | 100.00 | 39,714,778 | 100.00 | -3.41 | |
| Refined metal products | Purchase cost | 119,551,561 | 100.00 | 118,120,602 | 100.00 | 1.21 | |

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

For the year ended 31 December 2022, research and development expenses of the Group amounted to approximately RMB388.61 million, representing an increase of approximately RMB116.23 million or 42.67% from approximately RMB272.38 million for the same period in 2021, mainly due to a year-on-year increase in research and development expenses during the period.

Financial Expenses

For the year ended 31 December 2022, the financial expenses of the Group amounted to approximately RMB1,808.47 million, representing an increase of approximately RMB713.41 million or 65.15% from approximately RMB1,095.06 million for the same period in 2021, mainly due to the year-on-year increase in interest expenses during the period.

Investment Income

For the year ended 31 December 2022, investment income of the Group amounted to approximately RMB725.92 million, representing an increase of approximately RMB615.62 million or 558.13% from approximately RMB110.30 million for the same period in 2021, mainly due to the commencement of production of Huayue Nickel Cobalt Co., Ltd., an associate, at the end of last year, resulting in a significant year-on-year increase in investment income during the current period.

Gains from Changes in Fair Value

For the year ended 31 December 2022, gains from changes in fair value of the Group amounted to approximately RMB-1,610.83 million, representing an increase of approximately RMB1,756.92 million or 52.17% from approximately RMB-3,367.75 million for the same period in 2021, mainly due to a year-on-year increase in changes in fair value of derivative financial instruments of the base metal trading business during the current period.

Financial Position

As at 31 December 2022, the total assets of the Group amounted to approximately RMB165,019.22 million, comprising non-current assets of approximately RMB79,337.43 million and current assets of approximately RMB85,681.79 million. Equity attributable to shareholders of the parent company increased by approximately RMB11,853.27 million or 29.75% from approximately RMB39,845.29 million as at 31 December 2021 to approximately RMB51,698.56 million as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Current Assets

The current assets of the Group increased by approximately RMB14,725.91 million or 20.75% to approximately RMB85,681.79 million as at 31 December 2022 from approximately RMB70,955.88 million as at 31 December 2021.

Non-current Assets

The non-current assets of the Group increased by approximately RMB12,843.54 million or 19.32% to approximately RMB79,337.43 million as at 31 December 2022 from approximately RMB66,493.89 million as at 31 December 2021.

Scope of Restricted Assets

As at the end of the Reporting Period, details of the Group's major restricted assets are set out in the Note (V) of the Notes to the consolidated financial statements set forth in this report, namely "1. Cash And Bank Balances", "2. Held-For-Trading Financial Assets", "5. Financing with Receivables", "8. Inventories", "9. Other Current Assets", "10. Non-Current Assets Due Within One Year" and "22. Other Non-Current Assets".

Current Liabilities

The current liabilities of the Group decreased by approximately RMB598.95 million or 1.18% to approximately RMB50,061.12 million as at 31 December 2022 from approximately RMB50,660.07 million as at 31 December 2021.

Non-current Liabilities

The non-current liabilities of the Group increased by approximately RMB14,395.20 million or 37.37% to approximately RMB52,920.69 million as at 31 December 2022 from approximately RMB38,525.49 million as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Explanation to the Balance Sheet Items

Unit: Yuan Currency: 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 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 cash equivalents | 32,647,565,268.28 | 19.78 | 24,318,024,989.56 | 17.69 | 34.25 | Increase in operating inflows during the current period |
| Construction in progress | 13,659,085,249.76 | 8.28 | 3,882,051,384.27 | 2.82 | 251.85 | Increase in investment in construction in progress of copper-cobalt business during the current period |
| Held-for-trading financial assets | 4,236,792,942.19 | 2.57 | 7,117,297,565.38 | 5.18 | -40.47 | Decrease in trade receivables measured at fair value of base metal trading business during the current period |
| Other receivables | 5,017,084,484.19 | 3.04 | 2,158,421,687.51 | 1.57 | 132.44 | Increase in deductible contribution tax of niobium-phosphate business and VAT refunds receivable of copper-cobalt business during the current period |
| Non-current assets due within one year | 1,757,787,239.02 | 1.07 | 573,733,642.62 | 0.42 | 206.38 | Transfer of large long-term certificates of deposit pledged by the Company from other non-current assets to non-current assets due within one year during the current period |

MANAGEMENT DISCUSSION AND ANALYSIS

| 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 |
|-------------------------------|---|---|--|--|---|--|
| Other payables | 6,861,265,106.60 | 4.16 | 2,918,190,968.03 | 2.12 | 135.12 | Increase in payables of construction in progress projects for copper-cobalt business during the current period |
| Other current liabilities | 2,715,386,791.93 | 1.65 | 429,943,105.54 | 0.31 | 531.57 | Increase in receipt from convertible financial instruments during the current period |
| Other non-current liabilities | 21,693,849,406.96 | 13.15 | 13,594,075,166.39 | 9.89 | 59.58 | Increase in long-term advance receipt during the current period |
| Other comprehensive income | 294,879,708.74 | 0.18 | -6,406,227,030.65 | -4.66 | 104.60 | Changes in the translation differences of financial statements denominated in foreign currencies and cash flow hedging reserve |

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENCIES

(1) Pending litigation

Copper-Cobalt business of the Group in the DRC

The Group's Copper-Cobalt business in the DRC involves some lawsuits, claims and liability claims in the daily business activities. The management considers that the results of such contingencies will not have a material adverse effect on the financial position, operating performance or cash flows of the business based on the information currently available.

Niobium-Phosphate business of the Group in Brazil

The Group's Niobium-Phosphate business in Brazil may be involved in various litigations in its daily operation. The management determines the possibility of losing the litigations and consequent economic benefits outflow in accordance with the information available and the professional advice of external legal experts. If the possibility of economic benefits outflow is low, the management would determine them as contingencies. The results of such contingencies will not have a material adverse effect on the financial position, operating performance or cash flows of the relevant business.

(2) Guarantees

As at 31 December 2022, the Group provides guarantees for the Australian Northparkes copper and gold mine business to New South Wales government of Australia, with guaranteed amount of AUD46,940,000 (equivalent to RMB221,270,000). As at 31 December 2022, no material guarantee liability has arisen.

(3) Matters relating to the additional royalty for additional reserves of copper metal of TFM copper and cobalt business in the DRC

The Group has always been calculating and paying the additional royalty for additional reserves of copper metal (hereinafter referred to as the “**additional royalty**”) to minority shareholder, Gecamines, in accordance with the Amended and Restated Mining Convention signed on 28 September 2005 and the Addendum No.1 to the Amended and Restated Mining Convention signed on 11 December 2010 by and between the DRC government, Gecamines, Lundin Holdings Limited (subsequently renamed as TF Holdings Limited) and TFM (hereinafter referred to as the “**Mining Convention**”), and the Amended and Restated Shareholders Agreement signed on 28 September 2005 and the Addendum No.1 to the Amended and Restated Shareholders Agreement signed on 11 December 2010 by and between TFM, Lundin Holdings Limited (subsequently renamed as TF Holdings Limited), Chui LTD, Faru LTD, Mboko LTD, Mofia LTD, Tembo LTD and Gecamines (together referred to as the “**Shareholders Agreement**”). Since the third quarter of 2021, the management teams of the Group and its TFM copper and cobalt business have been conducting continuous meetings and communications with relevant DRC parties to discuss the intended increase of mineral reserves for the TFM Mixed Ore Development Project under implementation belonging to the TFM copper and cobalt business in the DRC, as well as the corresponding additional royalty payable to the minority shareholder, Gecamines, based on such reserves.

MANAGEMENT DISCUSSION AND ANALYSIS

This communication process has been complicated and dynamic. Gecamines pursued its claims through various means including legal approaches, and the Group has also been defending persistently its interests in the TFM copper and cobalt business in the DRC through various means including multi-level communications with the DRC government and Gecamines. As of 31 December 2022 and the date of the announcement of these financial statements, the parties have not been able to completely resolve the divergence in respect of the additional royalty, and since the third quarter of 2022, TFM's exportation has been disrupted thus affecting its sales.

The Mining Convention and the Shareholders Agreement clearly stipulate the basis for calculating the additional reserves of copper metal of TFM and the payment standard of additional royalty to Gecamines. The management of the Group considers that the Group's previous operations and payments of additional royalty comply with the provisions of the Mining Convention and the Shareholders Agreement as well as the local laws and regulations. As of 31 December, 2022 and the date of the announcement of these financial statements, this matter gives rise to no additional significant present obligations for the Group, apart from the relevant additional royalty that have been accrued or paid by the end of the year.

As of 31 December 2022, the feasibility study of the TFM Mixed Ore Development Project has been completed and approved by the DRC Ministry of Mines. In addition, TFM plans to engage an international independent third party to verify the reserve increase. Upon reaching a conclusion recognized by all the relevant parties, the Group will negotiate the additional royalty with Gecamines based on such verified additional copper metal reserves. Given the current market practice in the DRC and the negotiations between the parties, the Group anticipates that the additional royalty may be significantly higher than those agreed in the Mining Convention and the Shareholders Agreement.

The Group has been keeping constant communications with relevant DRC parties to defend its legitimate and reasonable interests and to seek a consensus as soon as possible. However, at present, the Group is unable to accurately predict or estimate the timing and payment arrangement on which a final agreement would be concluded with Gecamines in respect of the additional royalty. Nevertheless, the Group expects that the settlement of the matters will not have a significant impact on the financial position and the ability of going concern of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

The gearing ratio (total liabilities divided by total assets) of the Group decreased to 62.41% as at 31 December 2022 from 64.89% as at 31 December 2021.

CASH FLOW

As at 31 December 2022, cash and cash equivalents of the Group increased by approximately RMB8,652.86 million or 42.43% to approximately RMB29,045.55 million from approximately RMB20,392.69 million as at 31 December 2021. For the year ended 31 December 2022, net cash inflow generated from operating activities of the Group was approximately RMB15,453.76 million; net cash outflow from investment activities was approximately RMB7,371.65 million; and net cash outflow generated from financing activities was approximately RMB2,096.55 million.

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

Unit: Yuan Currency: RMB

| Item | Amount of the current year | Amount of last year | Change | Percentage of Change (%) | Explanation |
|--|----------------------------------|------------------------|-------------------|--------------------------------|---|
| Net cash flow from operating activities | 15,453,761,072.68 | 6,190,648,051.98 | 9,263,113,020.70 | 149.63 | Significant year-on-year increase in net inflow from operating activities of the base metal trading business during the current period |
| Net cash flow from investment activities | -7,371,654,238.67 | -4,891,799,554.08 | -2,479,854,684.59 | -50.69 | Year-on-year increase in expenses for acquisition and construction of fixed assets for copper-cobalt business during the current period |
| Net cash flow from financing activities | -2,096,545,911.51 | 7,888,637,438.47 | -9,985,183,349.98 | -126.58 | Year-on-on decrease in long-term advance receipt during the current period |

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The Group maintains sound capital structure and credit rating by equity and debt financing to ensure normal production and operating activities. The Group might make adjustments to the capital structure in due course in light of changes in the economic environment by way of borrowing new debts or issuing new shares.

As at 31 December 2022, the equity interests of shareholders of the Company amounted to approximately RMB62.037 billion, among which the equity attributable to shareholders of the parent company was approximately RMB51.699 billion. There was no change in the capital of the Company during 2022.

As at 31 December 2022, the Company issued 21,599,240,583 shares, comprising 17,665,772,583 A shares and 3,933,468,000 H shares.

Details of borrowings of and issuance of bonds by the Group as at 31 December 2022 are set out in note (V).23, note (V).32, note (V).34 and note (V).35 to the consolidated financial statements.

FINANCIAL INSTRUMENTS

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

SHORT-TERM BORROWINGS

Details of the short-term borrowings are disclosed in Note (V).23 to the consolidated financial statements set forth in this report.

LONG-TERM BORROWINGS

Details of the long-term borrowings are disclosed in Note (V).34 to the consolidated financial statements set forth in this report.

BONDS PAYABLE

Details of the bonds payable are disclosed in Note (V).35 to the consolidated financial statements set forth in this report.

RESOURCES AND RESERVES

1. BASIC INFORMATION OF PROPRIETARY MINES

As at 31 December 2022, the information about the Company's ore resources and ore reserves is as follows:

| Name of mine | Main category | Resources | | | Reserves | | | Throughput (mt) | Remaining years of mining life for the resources (years) | Validity period of the exploration right/license |
|---|---------------|-------------|--------------|---------------|-------------|--------------|------------------------------|--------------------|---|---|
| | | Ore (mt) | Grade (%) | Metal (kt) | Ore (mt) | Grade (%) | Metal ⁽⁹⁾ (kt) | | | |
| TFM copper and cobalt mine in the DRC | Copper | 1,374.9 | 2.26 | 31,010.4 | 277.5 | 2.84 | 7,894.8 | 8.83 | 31.4 | 3-12 years |
| | Cobalt | 1,374.9 | 0.26 | 3,537.4 | 277.5 | 0.30 | 822.6 | | | |
| KFM copper and cobalt mine in the DRC | Copper | 199 | 2.13 | 4,238.7 | 66.5 | 2.91 | 1,935.2 | 0 | 10 | 24 years |
| | Cobalt | 199 | 1.01 | 2,009.9 | 66.5 | 1.19 | 791.4 | | | |
| Brazil Mine area I | Niobium | 143.00 | 1.01 | 1,450.9 | 40.06 | 0.97 | 389.8 | 3.3 | 12 | According to the Brazilian mining law which has been revising, mining concessions have no expiration date |
| Brazil Mine area II | Niobium | 168.80 | 0.34 | 573.8 | 33.76 | 0.50 | 170.3 | | | |
| Brazil Mine area II | Phosphate | 791.75 | 10.35 | 81,914.2 | 191.33 | 12.62 | 24,150.7 | 5.5 | 35 | |
| Sandaozhuang Molybdenum and Tungsten Mine | Molybdenum | 295.72 | 0.087 | 257.3 | 51.30 | 0.100 | 51.3 | 12.6 | 4.1 | 3 months |
| | Tungsten | 69.11 | 0.168 | 116.1 | 17.26 | 0.189 | 32.6 | | | |
| Shangfanggou Molybdenum Mine | Molybdenum | 445.49 | 0.139 | 619.4 | 26.96 | 0.199 | 53.6 | 5.1 | 5.3 | 11 years |
| | Iron | 20.82 | 19.33 | 4,024.5 | 1.35 | 30.01 | 405.1 | | | |
| Donggebi Molybdenum Mine | Molybdenum | 441 | 0.115 | 507.2 | 141.58 | 0.139 | 196.8 | 0 | 38 | 22 years |

RESOURCES AND RESERVES

Basic information about NPM copper and gold mine:

| Category | Resource (<i>mt</i>) | Copper (%) | Grade | | Throughput (<i>mt</i>) | Remaining years of mining life for the resources (<i>years</i>) | Validity period of the exploration right/license |
|-----------|---------------------------|---------------|------------------------|--------------------------|-----------------------------|---|---|
| | | | Gold (<i>g/t</i>) | Silver (<i>g/t</i>) | | | |
| Measured | 255.9 | 0.56 | 0.22 | 1.99 | | | |
| Indicated | 213.4 | 0.53 | 0.16 | 1.77 | | | |
| Inferred | 57.5 | 0.57 | 0.19 | 1.7 | | | |
| Total | 526.9 | 0.55 | 0.19 | 1.87 | | | |

| Category | Reserve (<i>mt</i>) | Copper (%) | Grade | | 6.84 | 14.82 | 6-14 years |
|------------------------|--------------------------|---------------|------------------------|--------------------------|------|-------|------------|
| | | | Gold (<i>g/t</i>) | Silver (<i>g/t</i>) | | | |
| Proven | 28.1 | 0.48 | 0.31 | 1.25 | | | |
| Probable | 73.2 | 0.54 | 0.26 | 2.11 | | | |
| Proven and probable | 101.4 | 0.53 | 0.27 | 1.87 | | | |

Notes:

- (1) During the reporting period, the development of KFM copper and cobalt mine was approved by the Board and the preliminary design has been commenced in accordance with the relevant Chinese standards. There are differences between the estimated resources and reserves and the results obtained under overseas standards (mainly due to the differences in resource results caused by the delineation of ore bodies under Chinese standards and the delineation of mineralized zones under JORC standards). The current reserves only include oxide ore and mixed ore, which are those that will be utilized in the first ten years of the mine as designed in the preliminary design report, and the design of deeper ore bodies will be launched in due course as mining and exploration work go further.
- (2) The throughput is the actual ore consumption during the reporting period. The niobium in Brazil Mine area II came from the utilization of tailings of phosphate in Brazil Mine area II, and other mines did not include the comprehensive utilization of tailings.
- (3) During the reporting period, the verification of the resources and reserves in the Sandaozhuang Mine of the Company was completed and the relevant verification report on resources and reserves was reviewed and approved by the Ministry of Natural Resources, and the renewal of the mining right of Sandaozhuang Mine is underway. The above data of Sandaozhuang Mine is from the latest verification report. The changes in the data were mainly due to: a) reduction in the area of the mining licenses; b) changes in the estimated cut-off grade; c) difference in domestic and foreign standards; and d) throughput of Sandaozhuang Mine refers to the throughput of industrial ores in Chinese standards, excluding low-grade ores.

RESOURCES AND RESERVES

- (4) The Shangfanggou Molybdenum Mine is owned by Luoyang Fuchuan Mining Company Limited, a joint venture of the Company. With the approval of the general meeting of Fuchuan Mining, its operation was entrusted to CMOC.
- (5) Calculation of remaining years of mining life for resources: calculated by dividing the recoverable reserves at the end of 2022 by actual annual throughput in 2022 for operating mines. Update on the reserves and changes in the actual throughput (due to technology, equipment, etc.) of the Company will affect the changes in the remaining years of mining life of resources of the Company. Of which, the remaining years of mining life of resources of KFM Copper and Cobalt Mine is based on design life of phase I of the mine, while the remaining years of mining life of resources of Donggebi Molybdenum Mine is based on design life of mine.
- (6) Throughput was the actual ore consumption during the reporting period. The niobium in Brazil Mine area II was derived from the tailings utilization of phosphate in Brazil Mine area II, while other mines do not include comprehensive utilization of tailings.
- (7) Overseas mines are prepared in accordance with the standards of the Joint Ore Reserves Committee, and domestic mines and KFM Copper and Cobalt Mine are prepared in accordance with the Chinese standards. The above mineral resources are inclusive of reserves and have been confirmed by internal expert of the Company.
- (8) If the metallurgy recovery rate is considered, the amount of metal contained in the reserves will be affected.

2. EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

(1) Exploration

① *Copper and Cobalt Mine in the DRC*

TFM Copper and Cobalt Mine: During the reporting period, geological exploration work mainly focused on copper-cobalt and limestone deposits. A large-scale surface geological detailed survey of 26.7 square kilometers was completed mainly in the Mofya limestone area. A total of 49,796 meters of drilling was completed mainly in DDPN, Fungurume Hill, Mambilima South, Kapangu, Lumapuya and other copper-cobalt mining areas, Mofya limestone area and other verification areas of dump sites, including MUDI, TENK, FWAL, MKDC, ZORO, MAMB, FGVI, FGME.

KFM Copper and Cobalt Mine: During the reporting period, the exploration mainly focused on the 3-year mining area for grid infill drilling and production prospecting drill construction with exploration towards boundaries and bottoms with 25 designed drilling holes and an engineering volume of 3,600 meters, and 29 drilling holes have been completed eventually, with a total footage of 4,329 meters. The exploration performed well and all met expectations.

RESOURCES AND RESERVES

② *Niobium and Phosphate Mine in Brazil*

Niobium: During the reporting period, diamond drilling (DDH) activities were carried out at the Boa Vista Mine and the Morro do Padre Ore Body. A total of 15 diamond drilling holes were constructed at the Boa Vista Mine, with a total footage of 4,856 meters, for the purpose of detailed investigation of mineral resources, which not only improved reliability, but also converted and increased mineral resources. At the same time, the geomechanical parameters of the Boa Vista deposit were measured to establish rock and soil mechanics test samples. The annual focus of the work was to investigate the continuity of niobium mineralization in the northeastern part of the pit based on surface geophysical anomalies (magnetic surveys) and previous drilling results. 11 new hydrogeological instruments were constructed to monitor groundwater in accordance with our operating permit and the environmental requirements of the dump site. For the brownfield project at the Morro do Padre Ore Body, a project of the long-term geotechnical team, 20 diamond drilling holes were constructed, with a total footage of 5,550 meters, to increase and convert resources into ore reserves. Technically, a borehole geophysical survey was carried out at 4,484 meters to determine density (gamma-gamma), in addition to other technical methods such as a magnetic susceptibility survey (MAGSUS) at 3,401 meters, a resistivity survey and porosity survey at 2,918 meters, and OTV-Optical Televiewer/ATV-Acustical Televiewer imagings at 670 meters and 684 meters, respectively, to collect and provide petrophysical parameters to improve understanding and refinement of the geological model.

Phosphate: During the reporting period, geological exploration activities were carried out in the Chapadão Mine Area to meet short-term, medium-term and long-term technical and production needs. Diamond drilling (DDH), geological description (logging), chemical analysis, technical characteristics description and borehole geophysical surveys were conducted in the Chapadão Mine Area to support geological modeling and convert controlled mineral resources to measured mineral reserves to raise awareness and confidence in mineral resources. A total of 31 holes, a total footage of 2,896.25 meters of diamond drilling, 19,664 meters of trenching and grid grade control were constructed. As for the greenfield exploration projects during the year, several projects (Iraí de Minas, Monjolos and Morro Preto Oeste) were carried out. At the Monjolos Target Mine, a total of 105.175 km (29 lines) of surface geophysical surveys (magnetic and gamma spectroscopy) were conducted. At the Iraí de Minas Target Mine, a total of 36.3 km (16 lines) of surface geophysical surveys (magnetic and gamma spectroscopy) were carried out to delineate anomalies and select target areas for drilling verification. Based on the definition of the surface geophysical anomaly, 6 drill holes totaling 636.29 meters were constructed in the Iraí de Minas target area. In Morro Preto (MPW-Morro Preto Oeste), a total of 5 diamond drilling holes were constructed with a total length of 705.09 meters in preparation for the final positive exploration report to be submitted to the National Mining Agency in Brazil (“**Agência Nacional de Mineração**”/“**ANM**”).

RESOURCES AND RESERVES

③ *Mines in the PRC*

Sandaozhuang Molybdenum and Tungsten Mine: During the reporting period, exploration of mines was conducted in the northern, central and southern areas, with drilling work conducted on the surface of the open pit, using core drilling rigs to conduct 62 drill holes with a depth of 8,353 meters. In order to prevent geological disasters and ensure the safety of open-pit mining, mined-out exploration of mines were carried out in the northern and southern areas, with drilling on the surface of the open pit using reverse circulation drill rigs to construct 54 drilling holes, with a depth of 2,950 meters.

Shangfanggou Molybdenum Mine: During the reporting period, exploration has been carried out in key production area, and dig drilling has been carried out on the surface of the open pit, using core drilling rigs to conduct 74 drill holes to a depth of 19,478 meters. In order to ensure the production safety, mined-out area exploration were carried out in the horizontal mined-out areas 1,154 meters deep, using the reverses circulation drill rigs to construct 63 exploration holes for mined-out area, with a total footage of 6,448 meters.

Donggebi Molybdenum Mine: No exploration activities were conducted during the reporting period.

④ *NPM Copper and Gold Mine in Australia*

During the reporting period, a total of 49 diamond and reverse circulation drilling holes were constructed at ML1247 and ML1367, with a footage of 13,608.5 meters. Exploration areas include: 10 in-pit drilling at ML1247 for infilling and evaluating E26 MJH, 3 holes testing the target areas of E26 CLJ, and 4 holes testing the target areas of E48 Bodkin. The surface exploration plan was completed at ML1247 – Major Tom Prospect (1 hole), GRP314 Lift 2 (1 hole), the target area of GD540 (1 hole), White Rock Quarry (2 holes), the resource area of E28 (3 infill holes) and monitoring holes of block N of E26 Lift1 (4 holes). 16 holes were constructed in the area identified for the proposed Rocklands tailings dam at ML1367.

In addition to the drilling activities, HCOV Global, a consulting firm, completed a review of the exploration activities and prospect assessments for the northern exploration mining rights (EL5800) and the general area of the E44 deposit, including EL5323, EL5801 and EL8377 sections. Deep GPR tests were completed in 4 exploration areas within the mining rights. Drill testing on the DGPR response will be completed in the next phase. The resource model for E26 (MJH Zone) was revised and updated by H&S Consultants, a consulting firm.

RESOURCES AND RESERVES

(2) Development

① *Copper and Cobalt Mine in the DRC*

TFM Copper and Cobalt Mine: During the reporting period, stripping and preparation for exploration were completed at pits Mwan Mixed, Fwal Mixed, Kato3, Kato1 Mixed, Kato2 Mixed, Mudi, Kasa Mixed, Zoro Mixed, Fgme Mixed, Fgvi Mixed, Mamb Mixed and Kwat Mixed for development and expansion, and the external roadway construction at Kato3, Kato2-Mudi and Kato2-Tenk have been completed; the surface extension and stripping at Kwat, Mwan, Mamb, Fgme, Mudi, Fwal, Kasa and Zoro have been completed, and the earthworks for railway relocation were completed with an amount of 2.70 million cubic meters. Infrastructure works are underway for mixed ore development. 23 dewatering wells have been completed, totaling 3,544 meters. 6 monitoring holes were completed, totaling 725 meters. The management of surface water was carried out in the vicinity of the mining area, the dumps and the communities in the mining area. A total of 4,336 meters of protective embankment controlling surface water and 672 meters of roads and drainage culverts were installed to effectively control the impact of water environment and resolve the problem of puddle on roads in the mining area.

KFM Copper and Cobalt Mine: During the reporting period, according to the annual mining and stripping plan, the production and stripping tasks and the amount of by-product ore for 2022 were overfulfilled, with a total of 17 million cubic meters of mining and stripping. Infrastructure exploration and hydrological observation hole drilling were carried out. Construction of 7 drainage wells was completed and the drainage capacity of 10 drainage wells was formed. An operation system for secondary drainage pumping station was formed in the pit, with a maximum displacement of 40,000 cubic meters per day. The lowest point of the funnel curve of the groundwater level drop was about 15 meters lower than the bottom of the pit, which reduced the seepage of the slope and the water inflow at the bottom of the pit, creating better operating conditions for mining and stripping.

RESOURCES AND RESERVES

② *Niobium and Phosphate Mine in Brazil*

Niobium: In the first half of 2022, a project to relocate the power grid to expand the mine pit and dump was launched, the drainage system at the bottom of the pit was optimized, and infrastructure works such as road repairs were carried out to ensure the safe operation of the transportation system. In terms of environment, 160,000 square meters of dump site slopes have been greened to comply with current environmental regulations. In the second half of 2022, the development focus was on the infrastructure project of the new dump site, which accounted for 73% of the development cost. Priority was given to clearing the organic soil on the surface and re-greening the slope of the original dump site of 55,000 square meters. Pumps were purchased for the relocation of the pit drainage system, which will be completed by April 2023. In the first half of 2022, the Company has replaced the company providing mine operation services for the niobium business with another company. After 3 months of adjustment, the transportation capacity increased significantly, breaking the record of the total historical handling volume twice in a row, and has now achieved normal operation.

Phosphate: During this period, Phase 3A of the dump expansion project was launched, and 11 drill holes were drilled according to the requirements, with a footage of 143.15 meters, and 4 rock and soil test samples were collected. Ouidor Phosphate Mine has completed its annual mining and stripping plan, exceeding the plan by 3%. At the same time, the Company has optimized the ore transportation plan for phosphate ore, reduced certain waste rock transportation, greatly reduced diesel consumption, and saved mining costs.

③ *Mines in China*

Sandaozhuang Molybdenum and Tungsten Mine: During the reporting period, the ecological restoration work was further strengthened with the area of greening restoration up to 226,000 square meters. Besides, we have reclaimed the land on the slope control area of the dispatch center with a total area of 12,893 square meters; hardened road of 4,346 meters; and constructed new interception ditches of 5,400 meters.

Shangfanggou Molybdenum Mine: During the reporting period, in accordance with the national green mine construction requirements, the ecological restoration work was further strengthened, with the ecological restoration area of the mine amounted to about 61,500 square meters. We have reclaimed the land on the slope with an area of 9,346 square meters, conducted asphalt pavement of 56,686.22 square meters, and constructed new interception ditches of 2,909 meters.

Donggebi Molybdenum Mine: No development activities were conducted during the reporting period.

RESOURCES AND RESERVES

- ④ **NPM Copper and Gold Mine in Australia:** Underground mining at E48 and E26L1N has been performing well during 2022. The production rate and blending ratio between E48 and E26L1N has been optimized to maximize the ore grade of the plant's feed ore. The annual underground output was 5.96 million tonnes, and the average copper grade of the mixed underground mine was 0.49%.

The E26L1N block cave mine project completed at the end of February 2022 and entered the production stage on 1 March 2022, 5 months ahead of schedule. Since then, the E26L1N block cave mine has performed well, producing 2.7 million tonnes of ore. Regular and on-going monitoring of the caving activity was underway to ensure optimal production. A number of studies have been completed for new mining projects such as E31/31N open-pit mine and E22 underground mining to align with future production development.

(3) Mining Activities

Unit: '0,000 tonnes

Domestic mining activities

| | |
|---|---------|
| Mining volume of Sandaozhuang Molybdenum and Tungsten Mine ¹ | 1,262.7 |
| Mining volume of Shangfanggou Molybdenum Mine | 507.75 |

Overseas mining activities

| | |
|--|---------|
| Mining volume of TFM Copper and Cobalt Mine in the DRC | 1,596.9 |
| Mining volume of KFM Copper and Cobalt Mine in the DRC | 212.2 |
| Mining volume of Niobium Mine in Brazil | 330.37 |
| Mining volume of Phosphate Mine in Brazil | 536.82 |
| Mining volume of NPM Copper and Gold Mine in Australia | 760.4 |

Note: 1. The mining volume of Sandaozhuang Molybdenum and Tungsten Mine refers to the throughput of industrial-grade ores under Chinese Standard, excluding the volume of low-grade ores.

RESOURCES AND RESERVES

(4) Costs of Exploration, Development and Mining

| Projects | Mining costs | Exploration costs | Development costs |
|---|---------------------|--------------------------|--------------------------|
| Domestic mines (RMB'0,000) | | | |
| Sandaozhuang Molybdenum and Tungsten Mine | 62,651.23 | 358.29 | 3,206.66 |
| Shangfanggou Molybdenum Mine | 21,459.16 | 808.25 | 1,729.79 |
| Overseas mines (USD million) | | | |
| TFM Copper and Cobalt Mine in the DRC | 299.01 | 12.80 | 294.62 |
| KFM Copper and Cobalt Mine in the DRC | 78.51 | 0.00 | 0.00 |
| Niobium Mine in Brazil | 29.55 | 2.83 | 3.83 |
| Phosphate Mine in Brazil | 12.55 | 3.24 | 0.17 |
| NPM Copper and Gold Mine in Australia | 29.35 | 36.29 | 28.37 |

I. MATERIAL EVENTS

1. The mixed ore development project of TFM Copper and Cobalt Mine has been filed and approved by the National Development and Reform Commission and the Ministry of Commerce

On 6 August 2021, the Company held the second extraordinary meeting of the sixth session of the Board to consider and passed the “Resolution on the Mixed Ore Development Project in relation to TFM Copper and Cobalt Mine in the DRC”, which approved that the Company would invest US\$2.51 billion to develop the mixed ore project of the TFM Copper and Cobalt Mine.

On 17 May 2022, the Company published an announcement on the progress of the Mixed Ore Development Project in relation to TFM Copper and Cobalt Mine in the DRC. The project has obtained the filing and approval documents of the National Development and Reform Commission and the Ministry of Commerce on the mixed ore development project in relation to TFM Copper and Cobalt Mine. At present, the construction project is progressing smoothly according to the milestone node plan, and the Company is actively facilitating relevant works of the mixed ore project of TFM Copper and Cobalt Mine. After the commencement of production in the future, it is estimated that the average annual production capacity of copper will be increased by about 200,000 tonnes, and the average annual production capacity of cobalt will be increased by about 17,000 tonnes.

For details, please refer to relevant announcements published on the Company’s website, designated media and the websites of the SSE and the Stock Exchange.

2. Completion of implementation of A Share repurchase (phase III)

On 24 May 2022, the Company held the fourth extraordinary meeting of the sixth session of the Board, at which it considered and passed the “Resolution in relation to the Repurchase of A Shares of the Company through Centralized Price Bidding (Phase III)”, which approved that the Company would use no more than RMB500 million to repurchase certain A shares of the Company at a price of no more than RMB7.25 per share, and the shares will be subsequently used for employee stock ownership or share incentive plan or other purposes as permitted by laws and regulations.

On 9 June 2022, the Company published an announcement on the completion of implementation of share repurchase (phase III). During the period, the Company repurchased a total of 104,930,443 A shares through centralized price bidding, representing 0.49% of the current total share capital of the Company. The highest transaction price was RMB5.00 per share and the lowest transaction price was RMB4.60 per share, with an average repurchase price of RMB4.76 per share and a total transaction amount of RMB499,934,733 (excluding transaction fees).

For details, please refer to relevant announcements published on the Company’s website, designated media and the websites of the SSE and the Stock Exchange.

MATERIAL EVENTS

3. The unlocking conditions of the first unlocking period for the 2021 first phase of the employee share ownership plan were reached

In recent years, the Company paid consistent efforts in upgrading its management and organizational structure and expanding its talent team. In order to realize the medium and long-term development strategy, the Board considered and approved the resolution on “2021 First Phase of Employee Share Ownership Plan (Draft) of CMOC Group Limited.” and its summary on 5 May 2021, pursuant to which an interest-sharing mechanism for employees and shareholders will be gradually established and improved.

On 10 June 2022, the fifth extraordinary meeting of the sixth session of the Board of the Company considered and approved the resolution on the accomplishment of the performance appraisal indicators regarding the first tranche of interest allocation period of the 2021 First Phase of Employee Share Ownership Plan. The Company’s gearing ratio (excluding cash and cash equivalents (including RMI)) at the end of 2021 was 49%, which was lower than 60% as stipulated in the appraisal indicator. The CAGR of return on net assets for 2021 was 122%, which was higher than 12% as stipulated in the appraisal indicator. According to the “2021 First Phase of Employee Share Ownership Plan of the Company”, the management committee of the Employee Share Ownership Plan may assign the units and corresponding interests unlocked during first tranche of interest allocation period to the incentive participants.

For details, please refer to relevant announcements published on the Company’s website, designated media and the websites of the SSE and the Stock Exchange.

4. KFM Copper and Cobalt project will be put into operation in the second quarter of 2023

On 30 June 2022, the sixth extraordinary meeting of the sixth session of the Board of the Company considered and passed the “Resolution in relation to Investment and Construction of the KFM Development Project in the DRC”, which approved to develop the KFM project (phase I) within a proposed budget of no more than US\$1.826 billion. The products of this project are mainly copper cathode, crude cobalt hydroxide and a small amount of copper and cobalt sulfide concentrate. After the commencement of production, the average annual production capacity is converted into about 90,000 tonnes of copper metal and about 30,000 tonnes of cobalt metal. The project has been undergoing preparation since March 2021 and is expected to be put into operation in the second quarter of 2023.

For details, please refer to relevant announcements published on the Company’s website, designated media and the websites of the SSE and the Stock Exchange.

MATERIAL EVENTS

5. CATL as the second largest shareholder

On 30 September 2022, Luoyang Guohong, Sichuan CATL and CATL entered into the Investment Framework Agreement, pursuant to which Luoyang Guohong subscribed for the increased share capital in Sichuan CATL with its 100% equity interests in LMG (the “**Capital Increase Assets**”) (the “**Transaction**”). Before the Transaction, LMG directly held 24.68% equity interests in the Company, Luoyang Guohong indirectly held 24.68% equity interests in the Company through LMG, and Sichuan CATL did not hold any equity interest in the Company. Upon completion of the Transaction, Luoyang Guohong would no longer hold any equity interest in the Company directly or indirectly through entities under its control, and Sichuan CATL, a subsidiary controlled by CATL, would indirectly hold 5,329,780,425 shares of the Company through LMG, representing 24.68% of the total share capital of the Company.

On 31 October 2022, Luoyang Guohong, Sichuan CATL and CATL entered into the Investment Agreement, pursuant to which Luoyang Guohong agreed to subscribe for the increased share capital in Sichuan CATL with its 100% equity interests in LMG to Sichuan CATL. Upon completion of the capital increase, Luoyang Guohong would hold 20.8% equity interests in Sichuan CATL, and Sichuan CATL would hold 100% equity interests in LMG.

The aforesaid equity transaction was officially completed on 6 March 2023.

For details, please refer to relevant announcements published on the Company’s website, designated media and the websites of the SSE and the Stock Exchange.

II. HONOURS

During the reporting period, the Company was awarded the First Prize of Liaoning Science and Technology Achievement (遼寧省科學技術進步一等獎) with its “Key Technology and Application of Integrated Low-carbon Ecological Design and Intelligent Mining of Metal Open Pit Mine” (金屬露天礦低碳生態化設計與智能開採一體化關鍵技術與應用).

“Research on Key Technology for the Integration of Low-carbon Optimization – Intelligent Production – Safety Warning in Metal Open Pit Mine” (金屬露天礦低碳優化 – 智能生產 – 安全預警一體化關鍵技術研究) was honoured the First Prize of China Metallurgical Mining Science and Technology (中國冶金礦山科技技術一等獎).

“First Phase of CMOC Secaohu Tailings Pond (Replacement Pond for Luchanggou Tailings Pond of Jiuyang)” (洛鉬集團澀草湖尾礦庫(九揚公司爐場溝尾礦庫接替庫)一期工程) was honoured the First Prize of Engineering Design Achievement in Non-ferrous Metal Construction Industry in China (中國有色金屬建設行業工程設計成果一等獎).

MATERIAL EVENTS

“Research on Key Technology for Efficient Scheduling of Multi-point Cluster Operation of Metal Open Pit Mine Truck” (金屬露天礦卡多點集群作業高效調度關鍵技術研究) was honoured the First Prize of Scientific and Technological Achievement of Henan Occupational Health and Safety Association (河南省職業健康安全協會科技成果一等獎).

The Company was honoured with titles including “Excellent (Outstanding) Private Enterprise in Henan Province (Industry Leader)” (河南省優秀(傑出)民營企業(行業領軍型)), “Green Technology Innovation Demonstration Enterprise in Henan Province” (河南省綠色技術創新示範企業), and “2022 Top Manufacturing Enterprises in Henan Province” (二零二二年河南省製造業頭雁企業).

III. DOMESTIC AND OVERSEAS INDUSTRY POLICIES

1. Within the PRC

The “Notice on Strengthening Safety Education on Mining Work of the National Mine Safety Administration” (Kuang An [2022] No. 84) 《國家礦山安全監察局關於加強安全宣教進礦山工作的通知》(礦安[2022]84號)) was issued and implemented on 15 June 2022. Such notice provided guidance on strengthening safety education on mining work, facilitating mining enterprises to establish a solid concept of safe development, ensuring the principal responsibilities of production safety being assumed, enhancing on-site safety management, improving the competence of employees in terms of safety and reinforcing mine safety.

On 10 August 2022, the Ministry of Emergency Management and the National Mine Safety Administration jointly promulgated the “14th Five-Year Plan for Mine Safety Production” (Ying Ji [2022] No. 64) 《「十四五」礦山安全生產規劃》(應急[2022]64號)). It provided certain guidance on the production and construction safety in mines.

On 18 November 2022, the Ministry of Natural Resources issued the “Notice on Securing Land Use for Mining of the Ministry of Natural Resources” (Zi Ran Zi Fa [2022] No. 202) 《自然資源部關於做好採礦用地保障的通知》(自然資發[2022]202號)). Such Notice encouraged the use of rehabilitation, restoration and vacation indicators for land use procedures, and allowed the newly added cultivated land upon reclamation and restoration to be used for land requisition-compensation balance, which alleviated the shortage of mining land to a certain extent.

2. Overseas

Within Brazil

In Brazil, the operations (mines and plants) are regulated by the ANM together with labour, environmental and other agencies. The municipal, state and federal governments and the public prosecutor's office and other administrative departments and judicial authorities at all levels are responsible for the enforcement of the relevant laws and regulations.

In terms of labour law, Brazil has adopted several labour-related laws and regulations to streamline the relevant processes and optimize the labour legal landscape since 2017. In line with these changes, the Brazilian Federal Supreme Court, in a published labour case in June 2022, confirmed that labour agreements signed between companies and employees have precedence over laws and regulations, even if the content of such agreements are not in compliance with the law, saved for those contradicted to constitutional labour rights.

As for the legislation of the mineral sector, after the dam accidents in Mariana/MG and Brumandinho/MG, Brazilian government and relevant agencies have given much more attention to the legislation of mineral sector. In February 2022, the Brazilian National Mining Agency (ANAM) issued a decree raising the safety standards for tailings dams and related facilities. In December 2022, ANAM issued another decree increasing the amount and percentage of penalties for non-compliant mining operations. Throughout 2022, CMOC Brazil's production and operations were in compliance with all tailings dam safety-related laws and regulations.

Enterprises only have a short period of time to adapt to new laws and regulations, but the Company has put all measures in place and its production and operations fully comply with the restrictive requirements of Brazil's prevailing laws and regulations.

RISK WARNING

1. As the Russian-Ukrainian war continues, uncertainty about global economic recovery has increased, which could lead to financial and economic risks.
2. The Company has a large number of overseas investment projects, mainly located in the DRC, Brazil, Australia, Switzerland and other countries and regions. As there are major discrepancies in state politics and economy development level among different countries, we may face policies, political, legal and community risks of different countries.
3. The Company is mainly engaged in mineral mining and processing and mineral trading business, and may face risks such as decline in the grade of mineral resources, safe production, fluctuations in product spot and futures prices as well as natural disasters.
4. The estimated results of mine resources and reserves are related to various factors such as the complexity of the geological characteristic of ore body, the degree of control of the ore body, the selection of technical indicators as well as the selection of rules and standards in different regions, and may be subject to a risk of deviation from the original prediction.
5. The Company held the assets and liabilities denominated in non-functional currencies and IXM B.V. Group conducted international business, of which the assets and liabilities are denominated in functional currencies different from those of the entities. Therefore, the Company is subject to fluctuation in foreign exchange rates. As the Company manages its exchange rates risks with the principle of matching the currencies of assets/revenue with those of liabilities, the exchange rates risks exposure arising from financing is relatively insignificant. Since currencies used for denominating revenue and cost may be different for certain businesses, the fluctuation in the short-term exchange rates of different settlement currencies may affect the operating results of the Company to a certain extent. The Company pays close attention to the impacts of the fluctuation in exchange rates on the Group, and will make use of financial instruments, such as forward foreign exchange contracts, to hedge against foreign exchange rates risks in due course.

For details of other “possible risks” of the Company, please refer to the contents disclosed in relevant sections of the Company’s previous periodic reports.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Group's annual report for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

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

In the opinion of the Board, the Company has adopted and complied with all applicable code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2022.

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

THE BOARD

During the year ended 31 December 2022, the Board held 10 Board meetings in total for reviewing and approving the financial affairs and usual course of business, considering and approving the annual budgets and the overall strategies and policies of the Company, and considering and approving relevant matters in relation to the repurchase of shares by the Company and employee shareholding schemes.

RESPONSIBILITIES

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

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

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

BOARD COMPOSITION

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

The list of all Directors is set out under "Corporate Information" on page 369 and the independent non-executive Directors are expressly identified in all corporate communications pursuant to the Hong Kong Listing Rules. As at the date of this report, the Board comprises the following Directors:

CORPORATE GOVERNANCE REPORT

Executive Directors

Sun Ruiwen, CEO
Li Chaochun, Vice Chairman

Non-Executive Directors

Yuan Honglin, Chairman
Guo Yimin, Vice Chairman
Cheng Yunlei

Independent Non-Executive Directors

Wang Gerry Yougui
Yan Ye
Li Shuhua

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

During the year ended 31 December 2022, the Board, at all times, met the requirements of the Hong Kong Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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

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

All independent non-executive Directors are not involved in day-to-day management. Independent non-executive Directors also express independent opinions on Board's deliberation to ensure high standards of corporate governance and financial integrity. Taking into account factors such as the proportion and selection of independent non-executive Directors and the frequency with which independent non-executive Directors attend Board meetings, the Company believes that the Board can effectively obtain independent views and opinions. The Board reviews the implementation and effectiveness of this mechanism on an annual basis.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CEO

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

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

The CEO, Mr. Sun Ruiwen, is responsible for running the Company's business operations and implementing the Group's strategic plans and business goals.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Each Director of the Company is appointed for a term commencing from the date on which the resolution regarding his/her appointment/re-election is passed until the conclusion of the annual general meeting of the Company held in 2021, at which, they have retired and been re-elected. On 21 May 2021, the Company held its 2020 annual general meeting and elected the next session of the Board. The sixth session of the Board is comprised of Mr. Sun Ruiwen and Mr. Li Chaochun as executive Directors, Mr. Guo Yimin, Mr. Yuan Honglin and Mr. Cheng Yunlei as non-executive Directors, and Mr. Wang Gerry Yougui, Ms. Yan Ye and Mr. Li Shuhua as independent non-executive Directors.

According to the detailed working rules for Independent Directors adopted on 9 October 2012, the term of office for independent non-executive Directors shall be the same as that of other Directors of the Company, and they may stand for re-election upon expiry of their term, but the re-appointment shall not exceed six years. The Board proposed a special resolution at the annual general meeting held in 2015 regarding the amendment to the Articles of Association, fixing the number of the Board members at 7 to 11 so that the number and composition of the Board are in compliance with the requirements under the Company Law and the Hong Kong Listing Rules.

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

CORPORATE GOVERNANCE REPORT

TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT FOR DIRECTORS

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

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

The Company encourages all Directors to participate in continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains fully informed and relevant. During the year ended 31 December 2022, all Directors attended the training courses organized by the Company on corporate governance and regulatory development, and obtained and read relevant materials presented to them by the Board Office of the Company, including updates of laws and regulations. According to the details provided, the summary of the continuing professional development for Directors in 2022 is as follows:

| Name of Directors | Laws, Regulations and Corporate Governance | Scope | |
|--|--|-----------------------|--------------------------------------|
| | | Business of the Group | Role, Function and Duty of Directors |
| Executive Directors | | | |
| Mr. Sun Ruiwen | ✓ | ✓ | ✓ |
| Mr. Li Chaochun | ✓ | ✓ | ✓ |
| Non-Executive Directors | | | |
| Mr. Yuan Honglin | ✓ | ✓ | ✓ |
| Mr. Guo Yimin | ✓ | ✓ | ✓ |
| Mr. Cheng Yunlei | ✓ | ✓ | ✓ |
| Independent Non-Executive Directors | | | |
| Mr. Wang Gerry Yougui | ✓ | ✓ | ✓ |
| Ms. Yan Ye | ✓ | ✓ | ✓ |
| Mr. Li Shuhua | ✓ | ✓ | ✓ |

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Practices and Conduct of Board Meetings

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

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

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

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

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

Directors' Attendance Records

During the year ended 31 December 2022, the Company convened a total of 10 Board meetings. The attendance records of each Director at the meetings of the Board, Remuneration Committee, Audit and Risk Committee, Nomination and Governance Committee and Strategic and Sustainability Committee and the annual general meeting are set out below:

| Name of Directors | Number of Attendance in Person/Number of Meetings Eligible to Attend | | | | | |
|-----------------------|--|--------------------------------|----------------------------------|---|--|---------------------------------------|
| | Board Meeting | Remuneration Committee Meeting | Audit and Risk Committee Meeting | Nomination and Governance Committee Meeting | Strategic and Sustainability Committee Meeting | Annual General Meeting ⁽¹⁾ |
| Mr. Sun Ruiwen | 10/10 | N/A | N/A | N/A | 2/2 | 1/1 |
| Mr. Li Chaochun | 10/10 | N/A | N/A | N/A | 2/2 | 1/1 |
| Mr. Yuan Honglin | 10/10 | 4/4 | 5/5 | 3/3 | 2/2 | 1/1 |
| Mr. Guo Yimin | 10/10 | N/A | N/A | N/A | N/A | 1/1 |
| Mr. Cheng Yunlei | 10/10 | N/A | N/A | N/A | N/A | 1/1 |
| Mr. Wang Gerry Yougui | 10/10 | 4/4 | N/A | 3/3 | 2/2 | 1/1 |
| Ms. Yan Ye | 10/10 | N/A | 5/5 | 3/3 | N/A | 1/1 |
| Mr. Li Shuhua | 10/10 | 4/4 | 5/5 | 3/3 | N/A | 1/1 |

Note:

(1) The annual general meeting was held on 10 June 2022.

CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

On 21 May 2021, the Company convened the first meeting of the sixth session of the Board in which a resolution was approved to appoint Ms. Ng Sau Mei of TMF Hong Kong Limited as joint company secretary (together with Mr. Yue Yuanbin as joint company secretaries, and Mr. Yue resigned on 30 July 2021) with effect from the approval by the Board until the date of the 2023 annual general meeting of the Company to be convened in 2024.

Mr. Xu Hui was appointed as the secretary to the Board of the Company on 8 October 2022 and the joint company secretary of the Company on 12 October 2022, and his term of office will end on the expiration of the term of office of the sixth session of the Board. His qualifications comply with the requirements of the Company Law and other laws and regulations on the qualifications of the secretary of the board of directors.

Ms. Ng's primary contact person in the Company is Mr. Xu Hui. Each of Mr. Xu and Ms. Ng has confirmed that he or she undertook no less than 15 hours of relevant professional training during the year.

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 2022.

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.

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE REPORT

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

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies regarding remuneration of Directors, Supervisors and senior management of the Group. Details of the remuneration of the Directors and Supervisors for the year ended 31 December 2022 are set out in note (X).7 to the consolidated financial statements.

The remuneration of the senior management for the year ended 31 December 2022 fell within the following range (Note):

| Remuneration bands | Number of Individual(s) Year 2022 |
|---------------------------|--|
| RMB0 to 1,000,000 | 1 |
| RMB1,000,001 to 2,000,000 | 2 |
| RMB2,000,001 to 3,000,000 | 0 |
| RMB3,000,001 to 4,000,000 | 2 |

Note: Directors and Supervisors of the Company were excluded; Ms. Ng Sau Mei, a joint company secretary, was an external service provider, and as such, she was not part of the Company's senior management.

DISCLOSURES OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES PURSUANT TO RULE 13.51B(1) OF THE HONG KONG LISTING RULES

After having made all reasonable enquiries, except for the information disclosed in this annual report, the Company is not aware of any other information of the Directors, Supervisors and chief executives which is required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee and set out its specific working rules. As at the date of this report, the Remuneration Committee comprises two independent non-executive Directors, namely Mr. Wang Gerry Yougui and Mr. Li Shuhua and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Wang Gerry Yougui acting as the chairman. The majority of members of the Remuneration Committee are independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

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

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

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

The Remuneration Committee held four meetings during the year ended 31 December 2022, and the matters considered therein included confirmation on the remuneration of senior management and the achievement of performance appraisal indicators in the first equity distribution period of the first phase of the 2021 employee share ownership plan. The attendance records are set out under "Directors' Attendance Records" on page 63.

AUDIT AND RISK COMMITTEE

The Board resolved to change the name of the Audit Committee to Audit and Risk Committee on 4 August 2018, and has updated its detailed working rules to better reflect its functions.

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

The Audit and Risk Committee provides an important link between the Board and the Company's auditors in matters relating to the Group's audit scope.

CORPORATE GOVERNANCE REPORT

The Audit and Risk Committee has reviewed the effectiveness of the external audit and internal controls, evaluated risks, and provided comments and advice to the Board. As at the date of this report, the Audit and Risk Committee comprises two independent non-executive Directors, namely Mr. Li Shuhua and Ms. Yan Ye, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Li Shuhua acting as the chairman of the committee. The Audit and Risk Committee has reviewed with the management and external auditors, the audited consolidated results of the Group for the year ended 31 December 2022, according to the accounting principles and practices adopted by the Group, and discussed auditing, internal controls and financial reporting matters.

The main duties of the Audit and Risk Committee are set out in its detailed working rules, including the following:

(I) WITH RESPECT TO AUDIT AND FINANCIAL SUPERVISION

- provide proposals to the Board of Directors on the appointment, re-appointment and removal of the external auditors, advise on the terms of remuneration and appointment of the external auditors, and deal with matters related to the resignation or dismissal of the auditors;
- review and supervise the independence and objectivity of the external auditors and give opinions in this regard;
- review and monitor the effectiveness of the audit procedures in accordance with applicable standards, discuss with the external auditors about the nature and scope of the audit and the relevant reporting obligations before the audit commences and express opinions in this regard;
- review the financial and accounting policies and practices of the Company, review the drafts of the annual reports, monitor the integrity of financial statements and annual reports and accounts, half-year reports and quarterly reports of the Company, and review significant financial reporting judgements contained therein and provide opinions in this regard;
- examine on a yearly basis the adequacy of the resources, the qualifications and experience of employees in connection with the Company's financial accounting, financial reporting risk management and internal control functions, as well as the adequacy of the training courses received by employees and the related budgets;
- review arrangements under which employees may raise concerns about the possible inappropriate financial reporting, risk management, internal control or other matters under the condition of confidentiality;

CORPORATE GOVERNANCE REPORT

(II) WITH RESPECT TO RISK MANAGEMENT AND INTERNAL CONTROL

- review the Company's financial control, and the risk management and internal control systems of the Company;
- discuss the risk management and internal control systems with the management to ensure that the management has discharged its duty to establish an effective system and to settle the procedural issues of serious internal control deficiencies;
- consider any findings of major investigations of risk management and internal control matters and the management's response; and
- evaluate and enhance the risk management procedures and ensure the current and future rationality, effectiveness and feasibility thereof.

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

The Audit and Risk Committee held five meetings during the year ended 31 December 2022 and reviewed matters including annual results for the year ended 31 December 2021, the results for the first quarter ended 31 March 2022, the results for the interim period ended 30 June 2022 and the results for the third quarter ended 30 September 2022. The Audit and Risk Committee also considered the financial reporting and compliance procedures, the report from the management on the review and processes of Company's internal control and risk management systems and the re-appointment of the external auditors. The attendance records are set out under "Directors' Attendance Records" on page 63.

During the year ended 31 December 2022, the Audit and Risk Committee also met the external auditors twice without the presence of the executive Directors.

NOMINATION AND GOVERNANCE COMMITTEE

The Board resolved to change the name of the Nomination Committee to Nomination and Governance Committee on 4 August 2018, and has updated its detailed working rules to better reflect its functions.

As at the date of this report, the Nomination and Governance Committee comprises four Directors, including three independent non-executive Directors, namely Mr. Wang Gerry Yougui, Mr. Li Shuhua and Ms. Yan Ye, and one non-executive Director, namely Mr. Yuan Honglin. Mr. Wang Gerry Yougui and Mr. Yuan Honglin act as the chairman and the vice chairman of the Nomination and Governance Committee respectively, and the independent non-executive Directors make up more than half of the members of the Nomination and Governance Committee.

CORPORATE GOVERNANCE REPORT

The roles and functions of the Nomination and Governance Committee are set out in the detailed working rules, and it is mainly responsible for (i) with respect to nomination: make suggestions to the Board as to the scale, structure, composition and any proposed change of the Board in light of the business activities, size of assets and shareholding structure of the Company, including reviewing the structure, number, composition and diversity of the members' background of the Board (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) at least once a year or as needed; make recommendations to the Board on any proposed change to the Directors and the senior management; study the standards and procedures for the selection and appointment of Directors and senior management, and make recommendations to the Board; search and look for in a wide range of fields the candidates for qualified Directors and senior management, and examine and provide recommendations to the Board on this regard. The Board shall fully consider the Nomination and Governance Committee's recommendations on the nomination of the candidates for Directors and senior management; make recommendations to the current Board on the candidates for Directors of the next session of the Board of Directors at the re-election of the Board of Directors; assess the independence of independent non-executive Directors and any elected independent non-executive Directors; make recommendations to the Board of Directors on the candidates for new Directors and senior management at the time when the term of office of the Directors and the senior management expires or they are unable to perform their duties for reasons; assess the performance of the Directors and the senior management and, when necessary, provide advice or make recommendations on the replacement of the Directors and the senior management on the assessment results; and review consecutively the needs for leadership and training development plans of the Company to ensure that the Company may continue to operate efficiently and maintain international competitiveness, and to monitor the training and development of Directors; (ii) with respect to corporate governance: review and approve the Company's vision, strategies, framework, principles and policies regarding corporate governance, and make recommendations to the Board of Directors; supervise the implementation of the corporate governance policies formulated by the Board of Directors and make relevant recommendations; review and consider the Company's corporate governance policies and daily operations to ensure compliance with legal and regulatory provisions, and make recommendations to the Board of Directors; review and consider the Code of Conduct and Compliance Manual (if any) on corporate governance applicable to the Company's Directors and employees; review and consider whether the Company complies with Appendix 14 Corporate Governance Code to the Hong Kong Listing Rules, the relevant disclosure provisions and other relevant rules; review and assess the annual Corporate Governance Report for consideration and approval by the Board; examine, supervise and respond to the emerging corporate governance and, where appropriate, make recommendations to the Board of Directors to continuously improve the Company's corporate governance performance; support the plans for corporate governance outside the Company (both local and overseas), where appropriate, to facilitate the continuous development of corporate governance; review and supervise the assessment procedures of the Board of Directors (including its committees and individual members), assess the Board of Directors on a regular basis, and submit assessment reports to the Board of Directors for consideration and approval; review and supervise the implementation of the shareholder communication policies to ensure its effective implementation and, where appropriate, make recommendations to the Board of Directors on strengthening the relationship between shareholders and the Company; and review and supervise the training and continuous professional development of the Directors, Supervisors and the senior management.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

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

The Nomination and Governance Committee will review the composition of the Board in terms of diversity annually and monitor the implementation of the board diversity policy.

As at the date of this report, the composition of the Board in terms of diversity is summarized as follows:

| | | | | | | | | | |
|------------------------|--------------------|---|------------------------|--------|---|------------------------------------|----------|----------------|---|
| Educational background | Bachelor | | | Master | | | PhD | | |
| Designation | Executive Director | | Non-executive Director | | | Independent non-executive Director | | | |
| Gender | Male | | | | | | Female | | |
| Nationality | Chinese | | | | | | Overseas | | |
| Age group | 40 to 50 | | 50 to 60 | | | 60 to 70 | | | |
| Length of service | 1 to 5 years | | | | | 5 to 10 years | | 11 to 15 years | |
| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |

The Company targets to maintain a Board with female representation, and gender diversity is achieved in respect of the Board. The Company is conscious of gender diversity when considering potential successors to the Board to achieve gender diversity.

The Nomination and Governance Committee has reviewed the board diversity policy to ensure its effectiveness and is of the opinion that the Group has achieved the board diversity policy.

Please refer to the 2022 Environmental, Social and Governance Report of CMOC Group Limited disclosed by the Company on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.cmoc.com) for details such as the gender ratio of all employees of the Company (including senior management), workforce diversity policies, etc.

CORPORATE GOVERNANCE REPORT

DIRECTOR NOMINATION POLICY

The Company has adopted a director nomination policy aiming at setting out the criteria and process in the nomination and appointment of Directors and ensuring the Board has a balance of skills, experiences and diversity of perspectives appropriate to the Company's business as well as the Board continuity and appropriate leadership of the Board. In assessing the suitability of a proposed candidate, the Nomination and Governance Committee would consider a number of factors including:

- character and integrity;
- qualifications, including cultural and educational background, professional qualifications, skills, knowledge and experience related to the Company's business and strategy, and the diversity of factors referred to in the board diversity policy;
- the independence of a candidate proposed to be appointed as an independent non-executive Director, in particular by reference to the independence requirements under the Hong Kong Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of diversified aspects, including professional qualifications, skills, professional experience, tenure of service, independence, race, gender and age;
- commitment in respect of available time and relevant contribution to discharge duties as a member of the Board and/or Board committees;
- the Company's business activities, asset size and shareholding structure, as well as the Company's corporate strategy; and
- such other perspectives that are appropriate to the Company's business and the succession planning and where applicable, may be adopted and/or amended by the Board and/or the Nomination and Governance Committee from time to time.

The director nomination policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. In relation to the appointment of a new Director, the Nomination and Governance Committee will request the candidate to provide his/her biographical information and other information deemed necessary. The Nomination and Governance Committee will review and take reasonable steps to verify the information obtained from the candidate and seek clarification, where required. The Nomination and Governance Committee may, at its discretion, invite any candidate to meet with the Nomination and Governance Committee members to assist them in their consideration of the proposed nomination or recommendation. The Nomination and Governance Committee will then submit its nomination proposal to the Board for consideration and approval and then make recommendation to the shareholders of the Company for approval.

CORPORATE GOVERNANCE REPORT

The Nomination and Governance Committee will conduct regular review on the structure, size and composition of the Board and the director nomination policy, and where appropriate, make recommendations on changes to the Board for consideration and approval to complement the Company's corporate strategy and business needs to ensure its effectiveness.

The Nomination and Governance Committee held three meetings during the year ended 31 December 2022. The main topic considered was to review on the Company's compliance with the corporate governance functions, including Directors' profiles, board diversity policy, Directors' professionals and sustainability. The attendance records are set out under "Directors' Attendance Records" on page 63.

STRATEGIC AND SUSTAINABILITY COMMITTEE

The Board resolved to change the name of the Strategic Committee to Strategic and Sustainability Committee on 4 August 2018, and has updated its detailed working rules to better reflect its functions.

The Strategic and Sustainability Committee is responsible for formulating the overall sustainable development plans and investment decision-making procedures of the Group. As at the date of this report, members of the Strategic and Sustainability Committee comprise two executive Directors, namely Mr. Li Chaochun and Mr. Sun Ruiwen, one independent non-executive Director, namely Mr. Wang Gerry Yougui, and one non-executive Director, namely Mr. Yuan Honglin, with Mr. Yuan Honglin acting as the chairman of the committee.

During the year ended 31 December 2022, the Strategic and Sustainability Committee held two meetings; matters considered included assessment of the culture, management framework, affairs, risk management, capacity building and other matters in the fields of environment, social responsibility and sustainability of the Company, etc. The attendance records are set out under "Directors' Attendance Records" on page 63.

CORPORATE GOVERNANCE FUNCTIONS

The Nomination and Governance Committee is responsible for performing the functions of corporate governance.

During the reporting period, the Nomination and Governance Committee has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the Corporate Governance Code and disclosure in Corporate Governance Report.

SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company comprises three members, namely Ms. Kou Youmin (chairperson), Mr. Zhang Zhenhao and Mr. Xu Wenhui. The Supervisory Committee is responsible for exercising supervision over the Board and its members and the senior management; and preventing them from abusing their power and authorities and jeopardizing the legal interests of the shareholders, the Company and its employees. During the year ended 31 December 2022, the Supervisory Committee held six meetings to review the financial positions and the internal control of the Company and adhered to the principle of good faith and proactively carried out various work.

CORPORATE GOVERNANCE REPORT

The terms of office of Supervisors of the Company (including employee representative supervisor) commence from the date on which the resolutions in relation to appointment/re-election are passed until the conclusion of the annual general meeting of the Company to be convened in 2024 and are subject to retirement and re-election.

Pursuant to the Articles of Association, all Supervisors of the Company shall retire from office by rotation at least once every three years. The shareholder representative shall be elected at general meetings, and the employee representative shall be elected democratically by the employees of the Company. Ms. Wang Zhengyan has resigned as an employee representative due to the personal work adjustment, with effect from 11 March 2021. On 12 March 2021, Mr. Xu Wenhui was elected as the employee representative Supervisor of the Company at the employee representatives' meeting. On 22 March 2021, two shareholder representatives, Ms. Kou Youmin and Mr. Zhang Zhenhao, were approved to act as Supervisors for the sixth session of the Supervisory Committee at the twelfth meeting of the fifth session of the Board of the Company, together with Mr. Xu Wenhui, to jointly form the sixth session of the Supervisory Committee of the Company. The proposal has been reviewed and approved at the 2020 annual general meeting of the Company.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Statements

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2022.

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Auditor's Report on page 132.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

CORPORATE GOVERNANCE REPORT

The Board maintains on-going supervision over the risk management and internal control systems of the Company through the Audit and Risk Committee, and has reviewed the effectiveness of such systems during 2022. The said review covered all material controls, including financial, operational and compliance controls.

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

During 2022, the Audit and Risk Committee has reviewed the following matters:

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

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) has been appointed to review the effectiveness of internal control in relation to the financial report of the Company for the year ended 31 December 2022 in accordance with relevant requirements under the Corporate Internal Control Audit Guidelines and the China Code of Ethics for Certified Public Accountants. Its responsibilities are to express an audit opinion on the effectiveness of internal control over the financial report after conducting an audit, and to disclose the material defects that have come to its attention in the internal control over non-financial reports. Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) is of the view that the Company has maintained effective internal control over the financial report in all material aspects in the year ended 31 December 2022 in accordance with the Basic Rules for Corporate Internal Control and relevant requirements.

The Board evaluates the effectiveness of internal control system once a year. During the reporting period, the Company completed internal control self-assessment report for 2022. The Board has evaluated and validated the risk management and internal control system of the Group and has not found any violation of laws, regulations and rules or any significant deficiency in compliance monitoring and risk management or any major mistake. The Board considers the risk management and internal control systems of the Group are effective.

Details of the Audit Report on Internal Control issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and the Internal Control Self-Assessment Report for 2022 of the Company had been published on the websites of the SSE, the Stock Exchange and the Company on 17 March 2023.

CORPORATE GOVERNANCE REPORT

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

DEALING WITH AND PUBLISHING INSIDE INFORMATION

The Company has formulated a policy regarding dealing with and publishing inside information, which specifies the procedures of and internal control over dealing with and publishing inside information to deal with and publish inside information in due course, without leading to place any person in a privileged position in security transactions. The inside information policy also provides guidance to the employees of the Group to ensure appropriate measures are put in place and prevent from contravening the disclosure requirements as stipulated in laws and Hong Kong Listing Rules by the Group. The Company establishes appropriate internal control and reporting system to identify and evaluate potential inside information. Pursuant to the requirements of Hong Kong Listing Rules, the Company publishes the relevant information relating to inside information on the websites of SSE, the Stock Exchange and the Company.

AUDITORS' REMUNERATION

For the year ended 31 December 2022, the remuneration paid to the auditors of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), is set out below:

| Types of services | Remuneration paid/to be paid |
|--------------------------|---|
| | <i>RMB'000</i> |
| Annual audit service | 9,233 |
| Internal control audit | 2,140 |

Note: For the avoidance of ambiguity, the auditor's remuneration set out above is only the remuneration paid to the auditor Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) who provides annual audit services to the Company, fees paid by the Group to other organizations that provide accounting services were not included.

CORPORATE GOVERNANCE REPORT

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) provides auditing of financial statements of the parent company and the consolidated financial statements and reviews on the effectiveness of internal control for the Company. In 2022, annual financial auditing for the Company's overseas businesses was conducted by Deloitte Touche Tohmatsu (Australia), Deloitte Touche Tohmatsu Auditores Independentes (Brazil), Deloitte Service SARL (DRC) and Deloitte SA (Swiss), the annual financial statements and internal control audit expenses of overseas business amounted to approximately RMB5.263 million.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The Company will convene the annual general meeting (the “**AGM**”) on 9 June 2023 and the notice of the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Hong Kong Listing Rules and Articles of Association.

As at the end of the reporting period, in accordance with the latest provisions of relevant laws, regulations, normative documents and the Articles of Association, the Company had formulated the Management Measures for the Shareholding of Shareholders, Directors, Supervisors and Senior Management of CMOC; revised and improved the Working System on the Board Secretary of CMOC, the Detailed Working Rules for Independent Directors of CMOC, the Detailed Working Rules of the Nomination and Governance Committee of CMOC, the Detailed Working Rules of the Remuneration Committee of CMOC, the Detailed Working Rules of the Investment Committee of CMOC, the Detailed Working Rules of the CEO of CMOC, the Information Disclosure System of CMOC, the Subsidiary Management System of CMOC, the Management System on Third Party Guarantee of CMOC, the External Investment Management System of CMOC, the Fund Raising Management System of CMOC, the Management Measures for Preventing Appropriation of Funds by Controlling Shareholders, De Facto Controllers and Other Related Parties of CMOC, and the CMOC Registration Management System on Inside Information Insider; and revised and consolidated the Investor Relations Management System of CMOC and the Related Party Transaction Management System of CMOC (upon approval of the aforesaid systems by the Board, the former Investor Relations Management System, the Decision-making System for Related Party Transactions and the Detailed Rules for Related Transactions Management were simultaneously abolished), so as to regulate the operation of global businesses.

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

The management of the Company regularly reviews the implementation and effectiveness of the various channels of communication with our shareholders. Given that no negative feedback was received during the financial year, we believe that these communication channels are effective.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

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

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

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

SHAREHOLDERS' ENQUIRIES

Enquiries about Shareholdings

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

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

North of Yihe
Huamei Shan Road
Chengdong New District
Luanchuan County
Luoyang City
Henan Province
The People's Republic of China
Telephone No.: (+86) 379 6860 3993
Facsimile No.: (+86) 379 6865 8017

CORPORATE GOVERNANCE REPORT

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

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

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

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Board Office, by email: 603993@cmoc.com, fax: (+86) 379 6865 8017, or mail to North of Yihe, Huamei Shan Road, Chengdong New District, Luanchuan County, Luoyang City, Henan Province, the People's Republic of China (Attention: Mr. Gao Fei). Shareholders may call the Company at (+86) 379 6860 3993 for any assistance.

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

CONSTITUTIONAL DOCUMENTS

The Company approved the amendments to the Articles of Association at the annual general meeting held on 10 June 2022. The latest Articles of Association of the Company are available on the websites of the SSE, the Stock Exchange and the Company.

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

The Board of the Company is pleased to present their 2022 annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2022.

ESTABLISHMENT OF THE COMPANY

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

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

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

PRINCIPAL ACTIVITIES

(I) Principal Businesses

The Company engages in non-ferrous metal industry, mainly the mining, beneficiation, smelting, refining and trading of base and rare metals. With its main business located in Asia, Africa, South America Oceania and Europe, the Company is one of the leading tungsten, cobalt, niobium and molybdenum producers, and an important copper producer in the world. It is also the leading producer of phosphatic fertilizers in Brazil. In terms of trading business, the Company is one of the leading base metals merchants in the world. The Company ranked 918th in the Global Top 2,000 Listed Companies of 2022 Forbes and 20th in the 2022 Global Top 40 Mining Companies (market value) rankings.



REPORT OF THE BOARD OF DIRECTORS

1. *Mining and Processing Business*

(1) *Domestic*

During the reporting period, the Company mainly operated Sandaozhuang Molybdenum & Tungsten Mine and Shangfanggou Molybdenum & Iron Mine which belongs to the joint venture in the PRC, being engaged in the mining, smelting, deep processing and scientific research of molybdenum, tungsten metals, and possessed a complete business which integrated upstream and downstream processes including mining, processing, roasting and chemical products, with its main products including ferromolybdenum, ammonium paratungstate, tungsten concentrate and other molybdenum & tungsten related products, as well as the recovery of the by-product concentrates including iron, copper, fluorite and rhenium.

(2) *Overseas*

TFM Copper and Cobalt Mine and KFM Copper and Cobalt Mine operated in the DRC

The Company indirectly holds 80% equity interests in the TFM Copper and Cobalt Mine, which covers an area of over 1,500 square kilometers, and its businesses cover the exploration, mining, refining, processing and marketing, with a complete range of processes and procedures from mining to processing. The main products of TFM are copper cathode and cobalt hydroxide.

The Company indirectly held 71.25% equity interests in KFM Copper and Cobalt Mine. The KFM Development Project (oxide and mixed ores) (phase I) in the DRC is scheduled to be put into operation in the second quarter of 2023.

CIL Phosphate and NML Niobium Mine operated in Brazil

The Company indirectly held 100% equity interests in the Brazil CIL Phosphate, covering the whole industry chain of phosphate. The mining of ores adopted open-pit mining. Its main products included: high-analysis phosphate fertilizer (MAP, GTSP), low-analysis phosphate fertilizer (SSG and SSP powder), animal feed supplements (DCP), intermediate products (phosphoric acid and sulfuric acid, the latter mainly used by own use) and relevant by-products (gypsum, fluosilicic acid).

The Company indirectly held 100% equity interests in the Brazil NML Niobium Mine, covering exploration, mining, refining, processing and marketing of niobium, with main product of ferroniobium.

NPM Copper and Gold Mine operated in Australia

The Company indirectly held 80% equity interests in the NPM Copper and Gold Mine, covering the mining and processing of copper metal, its main products including copper concentrates and by-products gold and silver.

REPORT OF THE BOARD OF DIRECTORS

2. *Mineral Trade Business*

The Company successfully acquired IXM and completed the closing on 24 July 2019. The headquarters of IXM locates in Geneva, Switzerland, which is the third largest base metal trader in the world. IXM and its member units constitute a global metals trading network with operations in over 80 countries, mainly in China, Latin America, North America and Europe, as well as a global logistics and warehousing system. The products are mainly sold to Asia and Europe. Over these years, IXM has deeply developed in the minerals trading industry, accumulated a wealth of experience in the minerals trading industry, built up a good reputation, and established certain barriers in the industry.

(II) BUSINESS MODEL

1. *Mineral mining and processing business*

The Company's mine business adopts a model of centralized operation and level-to-level management. Besides, the Company has been seeking for investment, merge and acquisition opportunities on the projects of high-quality resources in a global scale.

(1) *Procurement model*

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

(2) *Production model*

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

(3) *Sales model*

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

- ① The principal copper and cobalt products are copper cathode, copper concentrate and intermediate products of cobalt hydroxide. During the reporting period, the copper cathode and copper concentrate business has also established a business model of mine-IXM-terminal processing plant and smelter; while the intermediate products of cobalt hydroxide are mainly sold to downstream cobalt smelting plants and downstream producers in the new energy supply chain through IXM's trading network;

REPORT OF THE BOARD OF DIRECTORS

- ② The direct sales model of “manufacturer – consumer” has been mainly adopted in molybdenum, tungsten and related products, with the indirect sales model of “manufacturer – third party dealer – consumer” as the auxiliary;
- ③ Niobium products are ferroniobium. The Company has also established a distribution model of “manufacturer – IXM – consumer”, integrating the IXM global sales network and the sales network of ferroniobium customers of the domestic sales team in China, and continuously increasing the profit of ferroniobium sales.
- ④ The major clients of its phosphate products are fertilizer mixers who mix the Company’s phosphate fertilizer with other auxiliary materials according to different formulas to produce mixed fertilizers and sell them to the end customers within Brazil.

2. *Mineral Trading Business*

Spot trading of IXM mainly seeks low-risk arbitrage opportunities in the value chain, and hedges the price change risks of spot positions through derivative financial instruments such as futures contracts to reduce potential price risks and gain returns, for example, arbitrage between different qualities and grades of the goods (quality spread), arbitrage between different locations or futures exchanges (location spread) and arbitrage based on different delivery periods (time spread). After discovering the above mismatch opportunities, IXM locked in profits by buying in the cheap market and selling in the expensive market, and simultaneously completed the conversion of commodity space, time and form.

(1) *Concentrate metal trading*

The gross profit of this business mainly comes from the difference between treatment charge/refining charge (TC/RC). IXM obtains profit from the difference between TC/RC agreed between the mine and the smelter through its deep understanding and prediction of market supply and demand, and the establishment of a strong cooperative relationship with mineral producers and smelters. It accounts for a large proportion of the gross profit of IXM’s concentrate business.

(2) *Refined metal trading*

The gross profit of this business mainly comes from changes in basis premiums and discounts and cash arbitrage (the difference between the spot price and the futures price or the difference between the recent and forward futures contracts). With the layout of IXM in the entire value chain, the position-holding cost (including storage, insurance and financing costs, etc.) is kept at a low level. When the profits obtained through the cash basis difference can fully cover the corresponding the position-holding cost, IXM is able to lock profits with lower risks.

REPORT OF THE BOARD OF DIRECTORS

(3) *Sourcing, sales and risk control*

IXM is based on a commercial and logistics network in key regions, an integrated supply chain, as well as long- and short-term strategic mining off-takes and downstream investment to ensure that its sourcing and sales strategies are effectively implemented, and the flow of exclusive funds is unblocked. IXM dedicates considerable time and resources to analyzing market balances and seeking possible trading opportunities through regular contact with IXM market research team and research institutes of this field.

IXM has built a diversified supplier and customer portfolio which includes integrated mineral companies, smelters and refined metal retailers, etc., on the basis of the substantial network of contacts all along the supply and sale chains. As part of its strategy, IXM tends to work mostly with proven and performing counterparties.

While IXM conducts spot trading of non-ferrous metals, it also holds futures contracts of the same metal species that can be settled on a net basis. Taking advantage of the strong correlation between spot trading and future businesses, through the combined business model of futures business and spots trading, in the upswing cycle of the spot market, the profits of the spot trading side make up for the losses of the futures business; in the downward cycle of the spot market, the profits of the futures business make up for the losses of the spot trading side. This business model reduces the risks caused by industry cyclical and price fluctuations, creates stable and sustainable profits for enterprises.

IXM has a mature risk management and control system. After the risk prevention and control strategy is approved by the Company, it will be implemented by the risk management and macro strategy committee of IXM. IXM has set up a special risk management department to ensure that IXM's risk control policies can be strictly implemented.

(III) **Industry Overview**

1. *Copper industry*

The world's copper resources are mainly located in South America and Australia, while China is the world's largest copper consumer, with main copper consumption segments of electricity and electronics, infrastructure construction and household appliances. According to the latest Wood Mackenzie data, the global copper production volume amounted to approximately 24.95 million tonnes in 2022, representing a year-on-year increase of 1.5%, while the demand was approximately 25.02 million tonnes, representing a year-on-year increase of 2.3%. Certain additional production capacity was released and the copper processing fees continued to rise in 2022, despite a slight lag in the progress of some copper projects due to supply chain bottlenecks on the supply side. The demand side was constrained by the macro environment where central banks in the world raised interest rates significantly, but still achieved positive growth from a high base in 2021, indicating that copper demand was still resilient.

REPORT OF THE BOARD OF DIRECTORS

2. *Cobalt industry*

Global cobalt resources are mainly distributed in the DRC in Africa, with production volume in the DRC accounting for over 70% of global production in 2022, while China, other regions of Asia and Europe are the main consumers for cobalt, with main cobalt consumption areas of battery sector, high temperature alloys, cemented carbide and magnetic materials, of which the battery sector accounted for over 50%. According to the latest Benchmark data, the cobalt supply in 2022 amounted to approximately 170,000 tonnes of metal cobalt, representing a year-on-year increase of 6.9%; cobalt demand amounted to approximately 165,000 tonnes, representing a year-on-year decrease of 5.2%. The increment of supply side in 2022 still mainly came from the DRC, but the production ramp-ups of mixed nickel hydroxide cobalt (MHP) project in Indonesia also brought a larger increment. The COVID-19 pandemic and African transportation bottleneck limited the supply progress of cobalt materials. On the demand side, despite the trend towards high-nickel power battery, under the strong growth in global new energy vehicles, the increase in the total number of power batteries still drove the growth of cobalt demand.

3. *Molybdenum industry*

China is the country with most abundant molybdenum resources in the world, and also is the major consumer of molybdenum due to the concentration of molybdenum consumption in the steel industry. According to the data of Antaike, global molybdenum supply amounted to approximately 264,000 tonnes in 2022, which was basically flat year on year, while the demand amounted to approximately 279,100 tonnes, representing a year-on-year increase of 5%. In 2022, some of the new projects on the supply side brought incremental production, basically offsetting the production decline caused by the production disruptions in the overseas copper and molybdenum-associated mines. On the demand side, with global economic recovery along with easing pandemic situations overseas, the domestic steel industry structure was optimized, and the production and demand of premium special steel increased, driving molybdenum consumption to maintain growth.

4. *Tungsten industry*

The world's tungsten resources are mainly concentrated in China, and China is also the major consumer of tungsten, with exports of some tungsten products to the USA, Europe, South Korea and Japan. Cemented carbide and superheat resistant alloys are the main areas of consumption for tungsten, with major direction in machine tools and automobiles. According to the data of Antaike, on the supply side, the production volume of tungsten concentrate decreased year-on-year in 2022 due to environmental inspections; the demand side also saw a slight year-on-year decrease due to the concentration of the downstream of tungsten in the Yangtze River Delta region, which was greatly affected by the pandemic in Eastern China.

5. *Niobium industry*

Niobium resources are mainly concentrated in Brazil, where the supply is highly concentrated and the main consumption area is low-alloy high-strength structural steel. The high concentration of supply structure remained unchanged in 2022, and CBMM accounted for approximately 75% of the global market production volume, with modest growth in incremental expansion; on the demand side, demand for niobium iron steadily and slightly increased as the domestic steel industry was restructured and upgraded.

REPORT OF THE BOARD OF DIRECTORS

6. *Phosphate industry*

Brazil is the fourth largest consumer of fertilizer in the world, but its domestic fertilizer production is far from adequate to meet agricultural demand and is often supplemented by imports from countries such as Morocco, Russia and China. According to the data of Argus, the imported fertilizer accounted for more than 80% of consumption in Brazil. On the supply side in 2022, the market sentiment was greatly affected by the Russia-Ukraine conflict despite the fact that the actual subsequent exports of livelihood materials were less restricted. China maintained its fertilizer export restriction policy and the Brazilian government continued to encourage its domestic fertilizer enterprises to expand production in order to reduce Brazil's dependence on fertilizer imports; on the demand side, the crop planting area of Brazil was growing at a moderate rate. Although the high price of fertilizers inhibited downstream demand to a certain extent, the overall demand remained stable and rising during the year.

7. *Nickel industry*

Nickel resources can be divided into laterite nickel ore and sulfide nickel ore according to ore composition. In particular, laterite nickel ore is mainly distributed in Cuba, New Caledonia, Indonesia, the Philippines and other countries near the equator, while sulfide nickel ore is mainly distributed in Canada, Russia, Australia and China. Nickel is widely used in stainless steel, nickel-based alloys, electroplating, batteries and other sectors, of which stainless steel is its largest application field, accounting for approximately 70%. However, with the rapid development of electric vehicles in recent years, the demand for nickel for batteries has grown rapidly. According to the latest data from the Commodity Research Unit (CRU), the supply of nickel in 2022 was 3.145 million tonnes, representing a year-on-year increase of 16.4%, with the main increment coming from the production ramp-ups of MHP of the HPAL project and NPI of the RKEF project in Indonesia; the demand for nickel was 3.037 million tonnes, representing a year-on-year increase of 5.6%, with the main increment coming from the rapid development of new energy vehicles in the battery segment.

8. *Mineral trading industry*

In recent years, the global metals and minerals trading industry has demonstrated a landscape of two super-large companies occupying dominant positions and other companies developing their own characteristics and expanding aggressively. In 2022, the Russia-Ukraine war exacerbated the global supply chain crisis, coupled with the influence of macro factors such as rapid interest rate hikes, the price of metals and minerals fluctuated violently, bringing new opportunities and challenges to the trading industry. IXM is the third largest trader of base metals in the world, which mainly deals with copper, lead and zinc concentrate and refined metals including copper, aluminum, zinc and nickel as well as battery material metals and special metals such as cobalt and niobium. IXM has been maintaining a solid business operation and built up a good reputation and a worldwide operation network.

REPORT OF THE BOARD OF DIRECTORS

BUSINESS REVIEW

According to the Schedule 5 of the Companies Ordinance of Hong Kong (Chapter 622 of The Laws of Hong Kong), discussion and analysis were made including the business review for the year ended 31 December 2022 and discussion on business development in the future which are described on the section headed “Business Review and Prospects” on page 24 to page 29 of this annual report, while description of principal risks and uncertainties facing by the Group can be found in different parts of this annual report, including the descriptions under the section headed “Risk Warning” on page 58. Analysis using financial key performance indicators is described in the section headed “Management Discussion and Analysis” on page 30 to page 43 of this annual report. The above discussion forms part of the Report of the Board of Directors.

CORPORATE BONDS

Basic information about issue of corporate bonds is as follow:

| Name of bonds | Abbreviation | Code | Issue date | Mature date | Balances of bonds | Interest Rate (%) | Payment method for principal and interest | Trading venues |
|---|----------------|-----------|------------|-------------|-------------------|-------------------|--|---|
| CMOC CAPITAL LTD 5.48% guaranteed bonds 2022 (5722) | CMOC CAP B2202 | 5722 | 2019/02/01 | 2022/02/01 | US\$0 | 5.48 | Full interest payment for half year | The Stock Exchange of Hong Kong Limited |
| Public issuance of 2019 Corporate Bonds (first tranche) of CMOC Group Limited | 19CMOC01 | 163043.SH | 2019/11/28 | 2022/11/28 | RMB0 | 4.28 | Interest payment once a year, one-off payment of principal upon expiry | Shanghai Stock Exchange |
| Public issuance of 2022 Renewable Corporate Bonds (first tranche) of CMOC Group Limited to professional investors | 22CMOCY1 | 138732 | 2022/12/16 | 2025/12/16 | RMB 1 billion | 5.62 | Interest payment once a year, one-off payment of principal upon expiry | Shanghai Stock Exchange |

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

As at 1 February 2019, the Company issued US\$0.3 billion bonds with the annual interest rate being 5.48%; and the interests paid semi-annually; the bond maturity date is 1 February 2022. The issuance of US dollar bonds was listed on the Stock Exchange on 4 February 2019.

Approximately US\$297.5 million of net proceeds from the raised funds of issuance of US\$ Bonds after deducting commissions and other estimated expenditures related to the issuance of overseas bonds will be used for the general operating needs of the Company, including but not limited to the repayment for existing obligations of the Company.

REPORT OF THE BOARD OF DIRECTORS

The US\$ bonds matured on 1 February 2022, and CMOC Capital has deposited the outstanding principal amount of US\$250 million together with interests accrued to the maturity date in total of US\$256.85 million into the trustee's designated bank account and has redeemed the amount on schedule. The US\$ Bonds were cancelled and delisted from the Stock Exchange on 4 February 2022.

2. Pursuant to “the proposal in respect of the Company compliance with the conditions for the issuance of bonds”, “the proposal in respect of the Company compliance with the conditions for the issuance of bonds” and “the proposal in respect of seeking authorization from the shareholders’ meeting of the Company to the board of directors of the Company to fully handle this public issuance of corporate bonds” were considered and approved by the 2016 annual general meeting of the Company, the Company has determined to approve the issuance of corporate bonds with a total nominal amount not exceeding RMB8 billion (inclusive) and with a term of no more than 8 years (inclusive), and the authorization to the Board of Directors to handle all matters related to this corporate bonds issue.

On 26 April 2019, upon the approval of Zheng Jian Xu Ke [2019] No. 840 published by the CSRC, the Company was approved to issue corporate bonds to qualified investors with a total nominal amount not exceeding RMB8 billion. On 28 November 2019, the Company issued the first tranche of corporate bonds on the SSE, with a scale of RMB1 billion and a final nominal rate of 4.28%. After deducting the issuing expenses from the principal and interest of the raised funds of current bonds of the Company, it is intended to improve the debt structure, repay the Company's debts, and supplement the working capital and other purposes in compliance with the legal laws, regulations and relevant provisions.

The corporate bonds matured on 28 November 2022, and CMOC had deposited the outstanding principal amount of RMB1 billion together with interests accrued to the maturity date in total of RMB1,042.8 million into the trustee's designated bank account and had redeemed the amount on schedule.

Please refer to the relevant announcements disclosed by the Company on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.cmoc.com) for details.

3. Pursuant to the “resolution on the granting of authorization to the Board to decide on the issuance of debt financing instruments” and other bond issuance-related resolutions considered and approved at the 2021 annual general meeting of the Company, it was agreed to issue debt financing instruments with a total nominal amount not exceeding RMB20 billion or its equivalent in foreign currencies and to authorize the Board to handle all matters related to this corporate bonds issue.

On 22 August 2022, upon the approval of Zheng Jian Xu Ke [2022] No. 1901 published by the CSRC, the Company was approved to issue corporate bonds to qualified investors with a total nominal amount not exceeding RMB10 billion. On 16 December 2022, the Company issued the first tranche of renewable corporate bonds on the SSE, with a scale of RMB1 billion and a final nominal rate of 5.62%. After deducting the issuing expenses from the principal and interest of the raised funds of current bonds of the Company, the proceeds will be used for the phase II development of the Tenke Fungurume copper-cobalt mine held by Tenke Fungurume Mining S.A. in the DRC.

Please refer to the relevant announcements disclosed by the Company on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.cmoc.com) for details.

REPORT OF THE BOARD OF DIRECTORS

ENVIRONMENTAL PROTECTION POLICIES AND PERFORMANCE

Regarding the collective environmental protection policy and performance, the Company maintains its high-quality services in the industry while adhering to the philosophy of “environmental protection goes first with green development”, in building itself into a resource-saving and eco-friendly company. It takes the harmonious development of energy business and environment as a critical responsibility of the Company and a priority in production and operation, and follows through the green mining concepts of resource saving, eco-friendliness and harmonious mining field in establishing its cultural system. It conscientiously implements the guidelines and policies of environmental protection, comprehensively builds up safe and eco-friendly environmental protection engineering and supporting facilities that are beneficial to water and soil conservation as well as recovery and management of mine ecosystem, tracks and supervises the construction of “simultaneous design, simultaneous construction and simultaneous commencement of usage” in environmental protection engineering, maintains strict control over construction, and ensures “not to commence operation without satisfactory acceptance”. Production and operation projects are comprehensively implemented with energy saving and emission reduction and pollution prevention measures to ensure long-term and stable operation in compliance with relevant standards. The Company insists on the development principle of “ecological development, scientific usage and cyclic economy”, actively adopts advanced technology, advanced process, advanced equipment, and endeavors to improve efficient use of resources and the level of discharge recycling and reuse. It promotes clean production, improves the system of energy saving and emission reduction, and practically steps up the reduction of pollutant emissions. It endeavors to promote its ability of environment management, and strives for the sustainable development of environmental protection.

The Company prepared the 2022 Environmental, Social and Governance Report of CMOC Group Limited, pursuant to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange in December 2015, and the Environmental Information Disclosure Guide for Listed Companies issued by the SSE in May 2008, and disclosed it separately. The report gives true information of CMOC in terms of environmental, social and governance activities. All information in the report is derived from the official documents and statistics reports of CMOC and the summary and statistics of its affiliated companies. The report gives full disclosure of concerns of the major interested parties (including shareholders, customers, employees, suppliers and partners) of the Company:

- Environment
- Employees
- Community
- Products

Please refer to the 2022 Environmental, Social and Governance Report of CMOC Group Limited disclosed by the Company on the websites of the SSE (www.sse.com.cn), the Stock Exchange (www.hkexnews.hk) and the Company (www.cmoc.com) for details.

REPORT OF THE BOARD OF DIRECTORS

COMPLIANCE WITH RELEVANT LAWS AND RULES

The Company devotes its efforts to strictly comply with regulated laws and rules in the jurisdictions where the Company is operating, and is also in compliance with applicable guidelines and rules issued by regulators. To the Directors knowledge, the Company has complied with all laws and rules which have material effect on the Company during the reporting period. In addition, compliance with the relevant laws and regulations which have significant impacts on the Group has been disclosed in various parts of this annual report (especially in the Corporate Governance Report). Descriptions of key relationships between employees of the Company, major customers and suppliers are set out on page 80 to page 120 of the Report of the Board of Directors in the annual report.

CORE COMPETITIVENESS

(I) Clear development strategy and development model

The Company's vision is to become highly respected, modern and world-class resources company. The Company has formed a business model of "mines + trading". In order to take advantage of the opportunities from the global strategy of carbon neutrality and carbon peaks and to realize the vision and goals, the Company has formulated a "three-step" development path, of which the first step is to "lay a foundation of low cost and high efficiency" that focuses on system and team building via organization upgrade and a corporate management system that covers global operations. The second step is to "ramp up with multiplying production capacity" as we expedite construction and production of the two world-class projects, TFM mixed ore project and KFM Copper and Cobalt Mine project. This step aims at a modern and effective corporate governance structure with clear division of responsibilities and a stronger team that is tested through involvement in world-class projects that are launched to expand our production capacity. The third step is to achieve "stellar growth" towards a world-class company and our vision when new milestones are achieved in business size and cash flows, when teams and project pipelines are more robust, and when we are ready to seek greater growth around our strategic goals in key regions and key products.

(II) Leading new energy metal producer, world class resources with high quality

The Company is the leading cobalt producer and the significant copper producer in the world. The TFM Copper and Cobalt Mine operated by the Company in the DRC represents one of the largest reserve and highest grade copper-cobalt mines in the world, with a mining area that covers over 1,500 sq. km and huge resource potential. KFM Copper and Cobalt Mine adjacent to TFM mining area acquired in 2020 is the world-class greenfield project, with rich resources and high average grade of copper and cobalt ore and huge exploration potential. It further consolidates the Company's position in the field of new energy raw materials, and makes the Company play an important role in the transformation of global green energy industry. The project is scheduled to be put into operation in the second quarter of 2023. The Company holds 30% equity interest of Huayue nickel cobalt project and underwrites a proportionate share of the nickel and cobalt hydroxide products, making presence in nickel metal. In January 2023, the Company and CATL reached an agreement with Bolivia to build a lithium extraction plant on large salt flats in Bolivia, initially making its presence in lithium metal.

REPORT OF THE BOARD OF DIRECTORS

With the presence in energy transformation race through copper, cobalt and nickel resources, the Company will be more closely integrated with the end-use customers of the resources, further consolidating its leading position in the field of energy transformation raw material supply and ensuring a reliable supply of energy transformation metals to meet the global energy transformation demand.

(III) Unique and scarce products portfolio to effectively reduce the impact of periodic fluctuation

Except for new energy transformation metals, the Company also possesses a unique and scarce product portfolio including molybdenum, tungsten, niobium, phosphate and gold, and has industry-leading positions for each resource variety. The resource varieties cover the basic, special metals and precious metals, which are closely related to the energy transformation and industrial upgrading sectors, and enter into the market of agricultural applications with phosphorus resources.

Product portfolio with unique and diversified natures enables the Company to better resist periodic fluctuation risks in resource sectors, enhance the ability to resist risks and fully enjoy the enormous benefits brought by the periodic changes in prices from various resources.

(IV) Competitive advantage in resource acquisition, development and operation cost

The Company adapted an expansion strategy at low cost against the trend, and successfully acquired a world class mine at the bottom of industry with competitive mining cost due to open pit mining, large reserve and high grade. The conversion from reserve to production of world class mine at low cost is the baseline for the Company's internal development. In 2019, the Company set a three-year cost reduction target of US\$500 million and achieved this target ahead of schedule in 2020. The Company continued to carry out cost reduction and efficiency activities in all operating units, and adopted advanced modern mining technology, process and equipment to continuously consolidate its low-cost operating advantage through centralized procurement, technology improvement and management reform.

(V) Leading-industry sustainable development to escort the Company's long-term strategy

The Company is fully aware of the importance of sustainability to its access to resources, markets and capital, and has nurtured and actively implemented it as our new core competitiveness. The Company has now established a three-tier governance structure of the Board – Executive Management – Operation Management. Within this governance structure, the Board is responsible for formulating ESG strategy and overseeing its execution. The compliance and sustainability policies comprise the policy framework applicable to all operation units of the Group, and the executive sustainability committee provides the executive management platform for cross-departmental collaboration on ESG solutions, and strong environmental, occupational health and safety, human resources and community development teams at each operation mineral areas ensure the implementation of the Group's approach and policies.

The Company's compliance and sustainability policies take reference from international best practice frameworks, continuously improve the Company's governance framework on sustainability through continuous learning of international corporate good practice. In addition, all of the Company's mining areas are regularly reviewed by third parties to verify their compliance with the requirements of the Environmental, Health and Safety Management Certification System, which includes ISO14001 and ISO45001 certification. These measures have laid a solid policy and practice foundation for future sustainable development.

REPORT OF THE BOARD OF DIRECTORS

During the reporting period, the Company formulated the long-term visions and short-term performance objectives for climate change and biodiversity. In January 2022, the aforesaid objectives were discussed and approved by the Board of the Company. Currently, all operating units of the Company are proceeding to implement relevant proactive energy saving and emission reduction work. In addition, the Company continues to improve its sustainability policy and management framework, conduct ESG reviews on relevant business units, and has formulated action plans, and strengthened guidance and training to further enhance ESG performance.

(VI) Advanced technical capabilities in the industry and industry-leading innovative technologies

The Company has a strong technological research and development team. The Company successfully implemented industrialization of its various scientific research results, leading industrial technology improvement and further promoting the competitiveness of the Company.

The Company continuously invests in technological research. It passed the review of China's high-tech enterprises in December 2020, and was rewarded the Sixth China Industry Award. The Company won the title of "National Enterprise Technology Centre (國家企業技術中心)" jointly awarded by five ministries, including the National Development and Reform Commission and the Ministry of Finance. During the reporting period, the Company's "A Method for Efficient Recovery of Rhenium in Molybdenum Smelting Waste Acid (一種從鉬冶煉廢酸中高效回收銻的方法)" was awarded the 22nd China Patent Excellence Award (第二十二屆中國專利優秀獎), "R&D and Engineering Demonstration of Intelligent Unmanned Technology for Safe Mining in Open-pit Mine under Complex Conditions (複雜條件下露天礦安全開採智能無人化技術研發與工程示範)" was awarded the first class award of the 2nd China Safety Production Science and Technology Achievement (第二屆中國安全生產科技進步一等獎), "Key technologies and applications of ecological mining design and comprehensive utilization of low-grade resources in open-pit metal mines (金屬露天礦生態化開採設計及低品位資源綜合利用關鍵技術與應用)" was awarded the first prize of Science and Technology Progress Award of CNMIA (中國有色金屬工業協會科技進步一等獎), and "Key Technology and Engineering Demonstration of Low-Grade Complex White Tungsten Concentration Associated with Floating Molybdenum Tailings (浮鉬尾礦伴生低品位複雜白鎢選冶關鍵技術及工程示範)" was awarded the second prize of Henan Province Patent. The Company won honorary titles such as "Backbone Enterprise for Comprehensive Utilization of Bulk Solid Waste (大宗固體廢棄物綜合利用骨幹企業)", "Innovation Leading Enterprise in Henan Province (河南省創新龍頭企業)", "2022 Top manufacturing enterprises in Henan Province (二零二二年河南省製造業頭雁企業)" and "Intellectual Property Superior Enterprise in Henan Province (河南省知識產權優勢企業)".

The Company has successfully applied 5G technology to mine production. It created an unmanned intelligent mine through the application of unmanned mining equipment in a 5G environment, effectively saving costs while significantly enhancing the ability to guarantee safe production in the mine area and significantly improving production efficiency. The Company's "5G-based key technologies and equipment for unmanned and efficient green mining of metal open pits (基於 5G 的金屬露天礦無人高效綠色開採關鍵技術與裝備)" was awarded "China Industry-University-Institute Cooperation and Innovation Achievement First Class Award (中國產學研合作創新成果一等獎)", and was selected as "5G Application Scenario Demonstration Project in Henan Province (河南省 5G 應用場景示範項目)" and "Typical Application Scenarios of Digital Transformation of Intelligent Manufacturing in Henan Province (河南省智能製造數字化轉型典型應用場景)".

REPORT OF THE BOARD OF DIRECTORS

(VII) Creating a new model of “Mining + Trading” to create profit growth point

Through IXM basic metals trading company, the Company achieves a high degree of synergy and complementarity in customer, sales, supply chain and logistics, risk control and other aspects of the existing businesses while extending the Company’s mine industry chain. IXM makes full use of existing global leading industry research and information advantages, deeply participates in the Company’s resource integration and profit realization at many levels, such as taking advantages of logistics to reduce logistics costs, broadening logistics channels and alleviating logistics difficulties, and taking advantages of risk control to assist establishing a self-operated trade risk management approach in collaboration with China sales companies to monitor profit and loss and capital exposures. IXM will continue to give play to the industrial status and channel advantages of traders to help the Company expand its layout and influence in the resource field. By cooperating with the mining sector and the Company’s investment, financing and research capabilities, it has created a new profit growth point, which helped the Company enhance global industry competitiveness and influence, and form new commercial competitive advantages.

(VIII) Robust shareholder structure and continuous high percentage of cash dividend

In September 2022, CATL and its wholly-owned subsidiary Sichuan CATL entered into an investment framework agreement with Luoyang Guohong. Such transaction was officially completed in March 2023, and CATL has indirectly become the second largest shareholder of the Company. The Company continues to maintain a robust shareholder structure with two major substantial shareholders and investment from large investment institutions, strategic and industrial investors. Currently, the operating businesses are basically mature projects in production, with stable profitability and strong cash generating capacity of each business segment. Shareholders endorse the Company’s strategy based on industry outlook and work together to support the Company’s development.

The dividend policy of the Company is stable and the dividend return is considerable. The Company’s annual average percentage of dividend of the Company is over 48% through cash dividend and shares repurchase since the listing of its A shares.

DIVIDEND

1. Cash dividend distribution policy

According to the requirements of Articles of Association, the profit distribution of the Company attaches importance to the reasonable return on investment for investors and sustainable development of the Company, and the profit distribution policy of the Company shall maintain a certain degree of continuity and stability.

The Company adopts a proactive dividend distribution policy in the form of cash or shares, and implements such policy in accordance with the laws, regulations and regulatory requirements. Priority in profits distribution should be in cash rather than in shares. The Company shall distribute profits in the form of cash should such conditions are met. The Company may distribute interim cash dividends as and when appropriate.

REPORT OF THE BOARD OF DIRECTORS

In accordance with the laws, regulations and other regulatory requirements in the period, the Company distributes dividend in cash if it records earnings with positive distributable profits and the cash flow of the Company can accommodate the needs of both its daily operation and sustainable development. If the Company distributes cash dividends, the proportion for cash dividends should also comply with the following requirements simultaneously: the profits distributed by the Company in the form of cash each year shall not be less than 30% of distributable profits recorded in the year, in accordance with laws, regulations and regulatory requirements in the period.

Where the Company is in a developed stage with no substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution when distributing its profits; where the Company is in a developed stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution when distributing its profits; where the Company is in a developing stage with substantial capital expenditure arrangement, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution when distributing its profits. The “Substantial Capital Expenditure Arrangement” refers to matters that the total assets of transactions, including asset acquisitions and external investments, by the Company within a year account for more than 30% (inclusive) of the latest audited total assets of the Company.

The Board of Directors of the Company shall propose a specific cash dividend distribution plan by differentiating the aforesaid circumstances after taking various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement.

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

2. Implementation of cash dividend distribution policy

The profit distribution plan for 2021 was considered and approved at the 2021 annual general meeting of the Company held on 10 June 2022. The profit distribution was based on the Company’s total share capital of 21,599,240,583 shares before the implementation of the plan. The cash dividend for every 10 shares was RMB0.7125 (tax inclusive), and the total cash dividend of RMB1,524,344,600.04 (tax inclusive) was distributed. The dividend distribution was completed during the reporting period.

REPORT OF THE BOARD OF DIRECTORS

3. Proposal of Dividend Distribution

The Company plans to distribute profits based on the total share capital (deducting the number of shares in the Company's special account for repurchase) on the equity registration date for equity distribution, and distribute a cash dividend of RMB0.8508 (tax inclusive) per 10 shares to all Shareholders with a total cash dividend of approximately RMB1,820,227,909.77 (tax inclusive), representing approximately 30% of the net profit attributable to the shareholders of listed company for the year.

If the total share capital of the Company changes as a result of the conversion of convertible bonds, share repurchases, share repurchases granted under equity incentive, cancellation of share repurchases for major assets restructuring, etc. during the period from the date of disclosure of the announcement on the profit distribution plan to the date of registration of the implementation of equity distribution, the Company proposes to remain the per share distribution proportion unchanged, while adjusting the total distribution amount accordingly.

This proposal has been considered and approved at the eighth meeting of the sixth session of the Board of Directors of the Company and needs to be submitted to the AGM for approval.

The Company will dispatch to Shareholders a circular containing, among other things, further information in relation to the proposed distribution of final dividend and the AGM as soon as practicable.

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

REPORT OF THE BOARD OF DIRECTORS

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

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

- For mainland individual investors who invest in the H shares via the Shanghai-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in the distribution of the 2017 final dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Corporation Limited for tax credit relating to the withholding tax already paid abroad. For mainland securities investment funds that invest in the H Shares via the Shanghai – Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax in the distribution of the final dividend pursuant to the foregoing provisions; and
- For mainland corporate investors that invest in the H shares via the Shanghai-Hong Kong Stock Connect, the Company will not withhold the income tax in the distribution of the final dividend and the mainland corporate investors shall file the tax returns on their own.

H Shareholders are required to consult their tax advisors regarding the laws and regulations of the Company’s dividend payments in China, Hong Kong and other countries, and the relevant tax implications of holding and trading H Shares.

REPORT OF THE BOARD OF DIRECTORS

FINANCIAL INFORMATION SUMMARY

The announced results, assets, and liabilities and non-controlling interests of the Group for the last five financial years are as below:

Unit: million Currency: RMB

| Item | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------------|---------|---------|--------|--------|
| Operating revenue | 172,991 | 173,863 | 112,981 | 68,677 | 25,963 |
| Total profit | 9,804 | 8,755 | 2,876 | 2,358 | 6,990 |
| Income tax expenses | 2,612 | 3,327 | 397 | 592 | 1,840 |
| Net profit | 7,192 | 5,428 | 2,479 | 1,766 | 5,150 |
| Net profit attributable to shareholders | | | | | |
| of the parent company | 6,067 | 5,106 | 2,329 | 1,857 | 4,636 |
| Non-controlling interest | 1,125 | 322 | 150 | -91 | 514 |

| Item | Year end of 2022 | Year end of 2021 | Year end of 2020 | Year end of 2019 | Year end of 2018 |
|---|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| Total assets | 165,019 | 137,450 | 122,441 | 116,862 | 101,216 |
| Total liabilities | 102,982 | 89,186 | 75,106 | 67,366 | 51,618 |
| Total equity attributable to equity holders | | | | | |
| of the parent company | 51,699 | 39,845 | 38,892 | 40,803 | 40,949 |
| Total minority interests | 10,338 | 8,419 | 8,443 | 8,693 | 8,649 |

The summary does not constitute part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the share capital of the Company during the year are set out in note (V).15 to the consolidated financial statements.

SHARE CAPITAL AND SHAREHOLDERS

1. Share Capital

Details of changes in the share capital of the Company during the year are set out in note (V).41 to the consolidated financial statements.

REPORT OF THE BOARD OF DIRECTORS

2. Shareholding structure of substantial shareholders

As at 31 December 2022, the number of shareholders of the Company amounted to 416,566, of which shareholders of H shares amounted to 7,604, and shareholders of A shares amounted to 408,962. By approximate percentage of shareholding in the registered capital, the shareholdings of the Company's top ten shareholders were as follows:

| Name of shareholders (Full name) | Class of Share | Changes during the reporting period (10,000 shares) | Closing number of shares held (10,000 shares) | Proportion (%) |
|---|------------------------|--|--|-------------------|
| Cathay Fortune Corporation | A share and H share | 0 | 533,322.00 | 24.69 |
| Luoyang Mining Group Co., Ltd. | A share | 0 | 532,978.04 | 24.68 |
| HKSCC NOMINEES LIMITED | H share | 36.20 | 359,647.28 | 16.65 |
| Hong Kong Securities Clearing Company Limited | A share | 2,521.38 | 48,290.21 | 2.24 |
| China Securities – China Huarong Asset Management Co., Ltd. – China Securities – Pioneer Single Asset Management Plan | A share | 32,554.68 | 32,554.68 | 1.51 |
| China Construction Bank Corporation – Huaxia Energy Innovation Equity Investment Fund | A share | 1,083.00 | 18,860.98 | 0.87 |
| China State-owned Enterprise Structure Adjustment Fund Co., Ltd. | A share | – | 18,148.26 | 0.84 |
| Jianxin Fund – Industrial and Commercial Bank of China – Shaanxi Province International Trust – Shan Guotou • Jinyu No. 6 Directional Investment Collection Fund Trust Plan | A share | -30,129.85 | 17,559.65 | 0.81 |
| Ningbo Shanshan Venture Capital Co., Ltd. | A share | -1.00 | 14,999.00 | 0.69 |
| Dai Deming | A share | – | 7,773.45 | 0.36 |

Notes:

- Percentage calculation is based on the Company's total share capital of 21,599,240,583 shares.
- HKSCC NOMINEES LIMITED held 3,596.4728 million H shares in the Company as a nominee, representing 16.65% of the Company's shares in issue. HKSCC NOMINEES LIMITED is a member of the Central Clearing and Settlement System, which carries out securities registration and custodian business for customers.
- The Company's dedicated repurchase account was not set out in the "Top Ten Shareholder's shareholding". On 17 December 2021 and 8 June 2022, the Company respectively completed Phase II and Phase III of the A Share Repurchase Plan with an aggregate of 99,999,964 A shares and 104,930,443 A shares through centralized price bidding. As at the end of the reporting period, the number of shares in the Company's dedicated repurchase account was 204,930,407 A shares.

REPORT OF THE BOARD OF DIRECTORS

3. Substantial Shareholders' Interests in Shares

To the best knowledge of all Directors and Supervisors, as at 31 December 2022, the persons or companies (other than Directors, the chief executives or Supervisors of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

| Name | Number of shares held | Capacity | Class of Share | Approximate percentage of shares in relevant class of shares |
|--|--------------------------|---|-------------------|--|
| LMG | 5,329,780,425 | Beneficial owner | A share | 30.17% |
| Luoyang Guohong Investment Holdings Group Co., Ltd. | 5,329,780,425 | Interest in controlled corporation | A share | 30.17% |
| CFC | 5,030,220,000 | Beneficial owner | A share | 28.47% |
| | 303,000,000(L) | Interest in controlled corporation | H share | 7.70%(L) |
| Cathay Fortune Investment Limited ("Cathay Hong Kong") ⁽¹⁾ | 91,518,000(L) | Beneficial owner | H share | 2.33%(L) |
| Cathay Fortune International Company Limited | 211,482,000(L) | Beneficial owner | H share | 5.37%(L) |
| Yu Yong ⁽²⁾ | 5,030,220,000 | Interest in controlled corporation | A share | 28.47% |
| | 303,000,000(L) | Interest in controlled corporation | H share | 7.70%(L) |
| Citigroup Inc. ⁽³⁾ | 361,381,460(L) | Interest in controlled corporation/Approved | H share | 9.19% (L) |
| | 4,591,227(S) | | | 0.12%(S) |
| | 355,113,419(P) | lending agent | | 9.03%(P) |
| GIC Private Limited | 274,126,729(L) | Investment manager | H share | 6.97%(L) |
| BlackRock, Inc. ⁽⁴⁾ | 272,256,315(L) | Interest in controlled corporation | H share | 6.92%(L) |

REPORT OF THE BOARD OF DIRECTORS

Notes: (L) - Long position (S) - Short position (P) - Lending pool

- (1) Cathay Hong Kong and Cathay Fortune International Company Limited are wholly-owned subsidiaries of CFC in Hong Kong.
- (2) Mr. Yu Yong holds 99% interest in CFC and is deemed to hold 5,030,220,000 A shares of the Company held directly by CFC. In addition, Mr. Yu Yong is deemed to hold long position of 303,000,000 H shares of the Company. CFC, Cathay Fortune International Company Limited and Cathay Hong Kong, being the controlled corporations, directly or indirectly hold the shares of the Company.
- (3) Citigroup Inc. is deemed to hold a total of long position of 361,381,460 H shares, a short position of 4,591,227 H shares and a lending pool of 355,113,419 H shares of the Company available for lending due to its control rights over a number of companies. Citicorp LLC, Citibank, N.A., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc., Citigroup Global Markets Hong Kong Limited, Citigroup Global Markets Holdings Bahamas Limited and Citigroup Global Markets Limited, being the controlled corporations, directly or indirectly hold the shares of the Company.
- (4) BlackRock, Inc. is deemed to hold a total of long position of 272,256,315 H shares of the Company due to its control rights over a number of companies. Trident Merger, LLC, BlackRock Investment Management, LLC, BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4, LLC, BlackRock Holdco 6, LLC, BlackRock Delaware Holdings Inc., BlackRock Institutional Trust Company, National Association, BlackRock Fund Advisors, BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings, Inc., BR Jersey International Holdings L.P., BlackRock Lux Finco S.à.r.l., BlackRock Japan Holdings GK, BlackRock Japan Co., Ltd., BlackRock Holdco 3, LLC, BlackRock Canada Holdings LP, BlackRock Canada Holdings ULC, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock (Singapore) Holdco Pte. Ltd., BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Cayman 1 LP, BlackRock Cayman West Bay Finco Limited, BlackRock Cayman West Bay IV Limited, BlackRock Group Limited, BlackRock Finance Europe Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock International Limited, BlackRock Group Limited-Luxembourg Branch, BlackRock Luxembourg Holdco S.à.r.l., BlackRock Investment Management Ireland Holdings Limited, BlackRock Asset Management Ireland Limited, BLACKROCK (Luxembourg) S.A., BlackRock Investment Management (UK) Limited, BlackRock Fund Managers Limited, BlackRock (Singapore) Limited, BlackRock UK Holdco Limited, BlackRock Asset Management Schweiz AG, EG Holdings Blocker, LLC, Amethyst Intermediate, LLC, Aperio Holdings, LLC and Aperio Group, LLC being the controlled corporations, directly or indirectly hold the shares of the Company.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other persons (other than a Director, chief executive or Supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE BOARD OF DIRECTORS

PRE-EMPTIVE RIGHTS

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

BORROWINGS

Details of the borrowings of the Company and the Group are set out in notes (V).23, 32 and 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVE

The amount of the Company's reserves available for distribution as at 31 December 2022, calculated in accordance with the PRC rules and regulations, was RMB18,019.89 million.

CHARITABLE DONATIONS

In 2022, the external donation expenses of the Group amounted to RMB17,335,872.14.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the proportions of purchase and sales from the major suppliers and major customers of the Company to our total purchases and sales were as follows:

PURCHASES

The total purchases from our largest supplier was approximately 3.08% of our total purchase value.

The total purchases from our five largest suppliers was approximately 11.30% of our total purchase value.

SALES

The total sales to our largest customer was approximately 2.35% of our total sales value.

The total sales to our five largest customers was approximately 10.47% of our total sales value.

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management of the Company during the year and up to the date of this annual report are:

REPORT OF THE BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Sun Ruiwen
Mr. Li Chaochun

NON-EXECUTIVE DIRECTORS

Mr. Yuan Honglin
Mr. Guo Yimin
Mr. Cheng Yunlei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Gerry Yougui
Ms. Yan Ye
Mr. Li Shuhua

SUPERVISORS

Ms. Kou Youmin
Mr. Zhang Zhenhao
Mr. Xu Wenhui

SENIOR MANAGEMENT

Mr. Zhou Jun
Mr. Li Guojun (appointed on 9 August 2022)
Mr. Wang Hanyuan (appointed on 9 August 2022)
Ms. Liang Wei (appointed on 9 August 2022)
Mr. Xu Hui (appointed on 8 October 2022)
Ms. Wu Yiming (resigned on 22 April 2022)

Pursuant to the Articles of Association, the term of office of all Directors and Supervisors is three years (expiry date of the tenure being the date of the annual general meeting of the Company to be held in 2024), and may stand for re-election upon expiry of the term.

The Company has received an annual confirmation from each of Mr. Wang Gerry Yougui, Mr. Li Shuhua and Ms. Yan Ye, all being the independent non-executive Directors, in respect of their independence and is of the opinion that they remained independent as at the date of this report.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S PROFILES

Profile details of the Directors and Supervisors of the Company and the senior management of the Group are set out on pages 125 to 131 of the annual report.

DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

The Directors' and Supervisors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of Directors of the Company with reference to Directors' and Supervisors' duties, responsibilities and performance and the results of the Group. In compliance with the Corporate Governance Code, the Company has set up the Remuneration Committee to formulate remuneration policies. Details of the remuneration of the Directors, Supervisors and five highest paid individuals are disclosed in note (X).7 to the consolidated financial statements.

EMPLOYEES AND PENSION PLAN

As at 31 December 2022, the Group had approximately 12,754 full-time employees, classified as follows:

| Category of professional composition | Number of professionals |
|---|--------------------------------|
| Production staff | 8,056 |
| Technical staff | 860 |
| Finance staff | 336 |
| Administrative staff | 1,257 |
| Sales and other supporting personnel | 2,245 |
| Total | 12,754 |

The remuneration policy for the employees of the Company principally consists of a broadbanding salary system, based on employees' positions and responsibilities and their quantified performance evaluation. The employees' remuneration is evaluated in line with the Company's operating results and personal performance in order to provide a consistent, fair and equitable remuneration system for all employees. The companies in China under the Group have participated in the social insurance contribution plans introduced by China's local governments. In accordance with the laws and regulations regarding the national and local labor and social welfares in China, the Company is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, health insurance, unemployment 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%, 0.4% to 1.90% (health insurance for the whole year of 2022 was levied 1% lower) and 5% to 12% of his or her total basic monthly salary respectively.

REPORT OF THE BOARD OF DIRECTORS

The overseas employees of the Group participate in pension and healthcare plans under the requirement of the laws in the countries where they reside. The company in the DRC pays a monthly social insurance contribution of 13%, and undertakes all medical treatment for employees and their families. At the same time, in line with the local situation in the DRC, a loyalty award has been set up in order to stabilise the workforce in the DRC, such as a loyalty bonus for employees who have worked for five years, construction materials for building their own houses after 10 years of service, a school subsidy for employees' children to help their children's education, and a retirement subsidy for employees upon retirement. The company in Brazil makes monthly contribution of 37% to social insurance and Length-of-Service Guarantee Fund for employees. Employees enjoy vacation allowances after one year of service (double pay during annual leave), and the Company provides medical support, dental insurance, employee childcare allowance and other allowances for employees and their families.

The Company conducts measures such as monthly and annual assessments, implements production and construction task assessments, and labor competition assessments, implements "wage-performance linkage", and encourages employees to "work more and get more" and "get paid based on workload".

ANALYSIS ON MAJOR SUBSIDIARIES

Basic information of major subsidiaries

| Company name | Principal business | Shareholding method | Shareholding proportion |
|-------------------------|---|---------------------|-------------------------|
| CMOC Mining Pty Limited | Copper and gold mine assets/business | Indirect | 80% |
| TF Holdings Limited | Copper and cobalt mine assets/business | Indirect | 80% |
| CMOC Brazil | Niobium and phosphates mine assets/business | Indirect | 100% |
| IXM | Trading business | Indirect | 100% |

FINANCIAL INDICATORS OF MAJOR SUBSIDIARIES DURING THE REPORTING PERIOD

Unit: Thousand Yuan Currency: RMB

| Company name | Operating revenue | Operating profit | Net profit attributable to shareholders of the parent company | Total assets | Net assets |
|-------------------------|-------------------|------------------|---|--------------|------------|
| CMOC Mining Pty Limited | 1,387,761 | 178,462 | 107,090 | 5,746,442 | 2,890,355 |
| TF Holdings Limited | 9,777,844 | 3,502,506 | 2,048,671 | 59,781,881 | 42,065,927 |
| CMOC Brasil | 7,106,705 | 2,178,445 | 1,636,871 | 14,043,592 | 7,407,084 |
| IXM | 160,933,496 | 209,970 | 128,215 | 35,242,732 | 6,662,220 |

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All Directors and Supervisors of the Company have each entered into a service contract with the Company for a term of not more than three years until the annual general meeting of the Company to be held in 2024.

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors and Supervisors or entities connected to the Directors and Supervisors had material interests in the Company, its controlling companies or any subsidiaries either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group subsisting or entered into during or at the end of the year.

MATERIAL INVESTMENTS

The material investments held by the Group and the performance and prospects of such investments during the accounting year are set out in notes (V).11,12 and 13 and note (VII).2 to the consolidated financial statements and the section headed "Material Events" of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed in 2022.

PERMITTED INDEMNITY

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

The Company considered and passed the purchase of liability insurance for the risks of domestic and overseas litigations or regulatory investigations that the Directors, Supervisors and senior management of the Group may be exposed to when carrying out their duties in executing the business decisions and information disclosure, at the ninth extraordinary meeting of the sixth session of the Board. The insurance covers management liabilities of the Directors, Supervisors and senior management, the Company's equity securities claims and the Company's inappropriate employment practices claims. The annual compensation limit per insurance item is up to US\$150,000,000 per annum, with the total annual premium not more than US\$1,500,000 per annum.

The proposal will be submitted to the AGM for consideration and approval.

REPORT OF THE BOARD OF DIRECTORS

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

As at 31 December 2022, the shareholding of A Shares of the current Directors, Supervisors and senior management of the Company was as follows:

| Name | Number of shares held (Shares) | Percentage in total share capital (%) |
|---------------|--|---|
| Yuan Honglin | 9,063,887 | 0.042 |
| Sun Ruiwen | 18,000,000 | 0.083 |
| Li Chaochun | 9,087,692 | 0.042 |
| Zhang Zhenhao | 1,063,500 | 0.005 |
| Wang Hanyuan | 110,000 | 0.001 |
| Total | 37,325,079 | 0.173 |

Note:

Mr. Yuan Honglin, Mr. Sun Ruiwen and Mr. Li Chaochun are deemed to be interested in 8,013,287 A shares, 18,000,000 A shares and 7,500,000 A shares of the Company respectively by virtue of their participation as incentive recipients in the employee share ownership plan of the Company adopted on 21 May 2021 (the "Employee Share Ownership Plan"). On 22 September 2022, as approved by the management committee of the Employee Share Ownership Plan, the 2021 First Phase of Employee Share Ownership Plan assigned relevant interests to relevant incentive recipients who had accomplished the performance appraisal indicators during the first tranche of interest allocation period, of which Mr. Yuan Honglin, Mr. Li Chaochun and Mr. Sun Ruiwen were awarded 2,404,000 A shares, 2,250,000 A shares and 5,400,000 A shares, respectively.

As of the date of this report, none of the undertakers has reduced his/her holdings in the Company's shares.

As at 31 December 2022, the shareholding of H Shares of the current Directors, Supervisors and senior management of the Company was as follows:

| Name | Number of shares held (Shares) | Percentage in total share capital (%) |
|-------------------|--|---|
| Wang Gerry Yougui | 311,000 | 0.00 |

Save as disclosed above, so far as was known to the Directors, as at 31 December 2022, none of the Directors, chief executives, senior management and Supervisors and their respective associates had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, which required the Company and Stock Exchange to be notified pursuant to Part XV of the SFO or which were required to be entered into the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code.

REPORT OF THE BOARD OF DIRECTORS

2022 CONNECTED TRANSACTIONS

Continuing Connected Transaction under the Property Leasing Framework Agreement

To ensure the stable development of the Company's business, meet the requirements of the Company's internal reorganization and business layout, and reduce administrative expenses, on 29 January 2021, the Company (as the lessee) and CFC (as the lessor), a controlling Shareholder, entered into the property leasing framework agreement (the "**Property Leasing Framework Agreement**") in respect of the property leasing services provided by CFC to the Group for a term of three years commencing from 1 January 2021 and ending on 31 December 2023. The annual caps under the Property Leasing Framework Agreement are RMB30 million per year and actual amount of transactions contemplated thereunder for the year ended 31 December 2022 was RMB29.6319 million.

The auditors of the Company have implemented the review procedures for the above-mentioned continuing connected transaction and sent a letter to the Board, stating that:

- 1) they did not discover anything that made them believe that the disclosed continuing connected transaction had not been approved by the Board;
- 2) regarding the continuing connected transaction under the Property Leasing Framework Agreement, they did not discover anything that caused them to believe that the transaction was not carried out in accordance with the Group's pricing policy in all material respects;
- 3) they did not discover anything that led them to believe that the transaction had not been carried out in accordance with the relevant agreements of the transactions in all material respects;
- 4) regarding the total amount of the above-mentioned continuing connected transaction, they did not discover anything that caused them to believe that the disclosed continuing connected transaction had exceeded the annual caps contemplated by the Company.

The independent non-executive Directors have reviewed the above continuing connected transaction, and confirmed that:

- 1) the continuing connected transaction was entered into in the usual and ordinary course of business of the Company;
- 2) the continuing connected transaction was entered into on normal commercial terms or better; and
- 3) the continuing connected transaction was conducted based on the relevant transaction agreements, and the terms were fair and reasonable and in the interests of the Company's shareholders as a whole.

REPORT OF THE BOARD OF DIRECTORS

Connected Transaction in terms of Provision of Financing Guarantees for Fuchuan Mining

The annual general meetings of the Company convened on 21 May 2021 and 10 June 2022, respectively, considered and approved the relevant resolutions of provision of Financing Guarantee (the “**Financing Guarantee**”) with a total amount of not more than RMB1 billion to Fuchuan Mining, a joint venture of the Company, and agreed authorization to the Board to decide and handle Financing Guarantee related matters within a limit of RMB1 billion (or equivalent foreign currency) and subauthorization to the chairman or his delegate. The Financing Guarantee authorization will expire on the date of 2022 annual general meeting of the Company.

Pursuant to the Financing Guarantee authorization, the Company entered into the 2021 BOC Guarantee Agreement and the 2021 BOC Pledge Agreement with Luanchuan branch of Bank of China Limited (“**BOC Luanchuan Branch**”) on 30 November 2021 and 8 December 2021 with guarantee periods being three years from the date of bank loan and 14 months from the date of bank loan, respectively, pursuant to which the Company agreed to provide guarantee to Fuchuan Mining with a maximum guaranteed principal balance of RMB568 million as well as relevant interests and expenses under the loan agreements entered into between Fuchuan Mining and BOC Luanchuan Branch. In addition, the Company entered into the 2021 Minsheng Bank Maximum Pledge Agreement with Luoyang branch of China Minsheng Banking Corp., Ltd. (“**Minsheng Bank Luoyang Branch**”) on 3 December 2021 with the guarantee period from the bank loan date to 18 June 2023, pursuant to which the Company agreed to provide guarantee to Fuchuan Mining with a maximum guaranteed principal balance of RMB376 million as well as relevant interests and expenses under the loan agreements entered into between Fuchuan Mining and Minsheng Bank Luoyang Branch, provided that the total amount of guarantee liability of the Company under the 2021 BOC Pledge Agreement, the 2021 BOC Guarantee Agreement and the 2021 Minsheng Bank Maximum Pledge Agreement shall not exceed RMB1 billion.

As of 25 November 2022 and 7 December 2022, as the principal and interests of the loans under relevant loan agreements have been fully repaid, the 2021 BOC Guarantee Agreement and the 2021 BOC Pledge Agreement were then terminated accordingly.

On 2 December 2022, the Company entered into the 2022 EXIM Bank Guarantee Agreement with Henan branch of the Export-Import Bank of China (“**EXIM Bank Henan Branch**”), pursuant to which, the Company agreed to provide guarantee for the loans of Fuchuan Mining under the loan agreement entered into between Fuchuan Mining and EXIM Bank Henan Branch with a maximum guaranteed principal balance of RMB200 million as well as relevant interests and expenses and a guarantee period of three years commencing from the expiry of the repayment period for the debt of Fuchuan Mining under the loan agreement. On 4 December 2022, the Company entered into the 2022 BOC Guarantee Agreement with BOC Luanchuan Branch, pursuant to which, the Company agreed to provide guarantee for the credit facilities of Fuchuan Mining under the credit facilities agreement entered into between Fuchuan Mining and BOC Luanchuan Branch with a maximum principal balance of RMB200 million as well as relevant interests and expenses and a guarantee period of three years commencing from the expiry of the repayment period for the debt of Fuchuan Mining under the credit facilities agreement, provided that the total amount of guarantee liabilities of the Company under the 2021 BOC Pledge Agreement, the 2021 Minsheng Bank Maximum Pledge Agreement, the 2022 EXIM Bank Guarantee Agreement and the 2022 BOC Guarantee Agreement shall not exceed RMB1 billion in accordance with the guarantee authorization.

REPORT OF THE BOARD OF DIRECTORS

The provision of Financing Guarantee by the Company will help Fuchuan Mining raise funds to support its daily business operation and new projects development and further improve its production capability and profitability, contributing to the overall strategy layout of the Group.

In addition, the Company entered into the Counter-guarantee Agreement with Fuchuan Mining for the Financing Guarantee, pursuant to which Fuchuan Mining agreed to provide counter-guarantee for the Company's guarantee liability under the Financing Guarantee within the upper limit of RMB1 billion.

Details of the above connected transactions were set out in the announcements of the Company dated 29 January 2021, 22 March 2021, 30 November 2021, 3 December 2021, 8 December 2021 and 6 March 2023, respectively. The connected transactions had complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company and Luoyang Guohong Investment Holding Group Co., Ltd. (洛陽國宏投資控股集團有限公司, “**Luoyang Guohong**”) hold 55% and 45% equity interests in Fuchuan Mining, respectively. Although the financial statements of Fuchuan Mining are not consolidated into the Group's consolidated financial statements, the Company has control over the daily operation and management of Fuchuan Mining through contractual arrangements, therefore, Fuchuan Mining is deemed as a subsidiary of the Company.

As of 6 March 2023, Luoyang Guohong indirectly held 24.68% equity interests in the Company and was a substantial shareholder and connected person of the Company. Therefore, according to Rule 14A.16 of the Hong Kong Listing Rules, Fuchuan Mining constituted a connected subsidiary of the Company. On 6 March 2023, Luoyang Guohong transferred its indirect equity interests in the Company to Sichuan CATL and no longer constitutes a substantial shareholder or connected person of the Company, therefore, Fuchuan Mining does not constitute a connected subsidiary or a connected person of the Company either since then.

Save as disclosed above, other related parties transactions disclosed in note (X) to the consolidated financial statements do not fall under connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

NON-COMPETITION AGREEMENTS

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

REPORT OF THE BOARD OF DIRECTORS

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

To further deal with the potential horizontal competition, the Company and Fuchuan Mining entered into an entrusted operation agreement in July 2019, in which Fuchuan Mining entrusts the Company to fully manage its overall business and take full responsibility for its production, operation and management for a term of three years, during which, the property right of Fuchuan Mining remain unchanged and the assets and profits belong to Fuchuan Mining according to law. Fuchuan Mining has resumed its production and operation activities since December 2019.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

No contracts of significance had been entered into by the controlling shareholder of the Company or any of its subsidiaries for provision of services to the Company or any of its subsidiaries during the reporting period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Guo Yimin, a Director of the Company, served as the chairman of LMG. Save as disclosed above, in 2022, none of the Directors had any interest in any business which competes or is likely to compete either directly or indirectly, with the business of the Group.

REPORT OF THE BOARD OF DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on public information and to the knowledge of the Directors, at least 50.6% of the Company's total issued share capital was held by the public as at the date of this report. The Company has been maintaining the public float required by the Hong Kong Listing Rules. In particular, the public float of H shares accounted for 16.8%.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors and Supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 24 May 2022, the Company convened the fourth extraordinary meeting of the sixth session of the Board, at which the Resolution on Repurchase of the A Shares of the Company through Centralized Price Bidding (Phase III) was considered and approved, agreeing to use self-owned funds of no more than RMB500 million to repurchase A Shares of the Company at the price of no more than RMB7.25 per share. On 8 June 2022, the Company issued an announcement on the completion of implementation of share repurchase (phase III). During the period, the Company repurchased a total of 104,930,443 A shares on the SSE through centralized price bidding, representing 0.49% of the total share capital of the Company. The highest transaction price was RMB5.00 per share and the lowest transaction price was RMB4.60 per share, with an average repurchase price of RMB4.76 per share and a total transaction amount of RMB499,934,733 (excluding transaction fees).

During the year ended 31 December 2022, the repurchased A shares of the Company by the Company through centralized price bidding will be used for the purpose of implementation of equity incentive plans or Employee Share Ownership Plan, and details of the repurchase are as follows:

| Date | Number of repurchased A shares (Shares) | The highest repurchase price (RMB/share) | The lowest repurchase price (RMB/share) | Total consideration (RMB) |
|-------------|---|--|---|-------------------------------------|
| 25 May 2022 | 20,656,500 | 4.75 | 4.60 | 97,086,245 |
| 31 May 2022 | 55,619,041 | 4.81 | 4.60 | 264,023,142.52 |
| 8 June 2022 | 28,654,902 | 5.00 | 4.60 | 138,825,345.48 |

References are made to the announcement of the Company dated 29 January 2019 in relation to the issuance of US\$300,000,000 5.48% guaranteed bonds ("US Bonds") due 2022 at an interest rate of 5.48% by CMOC Capital Limited ("CMOC Capital"), an indirect subsidiary of the Company, the notice dated 1 February 2019 in relation to the listing of US Bonds on the Stock Exchange and the announcement dated 21 July 2020 in relation to the partial repurchase and cancellation of the US Bonds.

REPORT OF THE BOARD OF DIRECTORS

On 13 July 2020, CMOC Capital repurchased a total of USD50,000,000 of US Bonds (the “**Repurchased Bonds**”) in the public market, accounting for 16.67% of outstanding amount of USD300,000,000. The Repurchased Bonds had been cancelled on 21 July 2020. Upon the cancellation of the Repurchased Bonds, there was a total of USD250,000,000 of outstanding US Bonds, accounting for 83.33% of the initial US Bonds.

The US Bonds were due on 1 February 2022, and CMOC Capital had deposited a total amount of USD256.58 million in the trustee’s designated bank account in full, including the outstanding principal amount of the notes of USD250,000,000 together with accumulated interests as at the maturity date and the payment was made as scheduled. The US Bonds were cancelled and delisted from the Hong Kong Stock Exchange on 4 February 2022.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company or any of its subsidiaries during the year ended 31 December 2022.

EQUITY-LINKED AGREEMENT

In 2022, the Company has not implemented any equity-linked agreement.

SHARE PLAN

Share Option Scheme

In 2022, the Company has not implemented any share option scheme.

Employee Share Ownership Plan

On 5 May 2021, the Company convened the seventeenth extraordinary meeting of the fifth session of the Board to consider and approve the “Resolution on the First Phase of Employee Share Ownership Plan of CMOC Group Limited in 2021 (Draft) and Its Summary”. On 21 May 2021, the Company convened its 2020 annual general meeting to consider and approve the “Resolution on the 2021 First Phase of Employee Share Ownership Plan of CMOC Group Limited (Draft) and Its Summary”.

On 10 June 2022, the Company convened the second holders’ meeting of the First Phase of Employee Share Ownership Plan in 2021, the fifth extraordinary meeting of the sixth session of the Board, and the ninth meeting of the sixth session of the Supervisory Committee to consider and approve the “Resolution on Adjusting the 2021 First Phase of Employee Share Ownership Plan of CMOC Group Limited”, the “Resolution on Amending the 2021 First Phase of Employee Share Ownership Plan of CMOC Group Limited” and the “Resolution on Amending the Management Measures for 2021 First Phase of Employee Share Ownership Plan of CMOC Group Limited”, respectively. Due to the resignation of Ms. Wu Yiming, the original incentive recipient who participated in the Company’s Employee Share Ownership Plan, the Company transferred the unvested shares of the Employee Share Ownership Plan held by Ms. Wu Yiming to Mr. Zhou Jun, an incentive recipient who is eligible for the Employee Share Ownership Plan as determined by the management committee of the Company’s 2021 First Phase of Employee Share Ownership Plan, and correspondingly amended the relevant documents of the Employee Share Ownership Plan. For details, please refer to the relevant announcements of the Company disclosed on the designated information media.

REPORT OF THE BOARD OF DIRECTORS

1. Purpose of the Employee Share Ownership Plan

In recent years, the Company has continuously upgraded its management and organizational structure and is vigorously expanding its talent echelon in order to cope with the challenges brought about by the continuous development and growth of CMOC. To realize the Company's medium and long-term development strategic plan, establish and improve the benefit sharing mechanism of employees and shareholders, the Company will gradually launch an employee share ownership plan or equity incentive plan that is in line with the Company's actual situation.

2. Basis for determination of holders and allocation of the First Phase of Employee Share Ownership Plan

The participants in the Employee Share Ownership Plan are Directors (excluding independent non-executive Directors), senior management and other core staff of the Company (including subsidiaries of the Company). All participants are required to enter into labor contracts or engagement agreements with the Company or its subsidiaries during the valid term of the Employee Share Ownership Plan.

The total funds under the Employee Share Ownership Plan upon its establishment shall not be more than RMB97.026574 million, divided into "units" for subscription and each unit is equal to RMB1.00. The cap of units of the Employee Share Ownership Plan is 97,026,574. As at the date of this annual report, the total number of shares that can be subscribed under the Employee Share Ownership Plan accounted for 0.2246% of the total share capital of the Company. The units held by the holders of the Employee Share Ownership Plan are determined according to their actual payment amount, and the time for payment of units under the Employee Share Ownership Plan shall be arranged by a unified notice of the Company.

| Name of holder | Position | Maximum number of shares to be subscribed (unit) | Proportion of shares to be subscribed to the total shares under the Employee Share Ownership Plan |
|-----------------------|---|---|--|
| Sun Ruiwen | CEO | 36,000,000 | 37.10% |
| Yuan Honglin | Chairman of the Board | 16,026,574 | 16.52% |
| Li Chaochun | Vice chairman of the Board, Chief Investment Officer | 15,000,000 | 15.46% |
| Zhou Jun | Vice President of Operations | 15,000,000 | 15.46% |
| Liu Dajun | Assistant to CEO | 15,000,000 | 15.46% |
| Total | | 97,026,574 | 100.00% |

REPORT OF THE BOARD OF DIRECTORS

3. *Source of Funds, Source of Shares, Size and Purchase Price of the Employee Share Ownership Plan*

- 1) **Source of Funds:** The sources of the funds for the Company's employees to participate in the Employee Share Ownership Plan include their legitimate salary, self-raised funds and other sources as permitted under relevant laws and regulations.
- 2) **Source of Shares:** The source of target shares under the Employee Share Ownership Plan is ordinary A Shares of CMOC repurchased through the Company's designated repurchase account.
- 3) **Size of the Employee Share Ownership Plan:** The number of shares held under the Employee Share Ownership Plan will not exceed 48.513287 million Shares, accounting for approximately 0.22% of the total share capital of the Company of 21,599.24 million shares as of the date of announcement of the Employee Share Ownership Plan.
- 4) **Subscription Price under the Employee Share Ownership Plan:** The subscription price of the shares to be obtained by the participants under the Employee Share Ownership Plan is RMB2 per share, no less than 50% of the actual cost of the Company's repurchase. The payment of subscription price of Employee Share Ownership Plan shall be arranged by a unified notice of the Company upon approval at the general meeting.

4. *Term, Lock-Up Period and Allocation of the Employee Share Ownership Plan*

1) *Term*

The term of the Employee Share Ownership Plan is 60 months, commencing from the date when the Employee Share Ownership Plan was considered and approved at the shareholders' general meeting of the Company and the Company announced the registration of the last tranche of the target shares under the Employee Share Ownership Plan. The Employee Share Ownership Plan will be automatically terminated if it is not extended upon expiry.

REPORT OF THE BOARD OF DIRECTORS

2) *Lock-up Period*

The lock-up period of the target shares under the Employee Share Ownership Plan is 12 months, commencing from the date when the Company announced the registration of the last tranche of the target shares under the Employee Share Ownership Plan, during which the target shares under the Employee Share Ownership Plan shall not be traded. The shares derived from the distribution of dividends and the transfer of capital reserves of the Company shall also be subject to the lock-up arrangements. After the expiry of the lock-up period, the management committee or its authorized institution shall sell the target shares under the Employee Share Ownership Plan according to the authorization of the holders' meeting when appropriate.

3) *Allocation*

Upon the expiry of the lock-up period, shares held under the Employee Share Ownership Plan will be allocated to the holders in three tranches according to the performance appraisal results. Allocation proportion of each tranche is as follows:

The first tranche of interest allocation period: 12 months after the date when the Employee Share Ownership Plan was considered and approved at the shareholders' general meeting of the Company and the Company announced the registration of the last tranche of the target shares under the Employee Share Ownership Plan, the distribution will be made in cash for 30% of the total amount of the target shares held under the Employee Share Ownership Plan;

The second tranche of interest allocation period: 24 months after the date when the Employee Share Ownership Plan was considered and approved at the shareholders' general meeting of the Company and the Company announced the registration of the last tranche of the target shares under the Employee Share Ownership Plan, the distribution will be made in cash for 30% of the total amount of the target shares held under the Employee Share Ownership Plan;

The third tranche of interest allocation period: 36 months after the date when the Employee Share Ownership Plan was considered and approved at the shareholders' general meeting of the Company and the Company announced the registration of the last tranche of the target shares under the Employee Share Ownership Plan, the distribution will be made in cash for 40% of the total amount of the target shares held under the Employee Share Ownership Plan.

REPORT OF THE BOARD OF DIRECTORS

4) Performance Appraisal Indicators

Performance appraisal indicators for the Company: During the implementation period of the Employee Share Ownership Plan, the Company will conduct appraisal in each fiscal year, and the performance appraisal targets are as follows:

| Interest Allocation Period | Performance appraisal objectives |
|--|---|
| First tranche of interest allocation period | (1) The asset-liability ratio (excluding monetary funds (including RMI)) at the end of 2021 shall not be more than 60%; |
| | (2) Based on the performance in 2020, the compound annual growth rate of return on equity in 2021 shall not be less than 12%. |
| Second tranche of interest allocation period | (1) The asset-liability ratio (excluding monetary funds (including RMI)) at the end of 2022 shall not be more than 60%; |
| | (2) Based on the performance in 2020, the compound annual growth rate of return on equity in 2022 shall not be less than 12%. |
| Third tranche of interest allocation period | (1) The asset-liability ratio (excluding monetary funds (including RMI)) at the end of 2023 shall not be more than 60%; |
| | (2) Based on the performance in 2020, the compound annual growth rate of return on equity in 2023 shall not be less than 12%. |

Note 1: The asset-liability ratio is calculated based on the amount after deducting monetary capital, which includes RMI (high liquidity trade inventory) of trading companies IXM; the return on equity ratio is the weighted average return on equity ratio, and the incentive cost arising from the implementation of the Employee Share Ownership Plan is not considered in the calculation; during the term of the Employee Share Ownership Plan, if there are changes in the total assets and net assets caused by the Company's additional issuance, allotment of Shares, issuance of convertible bonds, etc., the changes in the total assets and net assets caused by such events and the corresponding revenue shall be excluded from the appraisal results.

REPORT OF THE BOARD OF DIRECTORS

Note 2: According to the provisions of Item 2 of Article 6(3) of the measures, Mr. Zhou Jun, the new incentive recipient of the Employee Share Ownership Plan, will be the transferee to obtain the relevant shares held by Ms. Wu Yiming, the original incentive recipient, and the corresponding interests, the interest allocation period and the performance appraisal year for Mr. Zhou Jun will be automatically extended for one year, and the appraisal years for Mr. Zhou Jun are 2022-2024, namely:

| Interest Allocation Period | Performance appraisal objectives |
|--|---|
| First tranche of interest allocation period | (1) The asset-liability ratio (excluding monetary funds (including RMI)) at the end of 2020 shall not be more than 60%; |
| | (2) Based on the performance in 2020, the compound annual growth rate of return on equity in 2022 shall not be less than 12%. |
| Second tranche of interest allocation period | (1) The asset-liability ratio (excluding monetary funds (including RMI)) at the end of 2023 shall not be more than 60%; |
| | (2) Based on the performance in 2020, the compound annual growth rate of return on equity in 2023 shall not be less than 12%. |
| Third tranche of interest allocation period | (1) The asset-liability ratio (excluding monetary funds (including RMI)) at the end of 2024 shall not be more than 60%; |
| | (2) Based on the performance in 2020, the compound annual growth rate of return on equity in 2024 shall not be less than 12%. |

5. *Completion of Interest Allocation during the First Tranche of Interest Allocation Period of the First Phase of Employee Share Ownership Plan*

According to the Audit Report (De Shi Bao (Shen) Zi (22) No. P01472) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Company's performance appraisal for the interest allocation period of the 2021 First Phase of Employee Share Ownership Plan has been accomplished. Since one incentive recipient participating in the Company's 2021 First Phase of Employee Share Ownership Plan has resigned, the personal performance of other incentive recipients in the first tranche of interest allocation period was confirmed to be qualified after the assessment by the Company's human resources department, i.e. the personal unlocking factor for the current tranche is 100%, and the specific unlocking units are as follows:

| No. | Holders | Positions | Amount of units |
|-------|--------------|---|-----------------|
| 1 | Sun Ruiwen | CEO | 10,800,000 |
| 2 | Yuan Honglin | Chairman of the Board | 4,807,972 |
| 3 | Li Chaochun | Vice chairman of the Board, Chief Investment Officer | 4,500,000 |
| 4 | Liu Dajun | Assistant to CEO | 4,500,000 |
| Total | | | 24,607,972 |

REPORT OF THE BOARD OF DIRECTORS

Approximately 12,303,900 A Shares of the Company (representing 0.057% of the total share capital of the Company in aggregate) corresponding to 24,607,972 units unlocked during the first tranche of interest allocation period under the Employee Share Ownership Plan have been transferred to the person acting in concert designated by the relevant incentive participants by way of block trades from 20 September 2022 to 22 September 2022. As of 22 September 2022, the allocation has been completed.

6. Details of shares granted under Employee Share Ownership Plan

Changes in the shares granted under the Employee Share Ownership Plan in 2022 are as follows:

Unit: A Shares

| Holders | Date of grant | Number of unvested shares as of 1 January 2022 ⁽¹⁾ | Number of shares granted in 2022 ⁽²⁾ | Number of shares vested in 2022 ⁽³⁾ | Number of shares repurchased in 2022 | Number of unvested shares as of 31 December 2022 ⁽⁴⁾ | Subscription price ⁽⁵⁾ (RMB/share) |
|--|---------------|---|---|--|--------------------------------------|---|---|
| Directors and senior executives | | | | | | | |
| Sun Ruiwen | 21 May 2021 | 18,000,000 | - | 5,400,000 | - | 12,600,000 | 2 |
| Yuan Honglin | 21 May 2021 | 8,013,287 | - | 2,403,986 | - | 5,609,301 | 2 |
| Li Chaochun | 21 May 2021 | 7,500,000 | - | 2,250,000 | - | 5,250,000 | 2 |
| Other holders | 21 May 2021 | 15,000,000 | - | 2,250,000 | 7,500,000 | 5,250,000 | 2 |
| | 10 June 2022 | - | 7,500,000 ⁽⁶⁾ | - | - | 7,500,000 | 2 |
| Total | - | 48,513,287 | 7,500,000 | 12,303,986 | 7,500,000 | 36,209,301 | - |

Notes:

- (1) For vesting period of unvested shares as of 1 January 2022, please refer to “4. Term, Lock-Up Period and Allocation of the Employee Share Ownership Plan – 3) Allocation” under this section.
- (2) For vesting period and performance objectives of shares granted in 2022, please refer to “4. Term, Lock-Up Period and Allocation of the Employee Share Ownership Plan – 4) Performance Appraisal Indicators” under this section.
- (3) The weighted average closing price of shares vested in 2022 immediately before the share vesting date was RMB4.90/share.
- (4) Among the unvested shares as of 31 December 2022, for the vesting period of shares granted on 21 May 2021, please refer to “4. Term, Lock-Up Period and Allocation of the Employee Share Ownership Plan – 3) Allocation” under this section; for the vesting period of shares granted on 10 June 2022, please refer to “4. Term, Lock-Up Period and Allocation of the Employee Share Ownership Plan – 4) Performance Appraisal Indicators” under this section.

REPORT OF THE BOARD OF DIRECTORS

- (5) Included the subscription prices for unvested shares as of 1 January 2022, shares granted in 2022, shares repurchased in 2022 and unvested shares as of 31 December 2022.
- (6) The closing price of these shares immediately before the date of grant was RMB5.39/share. The fair value of these shares as at the date of grant was RMB27.60 million.

Save as disclosed above, the Company has not granted relevant shares to (i) other Directors; (ii) five individuals (other than Directors) with highest total emoluments in 2022; or (iii) other persons.

7. *Fair value of Employee Share Ownership Plan as at the date of grant and the accounting standards and policies adopted*

According to relevant provisions in the Accounting Standards for Business Enterprises No. 11 – Share-based Payment and the Accounting Standards for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement, the Company measures the fair value of shares under the Employee Share Ownership Plan on share market price basis; fair value of share-based payment per share = Market price of shares of the Company as at the date of grant – Grant price.

As estimated, the total fair value of equity instruments granted to incentive participants under the Employee Share Ownership Plan is RMB184.27 million. The amortization for 2021-2025 is set out in table below:

RMB million

| Total expenses to be amortized | Amortization for 2021 | Amortization for 2022 | Amortization for 2023 | Amortization for 2024 | Amortization for 2025 |
|---------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 184.27 | 63.06 | 63.62 | 41.95 | 14.11 | 1.53 |

Notes:

- The above results do not represent the final accounting costs. Apart from being affected by factors such as actual date of grant, grant price and number of shares granted, the actual accounting costs are related to the number of valid and invalid shares. Investors are advised to be cautioned about the potential effects.
- Based on the accounting prudent principle, the estimation does not take into account of the future non-fulfillment of unlocking conditions of shares granted.
- The impacts of the above amortized expenses on results of the Company are subject to final annual audit report prepared by auditors.

REPORT OF THE BOARD OF DIRECTORS

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP. The financial report for the year 2022 prepared in accordance with the PRC Accounting Standards by the Company has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and an auditor's report with unqualified opinions has been issued.

The Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP, as the auditor of the Company, with term of office until the conclusion of the next annual general meeting of the Company.

By order of the Board

Yuan Honglin

Chairman

Luoyang City, Henan Province, the PRC

17 March 2023

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

In 2022, in strict compliance with the requirements of the Company Law, Securities Law, Articles of Association, Rules of Procedure for the Supervisory Committee and relevant laws and regulations, the Supervisory Committee conducted supervision and inspection over the Company's operation and finance, implementation of resolutions passed at general meetings, the lawfulness and compliance of material decision-making procedures by the Board and the operational and management activities of the Company, and the performance of duties by the Board and the senior management, with a view to fostering standardized operation of the Company. For the sake of safeguarding the benefits of the Company and maximizing the interests of all the Shareholders, the Supervisory Committee performed its supervisory duty earnestly. We attended Board meetings in 2022 and considered that the Board, Directors and the senior management diligently and earnestly implemented all resolutions of the Company, without damaging the interests of the Company and the Shareholders. The resolutions of the general meetings and the Board were in compliance with the requirements of Company Law, other relevant laws and regulations and the Articles of Association.

I. MEETINGS CONVENED

In 2022, the Supervisory Committee held seven meetings. Apart from holding Supervisory Committee meetings, the Supervisory Committee also sat in and attended the meetings of the Board and general meeting of the Company and listened to and adopted important proposals and resolutions from the Company. We understood the process of how the Company's material decisions were formed, had a grasp on the operational results of the Company, and simultaneously performed the Supervisory Committee's functions of knowing facts, monitoring and investigation.

Meetings attended by the Supervisors in 2022:

| | Number of Attendance in person/Number of Meetings Eligible to Attend | | |
|-------------------|--|-------|-----------------|
| | Supervisory committee | Board | General meeting |
| Ms. Kou Youmin | 7/7 | 10/10 | 1/1 |
| Mr. Zhang Zhenhao | 7/7 | 10/10 | 1/1 |
| Mr. Xu Wenhui | 7/7 | 10/10 | 1/1 |

II. COMPLETION OF MAJOR DUTIES

In 2022, in strict compliance with the requirements of relevant laws and regulations and the Articles of Association, the Supervisory Committee prudently reviewed the compliant operations, finance and internal control, connected transactions and other issues of the Company. The Supervisory Committee also raised reasonable recommendations and opinions to the Board. It also effectively supervised as to whether the major and specific decisions made by the management of the Company were in compliance with the laws and regulations of the State and the Articles of Association, and whether they were made to safeguard the benefits of the shareholders.

REPORT OF THE SUPERVISORY COMMITTEE

1. Inspection of lawfulness of the Company's operations

Pursuant to the relevant provisions of relevant laws and regulations of the State, Listing Rules in Mainland China and Hong Kong and Articles of Association, the Supervisory Committee conducted inspection and supervision over the procedures for convening general meetings and Board meetings of the Company, items to be resolved, implementation of resolutions passed at general meetings by the Board, the codes of conduct of senior management of the Company and internal control system of the Company by attending the general meetings and the meetings of the Board of the Company. Upon inspection, the Supervisory Committee is of the view that the decision-making procedures at the general meetings and Board meetings of the Company are lawful, the resolutions of the general meetings and the Board can be effectively implemented and the internal control system of the Company is well established. The Directors and senior management are diligent and responsible. No violation of any laws, regulations, Listing Rules in Mainland China and Hong Kong and Articles of Association and no other circumstances which are harmful to interests of shareholders and the Company have been found in the performance of duties.

2. Inspection of the Company's financial status

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

3. Inspection of the implementation of the information disclosure systems

During the reporting period, the Supervisory Committee urged the Company's relevant departments to be in strict compliance with the requirements of regulatory policies to perform its obligations of information disclosure, to seriously implement each information disclosure management system, to timely and fairly disclose information which is true, accurate and complete on the whole.

REPORT OF THE SUPERVISORY COMMITTEE

4. Review of the internal control evaluation report

After the careful review of the 2022 Internal Control Evaluation Report of the Company (《公司二零二二年度內部控制評價報告》), the Supervisory Committee is of the opinion that the compilation is in compliance with such requirements as the Basic Rules for Internal Control of Enterprise (《企業內部控制基本規範》) and the Internal Control Evaluation Guidelines of Enterprise (《企業內部控制評價指引》). By establishing efficient internal control system and management, the Company has improved its internal control system, which plays a better role in risk prevention and control during the Company's production, operation and management to ensure an orderly development of various business activities of the Company and safeguard the interest of the Company and the shareholders. The report objectively and accurately reflected the actual situation of the Company's internal control, and no false records, misleading statements or major omissions have been found. The Supervisory Committee approved the 2022 Internal Control Evaluation Report of the Company.

5. Supervisions on connected transactions

During the course of conducting resolutions in relation to connected transactions by the Board of the Company, the approval procedures were in compliance with the laws and regulations, and were fair and reasonable without damaging the rights of non-controlling shareholders.

6. Opinions on the use of funds by related parties and external guarantee

In 2022, there was no non-operational use of the funds by the controlling shareholder; and there was no illegal external guarantee and guarantees provided in favor of the shareholders, controlling subsidiaries and subsidiary enterprises of the shareholders, and non-legal entities or individuals; and was in the interests of the Company and the shareholders as a whole.

7. Trainings

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

REPORT OF THE SUPERVISORY COMMITTEE

III. SUMMARY AND EVALUATION

The Supervisory Committee is of the view that the Board of Directors of the Company duly performed its operation in strict compliance with the requirements under the laws and regulations including the Company Law, the Articles of Association and Hong Kong and Shanghai Stock Exchange Listing Rules. The Company kept the due process of the production and operation, and ensured the stability of the production of the Company and the interests of the shareholders to the greatest extent. The major business decision-making procedures of the Company were legitimate and effective. The Directors and senior management of the Company performed their duties duly and seriously, and proactively and normatively conducted their work in accordance with the national laws, regulations, the Articles of Association and resolutions of the general meetings and the Board. The Supervisory Committee had not found any acts in breach of laws and regulations and the Articles of Association or against the interests of the shareholders and the Company by the Board and senior management of the Company during the course of performing their duties. The Supervisory Committee expressed its deep appreciation to the performance of the Board and management.

IV. WORKING PLAN

In 2023, the Supervisory Committee of the Company will be in strict compliance with the requirements of the Company Law, the Articles of Association, the Rules of Procedure for the Supervisory Committee, relevant laws and regulations and departmental rules, earnestly perform the supervisory function, and further enhance its supervision strength on the financial position, major issues, connected transactions and the compliance of the Directors and senior management personnel of the Company, thereby promoting continuous optimization of the internal control, standardization of operation and management of the Company, and safeguarding and guaranteeing the interests of the Company and investors.

By order of the Supervisory Committee

Kou Youmin

Chairperson

Luoyang City, Henan province, the PRC

17 March 2023

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Sun Ruiwen, born in 1969, is a professor-level senior engineer. Mr. Sun Ruiwen has been the chief executive officer of the Company since August 2020 and the executive Director of the Company since May 2021. Mr. Sun graduated from East China Jiaotong University (華東交通大學), majoring in safety engineering. From 1990 to 2008, he worked in China Railway No. 3 Engineering Group (中鐵三局集團), Qinghai China Railway Mining (青海中鐵礦業), China Railway Resources Guojin Mining (中鐵資源國金礦業) and Chifeng China Railway Mining (赤峰中鐵礦業). From 2008 to 2009, he served as the deputy chief economist of China Railway Resource Group Co., Ltd. (中鐵資源集團公司), and the chairman of China Railway Resources Trading Co., Ltd. (中鐵資源商貿公司). From 2009 to 2012, Mr. Sun served successively as the chairman of Congo (DRC) Luisha Mining (剛果(金)綠紗礦業), MKM Mining (MKM 礦業), Congo (DRC) International Mining Corporation (剛果(金)國際礦業公司) and the deputy general manager of China Railway Resource Group Co., Ltd. (中鐵資源集團有限公司). From 2012 to 2017, he served as the general manager of Huagang Mining Co., Ltd. (華剛礦業公司) and chairman of Busanga Hydropower Station Co., Ltd. (布桑加水電站公司). From 2017 to 2019, Mr. Sun served as the general manager of China Railway Resource Group Co., Ltd. (中鐵資源集團公司). Mr. Sun has been awarded many awards, such as “Young Hero of Shenshou Railway Construction”, “Top Ten Outstanding Youth of China Railway”, “Second Class and First Class of China Non-ferrous Science Improvement Award”, “Meritorious Person of Resources Development outside China”, etc.

Mr. Li Chaochun, born in February 1977, is an executive Director of the Company since January 2007, vice chairman of the Board of the Company from January 2007 to January 2014, chairman of the Board of the Company from January 2014 to June 2020, currently vice chairman of the Company and a member of the Strategic and Sustainability Committee of the Company. Mr. Li graduated from Shanghai Jiaotong University with a bachelor's degree in law in July 1999. From July 1999 to December 1999, he was a staff accountant of the tax division of Arthur Andersen (Shanghai) Business Consulting Co., Ltd. He was with Arthur Andersen Hua Qiang CPA from January 2000 to March 2002, where his last position was a senior consultant of the tax division. From April 2002 to February 2003, he was a deputy manager of planning and strategy implementation of the general representative office of The Hong Kong and Shanghai Banking Corporation Limited. From July 2003 to January 2007, Mr. Li was an executive director of the investment department of Cathay Fortune Corporation.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Non-Executive Directors

Mr. Yuan Honglin, born in November 1967, has been our non-executive Director and a member of the Audit and Risk Committee, Remuneration Committee and Strategic and Sustainability Committee of the Company since November 2013. He has over 20 years of experience in the banking industry. Since June 2020, he has served as the Chairman of the Board, Chairman of the Strategic and Sustainability Committee and Vice Chairman of the Nomination and Governance Committee of the Company. Mr. Yuan graduated from Nanjing University in July 1990 with a bachelor's degree in economics. In July 2004, Mr. Yuan obtained a MBA degree from Shanghai Jiaotong University. From August 1990 to May 2000, Mr. Yuan worked at Bank of China Limited, Nantong Branch where he held various positions including vice president of the Rudong sub-branch and manager of the credit management department of Nantong Branch. Between June 2000 and August 2007, Mr. Yuan worked at China Merchants Bank Limited, Shanghai Branch where he held various positions including president of Jiang Wan sub-branch and general manager of corporate banking department. From September 2007 to September 2012, Mr. Yuan worked at Ping An Bank Co., Ltd. where he held various positions including assistant to the president of the Shanghai Branch, vice president (responsible for the overall business operations) of the Shanghai Branch and general manager of the corporate banking department responsible for the northern region of China. From October 2012 to the present, Mr. Yuan has been the director of Cathay Fortune Corporation (鴻商產業控股集團有限公司) as well as the director of Cathay Fortune Capital Investment Co., Ltd. (鴻商資本股權投資有限公司), the general manager of Sino-French Life Insurance Co., Ltd. (中法人壽保險有限責任公司), the executive director of Cathay Fortune Tibet Capital Investment Co., Ltd. (西藏鴻商資本投資有限公司), Cathay Fortune Venture Capital Investment Co., Ltd. (上海鴻商創業投資管理有限公司), Honghui Tibet New Material Science And Technology Co., Ltd. (西藏鴻輝新材料科技有限公司), Cathay Fortune Caihui Co., Ltd. (上海鴻商材薈投資有限公司), the director of Cathay Fortune Investment Limited (鴻商投資有限公司), Najing Technology Co., Ltd. (納晶科技股份有限公司), Cathay Fortune Singapore Pte. Ltd (鴻商產業(新加坡)有限公司), Cathay Fortune International Company Limited (鴻商產業國際有限公司), Cathay Fortune Holdings Limited (鴻商控股有限公司).

Mr. Guo Yimin, born in October 1964, a senior economist and national outstanding entrepreneur. He has been the non-executive Director since March 2019. He graduated from Sichuan University with a bachelor's degree in business administration in December 2005. From July 1983 to February 1995, he worked as planner and chief of planning department in Luoyang Glass Plant. Mr. Guo served as the assistant (deputy director level) of the director of investment committee of CLFG from February 1995 to July 1997, the financial vice-president of CLFG from July 1997 to July 2007, and the general manager of investment department, the assistant of chief financial officer, director, chief accountant of CLFG from July 2007 to August 2014. From August 2014 to November 2018, Mr. Guo served as the general manager of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司). He was also the director and general manager of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) since August 2014, the chairman of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司) since April 2015.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Cheng Yunlei, born in September 1982, is a senior accountant and certified accountant and a Model Labor of Henan Province. Mr. Cheng has been our non-executive Director since 26 June 2015. Mr. Cheng graduated from Henan University of Science and Technology and obtained a Bachelor's degree in management in 2006. From July 2006 to October 2007, he worked in the No. 2 Audit Department of Luoyang Zhong Hua Certified Public Accountants Company Limited engaging in audit and financial consultancy work. He has served as the chief accountant and the person in charge of the finance and audit department of Luoyang Mining Group Co., Ltd. from November 2007 to December 2014. He currently serves as the director and general manager of Luoyang Mining Group Co., Ltd. (洛陽礦業集團有限公司), and a deputy general manager of Luoyang Guohong Investment Group Co., Ltd.

Independent Non-Executive Directors

Mr. Wang Gerry Yougui, born in May 1962, Hong Kong resident, Canadian citizen, has served as the independent non-executive Director of the Company, the chairman of the Nomination and Governance Committee and Remuneration Committee, and a member of the Strategic and Sustainability Committee since August 2018. Mr. Wang received his Bachelor's degree in Navigation from Shanghai Maritime University in 1983 and was awarded his Master's degree in International Economics from the program sponsored by the United Nations Economic and Social Commission in 1986. In 1993, he obtained his Master of Science degree in Business Administration from the University of British Columbia in Canada. Mr. Wang was the Company Secretary & Business Development Deputy Manager at China Merchants Group from 1986 to 1989. He joined Seaspan Canada in 1990 and founded its containership business. In 2005, Mr. Wang successfully took Seaspan's containership business public, and successfully trading on the New York Stock Exchange. Mr. Wang worked as the Chief Executive Officer and Co-chairman of Seaspan (NYSE: SSW) for 12 years, making it the largest company of containership business in the world. Mr. Wang retired from Seaspan at the end of 2017 to turn his focus on investment and development in the field of clean energy. Later on Mr. Wang founded the Tiger Gas Group (Tiger Clean Energy). Mr. Wang was named 2016 the Most Influential Person of Shipping in the world. Mr. Wang is serving as a consultant of Hong Kong and China region of the University of Pennsylvania in Asia. He is also an expert in shipping on BLOOMBERG TV & CNBC.

Ms. Yan Ye, born in May 1958, holds a degree of Master of Laws and is a registered lawyer. Ms. Yan has been the independent non-executive Director of the Company, and a member of the Audit and Risk Committee and Nomination and Governance Committee since August 2018. Ms. Yan graduated from the faculty of law in Peking University in 1982 with a bachelor's degree in law specialized in politics and law. She received a master's degree in civil law from the faculty of law of Renmin University of China in 1984. She served as a lecturer and associate professor of the school of law of the Party School of the Central Committee of C.P.C. from 1984 to 1994. She served as a lawyer in Shaanxi Xiehui Law Firm from 1994 to 2003 and served as a lawyer in Shaanxi Win Law Firm from 2003 to 2008 and has served as a lawyer and a partner in Shaanxi Yanfeng Law Firm since 2008. Ms. Yan concurrently serves as an independent director of Beijing Shenogen Pharma Group Ltd. (北京盛諾基醫藥科技股份有限公司).

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Shuhua, born in 1971, has been the independent non-executive Director of the Company, the chairman of the Audit and Risk Committee and a member of the Nomination and Governance Committee and Remuneration Committee since August 2018. He obtained a bachelor's degree in management majoring in auditing from Southwest University in 1993, a master's degree in economics majoring in accounting from Xiamen University in 1996, and a doctor's degree in management majoring in accounting from Shanghai University of Finance and Economics in 1999. During 2002 and 2004, he pursued his postdoctoral research in Finance and Law in Peking University, and obtained a Finance Executive Master of Business Administration (EMBA)'s degree from Shanghai Advanced Institute of Finance during 2013 and 2015. He served consecutively as director-level clerk of general office division, deputy division director of auditing division, deputy division director of general office division, division director of financial budgeting management division and division director of general office division of accounting department in CSRC during 1999 and 2010. During 2010 and 2018, he had worked for China Galaxy Securities Co., Ltd. and acted as Chief Risk Officer/Chief Compliance Officer and member of the Executive Committee. He has been concurrently serving as a chair professor of practice at Xiamen National Accounting Institute and Renmin University of China. He currently serves as a professor and supervisor of postgraduates at Xiamen National Accounting Institute, Peking University, Shanghai Advanced Institute of Finance of Shanghai Jiaotong University and a professor of Tsinghua University PE Program. Mr. Li is currently the chairman of Changzhou Guangyang Bearing Co., Ltd. (常州光洋軸承股份有限公司), an independent director of Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字技術股份有限公司), Guangdong Biotechnology Company Limited (廣東生益物科技股份有限公司), ShanGu (西安陝鼓動力有限公司), the chairman of the supervisory committee of Shenzhen Capital Fortune Investment Co., Ltd. (深圳市遠致富海投資管理有限公司), the executive partner of the merger and acquisition fund of Shenzhen Oriental Fortune Capital Investment Management Co., Ltd. (深圳市東方富海投資管理股份有限公司) and the chairman of Weihai Shiyi Electronics Co., Ltd. (威海世一電子有限公司).

SUPERVISORS

Ms. Kou Youmin, born in August 1965, is a senior accountant with a bachelor's degree. Ms. Kou has been the chairperson of our supervisory committee since 27 June 2015. Ms. Kou graduated from Henan Institute of Finance and Economics in 1999. She served as a technician at Luoyang Liming Plastic Plant (洛陽黎明塑料總廠) from August 1986 to January 1988; an accountant of Luoyang Changfeng Construction Material Store (洛陽長豐建材商店) from January 1988 to October 1992; an accountant of Luoyang Bearings Group Plastic Packing Manufacturing Plant (洛陽軸承集團塑料包裝製品廠) and the head of financial department of Luoyang Bearings Group Railway Bearings Co., Ltd. (洛陽軸承集團鐵路軸承有限公司) from October 1992 to September 1997. Ms. Kou has served as the head of financial department and the chief financial officer of Luoyang State-owned Assets Operation Company Limited (洛陽市國資國有資產經營有限公司) from February 2009 to January 2015. She also served as an assistant to general manager and the general manager of supervisory and audit department of Luoyang Guohong Investment Group Co., Ltd. (洛陽國宏投資集團有限公司) from January to December 2015; and a deputy general manager of Luoyang Guohong Investment Group Co., Ltd. since December 2015.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang Zhenhao, born in June 1973, obtained the CFA qualification from the CFA Institute. Mr. Zhang has been a Supervisor of the Company since August 2009. Mr. Zhang concurrently acts as a director of Cathay Fortune Corporation, a director of Cathay Fortune Capital Equity Investment Co., Ltd.* (鴻商資本股權投資有限公司), a director of Cathay Fortune Investment Limited (鴻商投資有限公司), a director of Cathay Fortune International Company Limited (鴻商產業國際有限公司), a director of Cathay Fortune Singapore Pte. Ltd. (鴻商產業新加坡有限公司), a director of Cathay Fortune Corporation Holdings (鴻商控股有限公司), a director of Shanghai CFC Puyuan Investment Management Co., Ltd (上海鴻商普源投資管理有限公司), a director of Shanghai CFC Datong Industrial Co., Ltd. (上海鴻商大通實業有限公司), a director of Shanghai Shanglue Trading Co., Ltd (上海商略貿易有限公司), and a director of Beijing Huiqiao Investment Co., Ltd (北京匯橋投資有限公司). He is an executive director of Cathay Fortune Overseas Investment Co., Ltd (鴻商海外投資有限公司), a supervisor of Livit Life Insurance Co., Ltd (小康人壽保險有限公司), an executive director of Tibet Hongming Investment Company Limited (西藏鴻銘投資有限公司), an executive director of Tibet Yongce Investment Company Limited (西藏永策投資有限公司), an executive director of Tibet Hongyin Enterprise Management Service Company Limited (西藏鴻胤企業管理服務有限公司), an executive director of Shanghai Shangju Enterprise Company Limited (上海商聚實業有限公司), an executive director of Shanghai Yunsheng International Trading Company Limited (上海勻盛國際貿易有限公司), a director of Beijing Kairui Life Science Research Co., Ltd. (北京開睿生命科學研究有限公司), a director of Najing Technology Co., Ltd. (納晶科技股份有限公司), a representative appointed by managing partners of Shanghai Diwei Enterprise Management Consulting Partnership (Limited Partnership) (上海迪巍企業管理諮詢合夥企業(有限合夥)), a representative appointed by managing partners of Shanghai Hongjin Enterprise Management Partnership (Limited Partnership) (上海鴻矜企業管理合夥企業(有限合夥)), a director of Shanghai Jiekang Enterprise Management Service Co., Ltd. (上海捷慷企業管理服務有限公司), a director of Shanghai Yimu Enterprise Management Co., Ltd. (上海伊牡企業管理有限公司), a director of Shanghai Yikrypton Enterprise Management Consulting Co., Ltd. (上海亦氦企業管理諮詢有限公司), and a director of China-U.S. Green Fund Management Co., Ltd. (中美綠色基金管理有限公司). Mr. Zhang graduated from Tianjin Polytechnic University with a bachelor's degree in textile engineering. Mr. Zhang also obtained a master degree in finance from the Graduate School of The Chinese Academy of Social Sciences. From 1993 to 1999, Mr. Zhang held positions at Tianjin Yarndyed Company (天津色織公司), Tianjin Weaving Materials Exchange, Hainan Zhongshang Futures Exchange* (海南中商期貨交易所). From May 1999 to December 2001, Mr. Zhang was employed by Zhongfu Securities Dealer Co. Ltd. as member of the preparatory division, general manager of the business management department and supervisor of the company. From January 2002 to May 2007, Mr. Zhang was employed by Zhongfu Securities Co. Ltd. as member of the preparatory division, general manager of the sales department of Haikou Securities, executive director of the sales management department, secretary to the board of directors of the company and general manager of the chief executive office and the human resources department. Since June 2007, Mr. Zhang has been the general manager of the finance department of Cathay Fortune Corporation.

Mr. Xu Wenhui, born in 1979, obtained a bachelor's degree, an accountant. From October 1999 to May 2010, He worked at the audit department and finance department of CMOC, responsible for budget, cost analysis, tax management and financial reporting. From 2010 to May 2015, he served successively as chief financial officer of Luoyang Kunyu Mining Co., Ltd., and Luoyang Yongning Gold & Lead Refining Co., Ltd.*, the subsidiaries of CMOC. From July 2015 to January 2020, he served successively as deputy director and director of the Board Office of CMOC. He has been the head of the financial management department of CMOC in the PRC since January 2020.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Xu Hui, born in 1978, graduated from Hebei University of Economics and Business (河北經貿大學) with a bachelor's degree in Investment Economics Management in 2001. From July 2001 to September 2022, he served at Great Wall Motor Company Limited (長城汽車股份有限公司) successively as the director of securities and legal department, the secretary to the board of directors, and the chairman of the financial business segment, responsible for information disclosure, investor relationship, corporate financing, equity investment, legal and compliance, business financial management and other relevant works. Since October 2022, he has been the board secretary and joint company secretary of the Company.

Ms. Ng Sau Mei, born in Hong Kong, obtained a Master Degree in Laws. She is a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the UK, and a director of the Listing Services Department of TMF Hong Kong Limited. Ms. Ng has over 20 years of experience as a corporate secretary for providing corporate secretarial of related matters and compliance services to Hong Kong listed companies. Ms. Ng currently serves as company secretary/joint company secretary for a number of Hong Kong listed companies including Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司), Shandong Gold Mining Co., Ltd. (山東黃金礦業股份有限公司), The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) and China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司).

SENIOR MANAGEMENT

Senior management consists of the following individuals:

Mr. Zhou Jun, obtained a bachelor's degree, a senior engineer. From 1992 to 2008, he successively worked in Changzhibei Cement Plant and Luzhou Cement Industrial Development Company, both affiliates to China Railway No. 3 Engineering Group; from 2008 to 2010, he served as the deputy general manager of Guojin Mining of China Railway Resources Group; from 2010 to 2013, he served as the general manager of MKM Mining of China Railway Resources Group; from 2013 to 2018, Mr. Zhou successively held positions of commercial director, operation director, site leader, party committee member and general manager of Sicomines of China Railway Resources Group. In April 2019, he has been serving as the general manager of Tenke Fungurume Mining S.A. in DRC. Mr. Zhou has been served as a vice president of the Company since 12 June 2020.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Guojun, born in 1975, has a doctor's degree in management. He is a member of the First MOF China Accounting Standards Committee (財政部第一屆會計準則諮詢委員會), a member of the Third MOF Management Accounting Consultants (財政部第三屆管理會計諮詢專家) and a MPAcc part-time tutor of Anhui University (安徽大學). Mr. Li served as a financial manager, the financial director of a holding company of Chery Automobile Co., Ltd.* (奇瑞汽車股份有限公司) and the deputy general manager of the Finance Center of Zhejiang CHINT Electrics Co., Ltd.* (浙江正泰電器股份有限公司) successively from July 2005 to April 2012 and the financial director of Sungrow Power Supply Co., Ltd. (陽光電源股份有限公司) from May 2012 to June 2022. Mr. Li has been the chief financial officer of the Company since August 2022.

Mr. Wang Hanyuan, born in 1964, a professor-level senior engineer, obtained his master's degree in non-ferrous metal metallurgy from Beijing General Research Institute of Mining and Metallurgy* (北京礦冶研究總院). Mr. Wang served as an assistant engineer, an engineer, a senior engineer (project leader) and a professor-level senior engineer (research fellow and project leader) of Beijing General Research Institute of Mining and Metallurgy successively from 1990 to 2001, a deputy general manager of Beijing Beikuang Metallurgy Materials Technology Co., Ltd.* (北京北礦冶金材料科技有限責任公司) from 2002 to 2008 and the deputy chief engineer of China Railway Resources Co., Ltd.* (中鐵資源有限公司), the chief engineer, as well as the secretary of the Party Working Committee and the general manager of the DRC subsidiary, China Railway Resources Group Co., Ltd. (中鐵資源集團有限公司) from 2008 to 2020. Mr. Wang joined the Company in 2021, and has been a vice president of the Company since August 2022.

Ms. Liang Wei, born in 1983, graduated from Shanghai International Studies University (上海外國語大學) with a bachelor's degree of arts in French in 2005 and École Supérieure d'Interprètes et de Traducteurs with a master's degree in conference interpretation in 2009. Prior to joining the Company, Ms. Liang served at the Foreign Affairs Office of Shanghai Municipal People's Government (上海市政府外事辦公室) from 2005 to 2015; Ms. Liang served as a lecturer at the Graduate Institute of Interpretation and Translation of Shanghai International Studies University from 2016 to 2017. Ms. Liang joined the Company in 2017 and currently serves as the ESG director of the Company, responsible for the establishment and improvement of the Company's ESG management system. Ms. Liang has been a vice president of the Company since August 2022.

Mr. Xu Hui, born in 1978, has served as the board secretary and joint company secretary of the Company since October 2022. For the profile of Mr. Xu Hui, please refer to "Profiles of Directors, Supervisors and Senior Management – Joint Company Secretaries" in this section.

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (23) No. P02013

To all shareholders of CMOC Group Limited :

I. OPINION

We have audited the financial statements of CMOC Group Limited ("CMOC", or the "Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2022, the consolidated and Company's income statements, the consolidated and Company's cash flow statements, and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of CMOC are prepared and present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2022, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

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

III. KEY AUDIT MATTERS

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

(I) Revenue Recognition

Description

We identify the revenue recognition as a key audit matter, mainly because, as an A+H Share listed company, the revenue is a key business indicator. As stated in Note V 49 and Note XIV, the CMOC's business segments include molybdenum-and-tungsten-related products, copper-and-gold-related products, niobium-and-phosphorus-related products, copper-and-cobalt-related products, metal trading and other segments. Considering the complexity of the revenue process and related internal controls, we identify the revenue recognition as a key audit matter.

III. KEY AUDIT MATTERS (CONTINUED)

(I) Revenue Recognition (Continued)

Audit response

The major audit procedures we performed for revenue recognition include:

1. Understanding and assessing relevant internal controls in the sales and collection cycle of CMOC, and testing their operating effectiveness;
2. Reviewing the significant sales contract, identifying the contract terms and conditions related to the transfer of control of the commodity, and evaluating whether the timing of revenue recognition of CMOC complies with the Accounting Standards for Business Enterprises;
3. Performing test of details for revenue recognition, selecting samples from the recorded revenue transactions and obtaining supporting documents, so as to test whether relevant performance obligations have been performed and accounted for accordingly at the time point of revenue recognition;
4. Performing analytical review procedures based on the sales prices and sales volumes of goods in open market to review the reasonableness of revenue recognition in current period in respect of business revenue from sales of goods;
5. Selecting metal trading contract samples to check the terms and transaction dates specified in the contracts against the transaction information in business system, so as to test the completeness of revenue recognition in respect of the revenue from metal trading.

(II) Fair value measurement of the financial instruments and trading inventories related to metal trading of IXM Holding S.A and its subsidiaries ("IXM")

Description

In 2022, the metal trading business of IXM continues to expand. As the metal trading involves large quantity of financial instruments and trading inventories measured at fair value, the recognition of fair values of related assets and liabilities involves the use of the inputs such as the quoted price of similar assets or liabilities in active market, other observable inputs other than the quoted price and some unobservable inputs. As at 31 December 2022, the financial instruments held by IXM include held-for-trading financial assets of RMB4,078,933,336.01, derivative financial assets of RMB873,726,268.06, held-for-trading financial liabilities of RMB2,898,279,304.47, derivative financial liabilities of RMB690,413,785.85 and trading inventories measured at fair value of RMB16,709,325,831.51. The selection of the inputs may have material impact on financial statements. Therefore, we identify the fair value measurement regarding the financial instruments and trading inventories related to metal trading of IXM as a key audit matter.

AUDITOR'S REPORT

III. KEY AUDIT MATTERS (CONTINUED)

(II) Fair value measurement of the financial instruments and trading inventories related to metal trading of IXM Holding S.A and its subsidiaries ("IXM") (Continued)

Audit response

The major audit procedures we performed for the fair value measurement of the financial instruments and trading inventories related to metal trading of IXM include:

1. Understanding and assessing the internal controls related to fair value measurement in the metal trading cycle of IXM, and testing their operating effectiveness;
2. Understanding the methods adopted by IXM to measure fair value, and assessing whether such methods comply with the Accounting Standards for Business Enterprises;
3. Selecting samples from the forward foreign exchange contracts measured at fair value, and assessing the reasonableness of the closing fair values of such samples by inquiring the price from related financial institutions and external brokers;
4. Selecting samples from the forward commodity contracts, receivables at FVTPL and payables at FVTPL, reviewing the terms of relevant contracts, understanding the valuation methods of fair values of selected samples, and verifying the quoted price of similar assets or liabilities in active market or other inputs adopted by the fair value measurement and their measurement results, so as to evaluate the reasonableness of the closing fair values.
5. Selecting samples from the trading inventories measured at fair value, and verifying the inputs such as the quoted price of similar assets or liabilities in active market, the premium/discount prices in the place of origin or nearby regions in the industry research report adopted by the fair value measurement and their measurement results, so as to evaluate the reasonableness of the closing fair values.

IV. OTHER INFORMATION

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

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

AUDITOR'S REPORT

IV. OTHER INFORMATION (CONTINUED)

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

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

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

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

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

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

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

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

AUDITOR'S REPORT

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CMOC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CMOC to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosure), structure and content of the financial statements, and whether the financial statements represent the transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within CMOC to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
Shanghai, China

Chinese Certified Public Accountant:
(Engagement partner)

Chinese Certified Public Accountant:

17 March 2023

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

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2022

RMB

| ASSETS | Notes | 31 December 2022 | 31 December 2021 |
|---|-------|---------------------------|--------------------|
| Current Assets: | | | |
| Cash and bank balances | (V)1 | 32,647,565,268.28 | 24,318,024,989.56 |
| Held-for-trading financial assets | (V)2 | 4,236,792,942.19 | 7,117,297,565.38 |
| Derivative financial assets | (V)3 | 1,944,853,567.32 | 1,830,819,434.83 |
| Accounts receivable | (V)4 | 800,256,289.83 | 745,903,478.74 |
| Financing with receivables | (V)5 | 388,389,728.54 | 662,973,657.80 |
| Prepayments | (V)6 | 2,129,545,006.22 | 1,473,068,744.38 |
| Other receivables | (V)7 | 5,017,084,484.19 | 2,158,421,687.51 |
| Inventories | (V)8 | 32,254,722,426.64 | 26,959,964,452.91 |
| Other current assets | (V)9 | 4,504,795,377.38 | 5,115,673,898.16 |
| Non-current assets due within one year | (V)10 | 1,757,787,239.02 | 573,733,642.62 |
| Total Current Assets | | 85,681,792,329.61 | 70,955,881,551.89 |
| Non-current Assets: | | | |
| Long-term equity investments | (V)11 | 1,933,910,294.77 | 1,249,467,501.47 |
| Investments in other equity instruments | (V)12 | 14,827,558.48 | 67,772,733.31 |
| Other non-current financial assets | (V)13 | 3,554,476,351.83 | 3,912,404,655.76 |
| Fixed assets | (V)15 | 28,055,742,014.75 | 24,959,306,845.68 |
| Construction in progress | (V)16 | 13,659,085,249.76 | 3,882,051,384.27 |
| Inventories | (V)8 | 7,001,735,495.28 | 6,111,544,354.19 |
| Right-of-use assets | (V)17 | 264,313,360.66 | 358,652,931.81 |
| Intangible assets | (V)18 | 19,447,513,419.29 | 19,398,989,322.92 |
| Goodwill | (V)19 | 422,968,781.50 | 387,204,155.33 |
| Long-term prepaid expenses | (V)20 | 217,666,607.09 | 178,843,869.89 |
| Deferred tax assets | (V)21 | 1,111,487,581.86 | 987,702,345.62 |
| Other non-current assets | (V)22 | 3,653,700,493.89 | 4,999,950,971.01 |
| Total Non-current Assets | | 79,337,427,209.16 | 66,493,891,071.26 |
| TOTAL ASSETS | | 165,019,219,538.77 | 137,449,772,623.15 |

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2022

| LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 31 December 2022 | 31 December 2021 |
|--|-------|---------------------------|--------------------|
| Current Liabilities: | | | |
| Short-term borrowings | (V)23 | 20,107,509,714.04 | 26,911,899,635.42 |
| Held-for-trading financial liabilities | (V)24 | 3,651,811,361.47 | 4,402,513,686.53 |
| Derivative financial liabilities | (V)25 | 2,350,847,071.76 | 2,636,505,095.30 |
| Notes payable | (V)26 | 2,409,419,326.42 | 2,906,023,727.49 |
| Accounts payable | (V)27 | 1,547,305,043.03 | 1,260,247,972.87 |
| Contract liabilities | (V)28 | 1,689,792,175.08 | 637,933,776.57 |
| Employee benefits payable | (V)29 | 1,017,993,590.42 | 897,749,900.38 |
| Taxes payable | (V)30 | 804,749,758.78 | 2,704,678,920.67 |
| Other payables | (V)31 | 6,861,265,106.60 | 2,918,190,968.03 |
| Non-current liabilities due within one year | (V)32 | 6,905,036,819.39 | 4,954,382,332.64 |
| Other current liabilities | (V)33 | 2,715,386,791.93 | 429,943,105.54 |
| Total Current Liabilities | | 50,061,116,758.92 | 50,660,069,121.44 |
| Non-current Liabilities: | | | |
| Non-current derivative financial liabilities | (V)14 | 230,168,848.27 | 357,204,494.71 |
| Long-term borrowings | (V)34 | 18,975,172,198.88 | 13,610,578,855.09 |
| Bonds payable | (V)35 | 2,150,000,000.00 | 1,150,000,000.00 |
| Lease liabilities | (V)36 | 209,349,065.29 | 233,937,993.67 |
| Long-term employee benefits payable | (V)37 | 356,539,615.25 | 308,472,990.96 |
| Provisions | (V)38 | 3,167,361,155.32 | 3,081,821,758.57 |
| Deferred income | (V)39 | 45,713,239.10 | 53,103,694.70 |
| Deferred tax liabilities | (V)21 | 6,092,532,551.64 | 6,136,296,210.55 |
| Other non-current liabilities | (V)40 | 21,693,849,406.96 | 13,594,075,166.39 |
| Total Non-current Liabilities | | 52,920,686,080.71 | 38,525,491,164.64 |
| TOTAL LIABILITIES | | 102,981,802,839.63 | 89,185,560,286.08 |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | (V)41 | 4,319,848,116.60 | 4,319,848,116.60 |
| Other equity instruments | (V)42 | 1,000,000,000.00 | – |
| Including: Perpetual bonds | | 1,000,000,000.00 | – |
| Capital reserve | (V)43 | 27,681,918,087.25 | 27,645,855,518.39 |
| Less: Treasury shares | (V)44 | 1,325,021,131.22 | 876,357,019.96 |
| Other comprehensive income | (V)45 | 294,879,708.74 | (6,406,227,030.65) |
| Special reserve | (V)46 | 22,655,587.06 | 487,314.82 |
| Surplus reserve | (V)47 | 1,684,388,527.69 | 1,463,370,956.65 |
| Retained profits | (V)48 | 18,019,893,163.56 | 13,698,308,770.45 |
| Total shareholders' equity attributable to equity holders of the Company | | 51,698,562,059.68 | 39,845,286,626.30 |
| Minority interests | | 10,338,854,639.46 | 8,418,925,710.77 |
| TOTAL SHAREHOLDERS' EQUITY | | 62,037,416,699.14 | 48,264,212,337.07 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 165,019,219,538.77 | 137,449,772,623.15 |

The accompanying notes form part of the financial statements.

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Person in Charge of the Accounting Body

BALANCE SHEET OF THE COMPANY

AT 31 DECEMBER 2022

RMB

| ASSETS | Notes | 31 December 2022 | 31 December 2021 |
|--|-------|--------------------------|-------------------|
| Current Assets: | | | |
| Cash and bank balances | (XV)1 | 8,958,241,995.55 | 4,469,793,872.22 |
| Held-for-trading financial assets | | 65,004,265.31 | 410,125,544.93 |
| Accounts receivable | (XV)2 | 846,728,976.47 | 1,070,044,033.56 |
| Financing with receivables | | 23,568,174.55 | 240,858,253.01 |
| Prepayments | | 48,180,221.62 | 20,720,270.18 |
| Other receivables | (XV)3 | 6,523,434,232.49 | 3,919,973,681.07 |
| Inventories | | 196,779,778.83 | 178,382,544.92 |
| Non-current assets due within one year | (XV)4 | 1,485,000,000.00 | – |
| Other current assets | | 20,820,228.33 | 74,325,922.85 |
| Total Current Assets | | 18,167,757,873.15 | 10,384,224,122.74 |
| Non-current Assets: | | | |
| Long-term equity investments | (XV)5 | 31,383,435,254.25 | 31,979,838,124.74 |
| Other non-current financial assets | | 441,617,664.08 | 486,162,530.44 |
| Fixed assets | | 2,314,140,257.30 | 2,072,083,697.93 |
| Construction in progress | | 168,974,058.10 | 88,302,811.15 |
| Intangible assets | | 248,332,438.02 | 216,321,294.06 |
| Long-term prepaid expenses | | 72,268,173.79 | 91,789,648.94 |
| Deferred tax assets | | 64,894,436.49 | 56,479,888.36 |
| Other non-current assets | | 47,752,981.20 | 2,162,089,457.11 |
| Total Non-current Assets | | 34,741,415,263.23 | 37,153,067,452.73 |
| TOTAL ASSETS | | 52,909,173,136.38 | 47,537,291,575.47 |

BALANCE SHEET OF THE COMPANY

AT 31 DECEMBER 2022

| LIABILITIES AND SHAREHOLDERS' EQUITY | Notes | 31 December 2022 | 31 December 2021 |
|---|-------|--------------------------|-------------------|
| Current Liabilities: | | | |
| Short-term borrowings | | 997,000,000.00 | 1,474,477,944.28 |
| Held-for-trading financial liabilities | | 676,512,725.59 | 784,146,860.96 |
| Derivative financial liabilities | | – | – |
| Notes payable | | 714,014,262.47 | 23,123,459.67 |
| Accounts payable | | 442,894,736.90 | 244,876,890.63 |
| Contract liabilities | | 46,694,091.36 | 132,755,053.15 |
| Employee benefits payable | | 104,910,055.17 | 103,960,665.15 |
| Taxes payable | | 84,739,146.59 | 81,032,664.74 |
| Other payables | | 3,589,599,404.72 | 3,985,721,071.38 |
| Non-current liabilities due within one year | | 998,200,000.00 | 1,063,200,000.00 |
| Other current liabilities | | 474,168,460.69 | 204,146,509.47 |
| Total Current Liabilities | | 8,128,732,883.49 | 8,097,441,119.43 |
| Non-current Liabilities: | | | |
| Long-term borrowings | | 6,764,400,000.00 | 3,483,300,000.00 |
| Non-current derivative financial liabilities | | 230,168,848.27 | 357,204,494.71 |
| Bonds payable | | 2,150,000,000.00 | 1,150,000,000.00 |
| Deferred income | | 17,631,238.70 | 18,016,824.50 |
| Deferred tax liabilities | | – | – |
| Provisions | | 71,753,870.18 | 68,859,703.55 |
| Other non-current liabilities | | – | 17,110,707.00 |
| Total Non-current Liabilities | | 9,233,953,957.15 | 5,094,491,729.76 |
| TOTAL LIABILITIES | | 17,362,686,840.64 | 13,191,932,849.19 |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | | 4,319,848,116.60 | 4,319,848,116.60 |
| Other equity instruments | | 1,000,000,000.00 | – |
| Including: Perpetual bonds | | 1,000,000,000.00 | – |
| Capital reserve | | 27,800,962,401.65 | 27,699,294,622.38 |
| Less: Treasury shares | | 1,325,021,131.22 | 876,357,019.96 |
| Special reserve | | 21,113,064.91 | 373,559.65 |
| Surplus reserve | | 1,684,388,527.69 | 1,463,370,956.65 |
| Retained profits | | 2,045,195,316.11 | 1,738,828,490.96 |
| TOTAL SHAREHOLDERS' EQUITY | | 35,546,486,295.74 | 34,345,358,726.28 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 52,909,173,136.38 | 47,537,291,575.47 |

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Person in Charge of the Accounting Body

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

RMB

| Item | Notes | 2022 | 2021 |
|--|-------|---------------------------|--------------------|
| I. Total operating income | (V)49 | 172,990,857,221.36 | 173,862,586,154.82 |
| Operating income | | 172,990,857,221.36 | 173,862,586,154.82 |
| Less: Operating costs | (V)49 | 156,926,248,131.67 | 157,539,542,348.74 |
| Taxes and levies | (V)50 | 1,235,110,800.28 | 1,256,077,808.20 |
| Selling expenses | (V)51 | 97,171,422.69 | 89,749,939.10 |
| Administrative expenses | (V)52 | 1,790,812,081.35 | 1,556,010,571.73 |
| Research and development expenses | | 388,609,726.55 | 272,384,715.46 |
| Financial expenses | (V)53 | 1,808,465,367.08 | 1,095,057,460.91 |
| Including: Interest expenses | | 2,795,047,621.88 | 1,764,472,539.36 |
| Interest income | | 1,189,038,307.66 | 748,777,605.00 |
| Add: Other income | (V)54 | 85,350,604.54 | 58,214,845.39 |
| Investment income (losses are indicated by "-") | (V)55 | 725,919,489.77 | 110,295,857.36 |
| Including: Income from investments in associates and joint ventures | | 645,307,049.56 | (2,281,770.77) |
| Gains from changes in fair value (losses are indicated by "-") | (V)56 | (1,610,830,289.45) | (3,367,748,632.59) |
| Gains from credit impairment (losses are indicated by "-") | (V)57 | (19,677,971.29) | 148,459.55 |
| Gains from assets impairment (losses are indicated by "-") | (V)58 | (65,273,094.66) | (60,725,346.54) |
| Gains from disposal of assets (losses are indicated by "-") | | 29,128,043.33 | (5,274,617.13) |
| II. Operating profit (loss is indicated by "-") | | 9,889,056,473.98 | 8,788,673,876.72 |
| Add: Non-operating income | (V)59 | 19,666,081.51 | 19,162,108.50 |
| Less: Non-operating expenses | (V)60 | 104,255,849.70 | 52,521,643.50 |
| III. Total profit (loss is indicated by "-") | | 9,804,466,705.79 | 8,755,314,341.72 |
| Less: Income tax expenses | (V)61 | 2,612,765,878.42 | 3,327,700,999.16 |
| IV. Net profit (loss is indicated by "-") | | 7,191,700,827.37 | 5,427,613,342.56 |
| (I) Classified by business continuity: | | | |
| Net profit from continuing operations (net loss is indicated by "-") | | 7,191,700,827.37 | 5,427,613,342.56 |
| Net profit from discontinued operations (net loss is indicated by "-") | | - | - |
| (II) Classified by ownership: | | | |
| Net profit attributable to minority interests (net loss is indicated by "-") | | 1,124,754,263.18 | 321,596,092.75 |
| Net profit attributable to shareholders of the parent company (net loss is indicated by "-") | | 6,066,946,564.19 | 5,106,017,249.81 |

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

| Item | Notes | 2022 | 2021 |
|--|-------|--------------------------|--------------------|
| V. Other comprehensive income, net of tax | (V)45 | 7,493,237,348.93 | (3,066,390,685.93) |
| Other comprehensive income attributable to shareholders of the Company, net of tax | | 6,701,106,739.39 | (2,885,808,367.60) |
| (I) Other comprehensive income that cannot be reclassified to profit or loss | | (28,675,646.01) | 17,782,366.26 |
| 1. Changes in fair value of investments in other equity instruments | | (39,577,622.25) | (13,885,043.94) |
| 2. Remeasurement of changes in net liabilities or assets of defined benefit plans | | 10,901,976.24 | 31,667,410.20 |
| (II) Other comprehensive income that will be reclassified to profit or loss | | 6,729,782,385.40 | (2,903,590,733.86) |
| 1. Cash flow hedges reserve | | 3,064,856,969.64 | (2,094,684,175.28) |
| 2. Translation differences of financial statements denominated in foreign currencies | | 3,664,925,415.76 | (808,906,558.58) |
| Other comprehensive income attributable to minority interests, net of tax | | 792,130,609.54 | (180,582,318.33) |
| VI. Total comprehensive income | | 14,684,938,176.30 | 2,361,222,656.63 |
| Total comprehensive income attributable to shareholders of the Company | | 12,768,053,303.58 | 2,220,208,882.21 |
| Total comprehensive income attributable to minority interests | | 1,916,884,872.72 | 141,013,774.42 |
| VII. Earnings per share: | | | |
| Basic earnings per share | | 0.28 | 0.24 |
| Diluted earnings per share | | 0.28 | 0.24 |

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Person in Charge of the Accounting Body

INCOME STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2022

RMB

| Item | Notes | 2022 | 2021 |
|---|-------|-------------------------|------------------|
| I. Operating income | (XV)6 | 5,551,311,403.06 | 4,358,516,720.64 |
| Less: Operating costs | (XV)6 | 3,112,252,750.50 | 2,188,627,469.31 |
| Taxes and levies | | 354,487,861.86 | 203,473,591.62 |
| Selling expenses | | 99,900.70 | – |
| Administrative expenses | | 237,301,913.95 | 209,525,651.36 |
| Research and development expenses | | 193,262,184.08 | 147,074,985.94 |
| Financial expenses | | 10,583,950.47 | (100,636,456.39) |
| Including: Interest expenses | | 527,962,835.54 | 418,862,993.27 |
| Interest income | | 538,862,249.68 | 440,313,177.12 |
| Add: Other income | | 15,594,711.94 | 26,305,924.08 |
| Investment income (losses are indicated by “-”) | (XV)7 | 696,323,714.53 | 995,074,826.75 |
| Including: Income from investments in associates and joint ventures | | (91,275,045.47) | (9,030,179.52) |
| Gains from changes in fair value (losses are indicated by “-”) | | 164,008,127.71 | (915,212,185.40) |
| Gains from credit impairment (losses are indicated by “-”) | | (1,584,511.41) | (84,410.88) |
| Gains from assets impairment (losses are indicated by “-”) | | (8,908,424.44) | (16,471,764.09) |
| Gains from disposal of assets (losses are indicated by “-”) | | 13,907,723.17 | 11,742,662.34 |
| II. Operating profit (loss is indicated by “-”) | | 2,522,664,183.00 | 1,811,806,531.60 |
| Add: Non-operating income | | 3,675,130.44 | 8,056,950.32 |
| Less: Non-operating expenses | | 63,836,083.73 | 37,373,266.16 |
| III. Total profit (loss is indicated by “-”) | | 2,462,503,229.71 | 1,782,490,215.76 |
| Less: Income tax expenses | | 252,327,519.31 | 104,771,164.64 |
| IV. Net profit (loss is indicated by “-”) | | 2,210,175,710.40 | 1,677,719,051.12 |
| (I) Net profit from continuing operations (net loss is indicated by “-”) | | 2,210,175,710.40 | 1,677,719,051.12 |
| (II) Net profit from discontinued operations (net loss is indicated by “-”) | | – | – |
| V. Other comprehensive income | | – | – |
| VI. Total comprehensive income | | 2,210,175,710.40 | 1,677,719,051.12 |

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Person in Charge of the Accounting Body

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

RMB

| Item | Note (V) | 2022 | 2021 |
|--|----------|---------------------------|--------------------|
| I. Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 181,115,607,819.21 | 178,911,705,871.18 |
| Receipts of tax refunds | | 179,958,356.30 | 210,603,969.12 |
| Other cash receipts relating to operating activities | 62(1) | 5,824,961,505.57 | 755,068,590.12 |
| Sub-total of cash inflows from operating activities | | 187,120,527,681.08 | 179,877,378,430.42 |
| Cash payments for goods purchased and services received | | 158,344,577,825.15 | 164,689,040,889.30 |
| Cash payments to and on behalf of employees | | 3,036,911,440.69 | 2,821,176,646.71 |
| Payments of various types of taxes | | 9,598,244,714.12 | 4,441,568,895.75 |
| Other cash payments relating to operating activities | 62(2) | 687,032,628.44 | 1,734,943,946.68 |
| Sub-total of cash outflows from operating activities | | 171,666,766,608.40 | 173,686,730,378.44 |
| Net Cash Flow from Operating Activities | 63(1) | 15,453,761,072.68 | 6,190,648,051.98 |
| II. Cash Flows from Investing Activities: | | | |
| Cash receipts from disposals and recovery of investments | 62(3) | 7,994,947,087.13 | 9,357,480,545.74 |
| Cash receipts from investment income | | 1,599,113,255.66 | 202,617,528.10 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | | 48,037,339.88 | 21,282,617.12 |
| Net cash receipts from disposals of subsidiaries and other operating units | | 73,757,200.00 | 55,505,000.00 |
| Other cash receipts relating to investing activities | 62(4) | 1,910,915,060.38 | 1,077,853,530.69 |
| Sub-total of cash inflows from investment activities | | 11,626,769,943.05 | 10,714,739,221.65 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | | 10,517,759,270.88 | 4,281,675,570.51 |
| Cash payments to acquire investments | 62(5) | 6,264,524,646.22 | 9,239,478,169.67 |
| Other cash payments relating to investing activities | 62(6) | 2,216,140,264.62 | 2,085,385,035.55 |
| Sub-total of cash outflows from investment activities | | 18,998,424,181.72 | 15,606,538,775.73 |
| Net Cash Flow from Investment Activities | | (7,371,654,238.67) | (4,891,799,554.08) |

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

| Item | Note (V) | 2022 | 2021 |
|--|----------|---------------------------|-------------------|
| III. Cash Flows from Financing Activities: | | | |
| Cash receipts from capital contributions | | 997,034,823.00 | 1,004,559,574.00 |
| Including: Cash receipts from capital contributions from minority shareholders of subsidiaries | | 34,823.00 | – |
| Cash receipts from borrowings | | 59,482,719,800.04 | 45,430,966,241.84 |
| Other cash receipts relating to financing activities | 62(7) | 5,076,200,366.50 | 11,762,118,200.00 |
| Sub-total of cash inflows from financing activities | | 65,555,954,989.54 | 58,197,644,015.84 |
| Cash repayments of borrowings | | 61,359,033,301.53 | 45,227,614,462.85 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 4,791,671,968.37 | 2,600,708,171.47 |
| Including: Payments for distribution of dividends to minority shareholders of subsidiaries | | – | 165,166,381.80 |
| Other cash payments relating to financing activities | 62(8) | 1,501,795,631.15 | 2,480,683,943.05 |
| Sub-total of cash outflows from financing activities | | 67,652,500,901.05 | 50,309,006,577.37 |
| Net Cash Flow from Financing Activities | | (2,096,545,911.51) | 7,888,637,438.47 |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | 2,667,296,884.74 | (243,745,530.93) |
| V. Net Increase in Cash and Cash Equivalents | | 8,652,857,807.24 | 8,943,740,405.44 |
| Add: Opening balance of cash and cash equivalents | 63(2) | 20,392,690,843.69 | 11,448,950,438.25 |
| VI. Closing Balance of Cash and Cash Equivalents | 63(2) | 29,045,548,650.93 | 20,392,690,843.69 |

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Person in Charge of the Accounting Body

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2022

RMB

| Item | 2022 | 2021 |
|--|--------------------------|--------------------|
| I. Cash Flows from Operating Activities: | | |
| Cash receipts from the sale of goods and the rendering of services | 6,773,737,153.89 | 3,385,664,593.16 |
| Other cash receipts relating to operating activities | 373,265,310.30 | 670,412,209.63 |
| Sub-total of cash inflows from operating activities | 7,147,002,464.19 | 4,056,076,802.79 |
| Cash payments for goods purchased and services received | 2,504,881,793.24 | 1,155,721,841.82 |
| Cash payments to and on behalf of employees | 516,894,003.33 | 448,369,977.09 |
| Payments of various types of taxes | 997,126,184.43 | 491,188,364.29 |
| Other cash payments relating to operating activities | 405,371,641.75 | 230,383,201.97 |
| Sub-total of cash outflows from operating activities | 4,424,273,622.75 | 2,325,663,385.17 |
| Net Cash Flow from Operating Activities | 2,722,728,841.44 | 1,730,413,417.62 |
| II. Cash Flows from Investing Activities: | | |
| Cash receipts from disposals and recovery of investments | 3,383,008,588.50 | 3,412,434,804.02 |
| Cash receipts from investment income | 839,737,810.15 | 551,417,504.97 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | 40,037,500.00 | 2,466,566.87 |
| Net cash receipts from disposals of subsidiaries and other operating units | 73,757,200.00 | 55,505,000.00 |
| Other cash receipts relating to investing activities | 23,798,982,937.56 | 12,658,838,095.53 |
| Sub-total of cash inflows from investment activities | 28,135,524,036.21 | 16,680,661,971.39 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | 121,185,245.99 | 343,097,546.58 |
| Cash payments to acquire investments | 2,311,510,000.00 | 5,186,121,559.41 |
| Other cash payments relating to investing activities | 26,121,365,223.86 | 12,539,891,248.76 |
| Sub-total of cash outflows from investment activities | 28,554,060,469.85 | 18,069,110,354.75 |
| Net Cash Flow from Investment Activities | (418,536,433.64) | (1,388,448,383.36) |

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2022

| Item | 2022 | 2021 |
|---|-------------------|--------------------|
| III. Cash Flows from Financing Activities: | | |
| Cash receipts from capital contributions | 997,000,000.00 | 97,026,574.00 |
| Cash receipts from borrowings | 21,592,375,668.34 | 26,853,424,500.00 |
| Other cash receipts relating to financing activities | 24,294,908,105.01 | 17,221,363,768.24 |
| Sub-total of cash inflows from financing activities | 46,884,283,773.35 | 44,171,814,842.24 |
| Cash repayments of borrowings | 17,789,186,168.34 | 28,058,773,500.00 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | 1,963,775,834.64 | 1,135,506,400.11 |
| Other cash payments relating to financing activities | 24,736,280,802.33 | 16,060,417,702.31 |
| Sub-total of cash outflows from financing activities | 44,489,242,805.31 | 45,254,697,602.42 |
| Net Cash Flow from Financing Activities | 2,395,040,968.04 | (1,082,882,760.18) |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | (6,276,664.01) | 616,973.71 |
| V. Net Increase (Decrease) in Cash and Cash Equivalents | 4,692,956,711.83 | (740,300,752.21) |
| Add: Opening balance of cash and cash equivalents | 4,208,336,354.31 | 4,948,637,106.52 |
| VI. Closing Balance of Cash and Cash Equivalents | 8,901,293,066.14 | 4,208,336,354.31 |

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Person in Charge of the Accounting Body

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

RMB

2022

Equity attributable to shareholders of the Company

| Item | Share capital | Other equity instruments | Equity attributable to shareholders of the Company | | | | Minority interests | Total shareholders' equity | | |
|---|------------------|--------------------------|--|------------------|----------------------------|---------------|--------------------|----------------------------|-------------------|--------------------|
| | | | Capital reserve | Treasury shares | Less: comprehensive income | Other | | | | |
| I. Balance at 1 January 2022 | 4,319,848,116.60 | - | 27,645,655,518.39 | 876,357,019.96 | (6,406,227,030.65) | 487,314.82 | 1,463,370,956.65 | 13,698,308,770.45 | 8,418,925,710.77 | 48,264,212,337.07 |
| II. Changes for the year | - | - | - | - | 6,701,106,739.39 | - | - | 6,066,946,564.19 | 1,916,884,872.72 | 14,684,938,176.30 |
| (i) Total comprehensive income | - | - | - | - | - | - | - | - | - | - |
| (ii) Shareholders' contributions and reduction in capital | - | - | - | - | - | - | - | - | - | - |
| 1. Ordinary shares | - | - | - | - | - | - | - | - | - | - |
| 2. Repurchase of contributed by owners | - | - | 22,447,195.19 | - | - | - | - | - | 34,823.00 | 22,482,018.19 |
| 3. Share-based payments | - | - | - | 499,999,996.32 | - | - | - | - | - | (499,999,996.32) |
| 4. Capital contribution from holders of other equity instruments (Note (V)(42)) | - | - | 16,615,373.67 | (51,335,885.06) | - | - | - | - | - | 67,951,258.73 |
| 5. Others | - | - | (3,000,000.00) | - | - | - | - | - | - | 997,000,000.00 |
| (iii) Profit distribution | - | - | - | - | - | - | 221,017,571.04 | (221,017,571.04) | - | - |
| 1. Transfer to surplus reserve | - | - | - | - | - | - | - | - | - | - |
| 2. Distributions to shareholders | - | - | - | - | - | - | - | (1,524,344,600.04) | - | (1,524,344,600.04) |
| (iv) Special reserve | - | - | - | - | - | - | - | - | - | - |
| 1. Transfer to special reserve in the year | - | - | - | - | - | - | 147,803,291.66 | - | 1,618,778.26 | 149,422,069.92 |
| 2. Amount utilized in the year | - | - | - | - | - | - | (125,635,019.42) | - | (1,365,511.56) | (127,000,530.98) |
| III. Balance at 31 December 2022 | 4,319,848,116.60 | 1,000,000,000.00 | 27,661,918,087.25 | 1,325,021,131.22 | 294,879,706.74 | 22,655,587.06 | 1,684,386,527.69 | 16,019,893,163.56 | 10,338,854,639.46 | 62,037,416,699.14 |

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

| Item | 2021 | | | | | | | Total shareholders' equity | |
|---|------------------|-------------------|-----------------|----------------------------|-----------------|------------------|-------------------|----------------------------|--------------------|
| | Share capital | Capital reserve | Treasury shares | Less: comprehensive income | Special reserve | Surplus reserve | Retained profits | | Minority interests |
| I. Balance at 1 January 2021 | 4,319,848,116.60 | 27,582,794,989.23 | 193,840,466.48 | (3,585,690,161.76) | 230,899.06 | 1,295,599,061.54 | 9,472,038,365.96 | 8,443,074,215.26 | 47,934,855,003.41 |
| II. Changes for the year | | | | | | | | | |
| (i) Total comprehensive income | - | - | - | (2,885,808,387.60) | - | - | 5,106,017,249.81 | 141,013,774.42 | 2,361,222,656.63 |
| (ii) Shareholders' contributions and reduction in capital | | | | | | | | | |
| 1. Repurchase of treasury shares | - | - | 684,117,491.95 | - | - | - | - | - | (684,117,491.95) |
| 2. Cash flow hedges reserve transferred to fixed assets | - | - | - | 65,271,498.71 | - | - | - | - | 65,271,498.71 |
| 3. Share-based payments | - | 63,060,535.16 | (1,600,938.47) | - | - | - | - | - | 64,661,473.63 |
| (iii) Profit distribution | | | | | | | | | |
| 1. Transfer to surplus reserve | - | - | - | - | - | 167,771,905.11 | (167,771,905.11) | - | - |
| 2. Distributions to shareholders | - | - | - | - | - | - | (712,774,940.21) | (165,166,381.80) | (877,941,322.01) |
| (iv) Special reserve | | | | | | | | | |
| 1. Transfer to special reserve in the year | - | - | - | - | 132,789,457.32 | - | - | 2,361,657.69 | 135,151,115.01 |
| 2. Amount utilized in the year | - | - | - | (132,533,041.56) | - | - | - | (2,357,554.80) | (134,890,596.36) |
| III. Balance at 31 December 2021 | 4,319,848,116.60 | 27,645,855,518.39 | 876,357,019.96 | (6,406,227,030.65) | 487,314.82 | 1,468,370,956.65 | 13,698,308,770.45 | 8,418,925,710.77 | 48,264,212,337.07 |

The financial statements were signed by the following:

Legal Representative _____ Chief Accountant _____ Person in Charge of the Accounting Body _____

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

RMB

| Item | 2022 | | | | | | | Total shareholders' equity |
|---|------------------|--------------------------|-------------------|-----------------------|------------------|------------------|--------------------|----------------------------|
| | Share capital | Other equity instruments | Capital reserve | Less: Treasury shares | Special reserve | Surplus reserve | Retained profits | |
| I. Balance at 1 January 2022 | 4,319,848,116.60 | - | 27,699,294,622.38 | 876,357,019.96 | 373,559.65 | 1,463,370,956.65 | 1,738,828,490.96 | 34,345,358,726.28 |
| II. Changes for the year | | | | | | | | |
| (I) Total comprehensive income | - | - | - | - | - | - | 2,210,175,710.40 | 2,210,175,710.40 |
| (II) Shareholders' contributions and reduction in capital | | | | | | | | |
| 1. Ordinary shares contributed by owners | - | - | 22,447,195.19 | - | - | - | - | 22,447,195.19 |
| 2. Repurchase of treasury shares | - | - | - | 499,999,996.32 | - | - | - | (499,999,996.32) |
| 3. Share-based payments | - | - | 16,615,373.67 | (51,335,885.06) | - | - | - | 67,951,258.73 |
| 4. Capital contribution from holders of other equity instruments (Note (V)42) | - | 1,000,000,000.00 | (3,000,000.00) | - | - | - | - | 997,000,000.00 |
| 5. Others (Note (XV)5) | - | - | 65,605,210.41 | - | 222,285.23 | - | (158,446,714.17) | (92,619,218.53) |
| (III) Profit distribution | | | | | | | | |
| 1. Transfer to surplus reserve | - | - | - | - | - | 221,017,571.04 | (221,017,571.04) | - |
| 2. Distributions to shareholders | - | - | - | - | - | - | (1,524,344,600.04) | (1,524,344,600.04) |
| (IV) Transfers within the shareholders' equity | | | | | | | | |
| 1. Other comprehensive income transferred to retained earnings | - | - | - | - | - | - | - | - |
| (V) Special reserve | | | | | | | | |
| 1. Transfer to special reserve in the year | - | - | - | - | 121,778,450.74 | - | - | 121,778,450.74 |
| 2. Amount utilized in the year | - | - | - | - | (101,261,230.71) | - | - | (101,261,230.71) |
| (VI) Others | - | - | - | - | - | - | - | - |
| III. Balance at 31 December 2022 | 4,319,848,116.60 | 1,000,000,000.00 | 27,800,962,401.65 | 1,325,021,131.22 | 21,113,064.91 | 1,684,388,527.69 | 2,045,195,316.11 | 35,546,486,295.74 |

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

| Item | 2021 | | | | | | Total shareholders' equity |
|--|------------------|-------------------|-----------------------|------------------|------------------|------------------|----------------------------|
| | Share capital | Capital reserve | Less: Treasury shares | Special reserve | Surplus reserve | Retained profits | |
| I. Balance at 1 January 2021 | 4,319,848,116.60 | 27,633,234,087.22 | 193,840,466.48 | 230,899.06 | 1,295,599,051.54 | 935,570,598.19 | 33,990,642,286.13 |
| II. Changes for the year | | | | | | | |
| (I) Total comprehensive income | - | - | - | - | - | 1,677,719,051.12 | 1,677,719,051.12 |
| (II) Shareholders' contributions and reduction in capital | | | | | | | |
| 1. Repurchase of treasury shares | - | - | 684,117,491.95 | - | - | - | (684,117,491.95) |
| 2. Share-based payments | - | 63,060,535.16 | (1,600,938.47) | - | - | - | 64,661,473.63 |
| 3. Others | - | 3,000,000.00 | - | - | - | 6,085,686.97 | 9,085,686.97 |
| (III) Profit distribution | | | | | | | |
| 1. Transfer to surplus reserve | - | - | - | - | 167,771,905.11 | (167,771,905.11) | - |
| 2. Distributions to shareholders | - | - | - | - | - | (712,774,940.21) | (712,774,940.21) |
| (IV) Transfers within the shareholders' equity | | | | | | | |
| 1. Other comprehensive income transferred to retained earnings | - | - | - | - | - | - | - |
| (V) Special reserve | | | | | | | |
| 1. Transfer to special reserve in the year | - | - | - | 117,544,539.74 | - | - | 117,544,539.74 |
| 2. Amount utilized in the year | - | - | - | (117,401,879.15) | - | - | (117,401,879.15) |
| (VI) Others | - | - | - | - | - | - | - |
| III. Balance at 31 December 2021 | 4,319,848,116.60 | 27,699,294,622.38 | 876,357,019.96 | 373,559.65 | 1,463,370,956.65 | 1,738,828,490.96 | 34,345,358,726.28 |

The financial statements were signed by the following:

Legal Representative

Chief Accountant

Person in Charge of the Accounting Body

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(I). BASIC INFORMATION ABOUT THE COMPANY

1. Basic Information about the Company

CMOC Group Limited (the “Company”) was incorporated on 25 August 2006 as a joint-stock limited company on the basis of CMOC Group Limited by Luoyang Mining Group Co., Ltd. (“LMG”) and Cathay Fortune Corporation (“CFC”).

On 30 September 2020, the Company held the fifteenth extraordinary meeting of the fifth session of board of directors and approved the Proposal on Repurchase A Shares by Way of Centralized Competitive Bidding Transaction, agreeing that the Company should use its own funds of no more than RMB450 million to repurchase A shares of the Company at a price of no more than RMB4.5 per share. As at 31 December 2020, the Company had accumulatively repurchased 48,513,287 shares with payment of RMB193,832,602.21 by way of centralized competitive bidding transactions, representing 0.2246% of the current total share capital of the Company. On 13 July 2021, the Company held the first extraordinary meeting of the sixth session of board of directors and approved the Proposal on Terminating the Plan of Repurchase of A Shares by Way of Centralized Competitive Bidding Transaction (Phase I), deciding to terminate the plan of repurchase of A shares (Phase I).

On 13 July 2021, the Company held the first extraordinary meeting of the sixth session of board of directors and approved the Proposal on Repurchase A Shares by way of Centralized Competitive Bidding Transaction (Phase II), agreeing that the Company should use its own funds of no more than RMB800 million to repurchase A shares of the Company at a price of no more than RMB8 per share. On 16 December 2021, the Company completed the repurchase of shares (Phase II) and repurchased 99,999,964 shares, representing 0.46% of the total share capital of the Company, by way of centralized competitive bidding transaction at the price of RMB684,117,491.95.

On 24 May 2022, the Company held the fourth extraordinary meeting of the sixth session of board of directors and approved the Proposal on Repurchase A Shares by Way of Centralized Competitive Bidding Transaction (Phase III), agreeing that the Company should use its own funds of no more than RMB500 million to repurchase A shares of the Company at a price of no more than RMB7.25 per share. On 8 June 2022, the Company completed the repurchase of shares (Phase III) and repurchased 104,930,443 shares, representing 0.49% of the total share capital of the Company, by way of centralized competitive bidding transaction at the price of RMB499,999,996.32. The details of treasury shares are set out in Note (V)44.

The Company together with its subsidiaries (collectively as the “Group”) are principally engaged in mining, smelting and deep processing of molybdenum tungsten series products, export of molybdenum tungsten series products and chemical products; mining and melting of copper, cobalt and niobium series products; mining and deep processing of phosphorus products; mining, processing and sale of gold and silver, and metal trading.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(I). BASIC INFORMATION ABOUT THE COMPANY (CONTINUED)

2. Scope of the Consolidated Financial Statement

The consolidated and the Company's financial statements have been approved by the board of directors of the Company on 17 March 2023.

See Note (VII) "INTERESTS IN OTHER ENTITIES" for details of subsidiaries within the scope of the consolidated financial statements for current year. The changes in the scope of the consolidated financial statements mainly arise from the establishment and disposal of subsidiaries. See Note (VI) "CHANGES IN SCOPE OF CONSOLIDATION" for details.

(II). PREPARATION BASIS OF THE FINANCIAL STATEMENTS

Preparation basis

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

Going concern

The Group assessed its ability to continue as a going concern for 12 months from 31 December 2022, and didn't notice any event or circumstance that may cast significant doubts on its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Basis of accounting and principle of measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(II). PREPARATION BASIS OF THE FINANCIAL STATEMENTS (CONTINUED)

Basis of accounting and principle of measurement (Continued)

For non-financial assets measured at fair value, the capacity of market participants to realize the maximum profit of non-financial assets, or the capacity of other participants who acquired non-financial assets to realize the maximum profit will be considered when measuring fair values of such non-financial assets

For financial assets with transaction prices as the fair value upon initial recognition and the valuation technique of unobservable inputs employed in the subsequent measurement at the fair value, the technique is adjusted during the valuation to match the initial recognition results determined with the transaction prices.

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

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

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with Accounting Standards for Business Enterprises (“ASBE”)

The financial statements of the Company have been prepared, in all material materials, in accordance with ASBE, and present fairly, the consolidated and Company’s financial position as at 31 December 2022, the consolidated and Company’s results of operations, the consolidated and Company’s cash flows, and the consolidated and Company’s changes in shareholders’ equity for the year then end.

2. Accounting period

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

3. Operating cycle

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Functional currency

Renminbi (“RMB”) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company’s foreign subsidiaries determine their functional currencies according to the currencies of economic environment in which they operate. The Group adopts RMB to prepare the financial statements.

5. Accounting treatment of business combination involving or not involving enterprises under common control

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

5.1 *Business combinations involving enterprises under common control*

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

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

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

5.2 *Business combinations not involving enterprises under common control and goodwill*

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

For transactions not involving enterprises under common control, the acquirer will consider whether or not to adopt the simplified “concentration test” when determining whether or not an acquired portfolio constitutes a business. If the portfolio passes the concentration test, it will be judged not to constitute a business. If the portfolio does not pass the concentration test, the judgment is made on the basis of whether it constitutes a business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting treatment of business combination involving or not involving enterprises under common control (Continued)

5.2 *Business combinations not involving enterprises under common control and goodwill (Continued)*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Accounting treatment of business combination involving or not involving enterprises under common control (Continued)

5.2 *Business combinations not involving enterprises under common control and goodwill (Continued)*

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

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

6. Preparation of consolidated financial statement

6.1 *Preparation of consolidated financial statement*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statement (Continued)

6.1 Preparation of consolidated financial statement (Continued)

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

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. The effects of all intra-group transactions on the consolidated financial statements are eliminated on consolidation.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statement (Continued)

6.1 *Preparation of consolidated financial statement (Continued)*

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

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

Where the equity in a subsidiary is disposed in steps through multiple transactions until the control is lost, the multiple transactions are considered as a package deal if the terms, conditions and economic impacts of the transactions disposing the equity investments in a subsidiary satisfy one or more of the following: (1) these transactions are concluded simultaneously or concluded upon consideration of mutual influence; (2) these transactions can achieve a complete business results only when they are as a whole; (3) occurrence of a transaction depends the occurrence of at least one other transaction; (4) one transaction alone is not economical, but it is economical if taken into consideration together with other transactions. Where the transactions involving disposal of equity in a subsidiary until loss of control are a package deal, they are accounted for as a transaction of disposal of subsidiary that results in loss of control. The difference between the consideration received on each disposal and the corresponding proportion of the subsidiary's net assets calculated on a continuous basis since the acquisition date prior to the loss of control is recognized as other comprehensive income and transferred to profit or loss for the period when the control is eventually lost. Where multiple transactions involving disposal of equity investments in a subsidiary until loss of control are not a package deal, these transactions are accounted for as separate transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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

8. Standards for determining cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group’s short-term (generally matured within three months from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

9.1 Transactions denominated in foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

9.1 *Transactions denominated in foreign currencies (Continued)*

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the book balances (other than the amortized cost) of items that are reclassified at fair value through other comprehensive income are included in other comprehensive income.

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

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

9.2 *Translation of financial statements denominated in foreign currencies*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

9.2 Translation of financial statements denominated in foreign currencies (Continued)

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

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

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

When the disposal of part of the equity investments results in decrease in proportion of equity in a foreign operation but does not result in loss of control, the translation differences of the financial statements denominated in foreign currency relating to the partial disposal of the foreign operation are attributable to minority interests and are not transferred to profit or loss for the period. When the disposal of foreign operation is partial disposal of equity in associate or joint venture, the translation differences of the financial statements denominated in foreign currency relating to the foreign operation is transferred to profit or loss in proportion to the foreign operation disposed.

10. Financial Instrument

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed on a trade date basis, or derecognizes the assets sold on a trade date basis.

Contracts to buy or sell non-financial items that can be settled net in cash or other financial instruments, or through an exchange of financial instruments apply to the Revenue Standard when the Group enters into and holds such contracts intended for the receipt or delivery of non-financial items in accordance with the intended purchase, sale or use requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. When conducting initial recognition of the accounts receivable that does not include significant financing components or the financing components in the contract no more than one year are not taken into consideration in accordance with Accounting Standards for Business Enterprises No. 14 – Revenue (“Revenue Standard”), the Group makes the initial measurement at the transaction price specified in the revenue standard.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial assets or financial liabilities (such as repayment in advance, extension, call options or other similar options), without considering future credit losses.

The amortized cost of financial asset or financial liability is the initial recognition amount of the financial asset or the financial liability less the repaid amount of principal plus or less the accumulated amortized amount of the difference between the initial recognition amount and the amount of maturity with the effective interest rate method less the accumulated provisions for the losses (only applicable to the financial assets).

10.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group’s financial assets of various categories are subsequently measured at amortized cost, at fair value through other comprehensive income (“FVTOCI”) or at fair value through profit or loss (“FVTPL”).

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost. The financial assets classified as at amortized cost include cash and bank balances, accounts receivable, other receivables, other current assets, other non-current assets, etc.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

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

Financial assets that meet the following conditions are classified as at FVTOCI: 1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets due over 1 year since acquisition are presented as other debt investments and those due within 1 year (inclusive) since balance sheet date are presented as other current assets due within one year; notes receivable classified as at FVTOCI on acquisition are presented under financing with receivables, and those due within 1 year (inclusive) since acquisition are presented under other current assets.

On the initial recognition, the Group may irrevocably designate non-trading equity instruments except for contingent consideration recognized in business combination not involving enterprises under common control as financial assets at FVTOCI on an individual basis. Such financial assets are presented as investments in other equity instruments in financial statements.

Financial assets that meet one of the following requirements indicate that the purpose for the Group to hold the financial assets is for trading:

- It has been acquired principally for the purpose of selling in the near term;
- On initial recognition, relevant financial assets are part of a portfolio of the identifiable financial instruments that the Group manages on a collective basis and there is an objective evidence indicating that the Group has an actual pattern of short-term profit-taking recently; or
- Relevant financial assets are classified to derivative instruments, excluding derivatives that meet the definitions of financial guarantee contracts and are designated as effective hedging instruments.

Financial assets at FVTPL include financial assets classified as at FVTPL and those designated as at FVTPL:

- Financial assets that do not meet the requirements to be reclassified as financial assets at amortized cost or financial assets at FVTOCI are classified as financial assets at FVTPL.
- Upon initial recognition, in order to eradicate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.1 *Classification, recognition and measurement of financial assets (Continued)*

Financial assets at FVTPL (other than derivative financial assets) are all presented under held-for-trading financial assets. Financial assets due over one year (or without fixed maturity) since the balance sheet date and expected to be held for over one year are presented under other non-current financial assets.

10.1.1 Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured subsequently at amortized cost by adopting the effective interest method, with gains or losses arising from the impairment or derecognition recorded to the profit or loss for the period.

Interest income from financial assets at amortized cost are recognized by the Group based on the effective interest method. Interest income is determined by applying an effective interest rate to the carrying amount of the financial asset except for the following situations:

- For the purchased or originated credit-impaired financial assets, the Group recognizes their interest income based on amortized cost and credit-adjusted effective interest rate of these financial assets since initial recognition.
- For the purchased or originated financial assets not-credit-impaired but subsequently becoming credit-impaired, the Group subsequently recognizes their interest income based on amortized cost and effective interest rate of these financial assets. If no credit exists due to improvement in credit risk of the financial instruments subsequently and such improvement is in relation to an event incurred subsequent to the application of above provisions, the Group will transfer to calculate and determine the interest income by applying an effective interest rate to the carrying amount of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.1 *Classification, recognition and measurement of financial assets (Continued)*

10.1.2 Financial assets at FVTOCI

The impairment losses or gains relating to financial assets classified as at FVTOCI, the interest income calculated by effective interest method, and the exchange gains or losses shall be included into the profit or loss over the current period, and the other financial assets shall be measured at FVTOCI. The amount of the financial assets included into profit or loss of each period shall be regarded as equal as the amount measured at amortized cost through profit or loss over each period. When the financial assets are derecognized, the accumulated income or loss included in the other comprehensive income previously will be reclassified into the profit or loss over the current period from the other comprehensive income.

Fair value change of non-held-for-trading equity investment designated as at FVTOCI, is recognized in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in the non-held-for-trading equity instruments, dividend income is recognized and included in profit or loss for the period when 1) the Group's right to collect dividend has been established; 2) it is probable that economic benefits associated with dividend will flow to the Group; and 3) the amount of dividend can be reliably measured.

10.1.3 Financial assets at FVTPL

Financial assets at FVTPL are measured subsequently at fair value. Gains or losses from changes in fair value and dividends and interest income relevant to the financial assets are recognized in profit or loss for the current period.

10.2 *Impairment of financial instruments*

The Group accounts for impairment on financial assets at amortized cost, financial assets classified as FVTOCI and financial guarantee contracts that are not measured at FVTPL on the basis of ECL and recognizes relevant loss allowance.

The Group measures loss allowance based on the amount equal to the lifetime ECL for the accounts receivable and notes receivable arising from the transactions under revenue standards but not including significant financial elements or not considering the contract less than one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.2 *Impairment of financial instruments (Continued)*

For other financial assets, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except the financial assets classified as FVTOCI. The Group recognizes credit loss allowance for financial assets at FVOCI in other comprehensive income and recognizes loss or gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss for the current period as gain on impairment.

10.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition with available reasonable and supportable forward-looking information. For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.1 Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (1) Whether external market indicators of credit risk for the same financial instrument or financial instruments with shared expected life have changed significantly. Indicators include: credit spreads, credit default swap price for the borrower, length and extent of time when fair value of financial assets is less than amortized cost, other market information related to the borrower (including price changes in borrower's debt instruments or equity instruments);
- (2) Whether external credit rating of the financial instrument has actually changed significantly or is expected to change significantly;
- (3) Whether the debtor's internal credit rating is actually lowered or is expected to be lowered;
- (4) Whether expected detrimental changes in business, financial and economic conditions of the debtor which will affect borrower's ability to perform repayment obligation have changed significantly, including significant reduction in the market shares of the debtor, sharp drop of the price of principal products, significant rise of the price of principal raw materials, critical shortage of working capital, and quality reduction of assets, etc.;
- (5) Whether the actual or expected results of the debtor's operations have changed significantly, including the circumstance that an evident adverse change happens to the business indicators such as income and profit and is expected difficult to improve in a short term;
- (6) Whether the credit risk of other financial instruments issued by the same debtor has increased significantly;
- (7) Whether supervisory, economic or technical environment for the borrower has significant detrimental changes, including the circumstance whether the technological change, or the relevant policies proposed to introduce by the state or local government have significant adverse impact on the debtor;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.1 Significant increase in credit risk (Continued)

- (8) Whether the value of collateral for debt mortgage or the guarantee or credit enhancement quality provided by a third party has changed significantly, and these changes are expected to lower the economic motive of the debtor to repay within the time limit as specified by the contract or affect the probability of default;
- (9) Whether the economic motive that will lower the borrower's repayment within the time limit as specified by the contract has changed significantly;
- (10) Whether the loan contract is expected to be changed, including the exemption or revision of contractual obligations, the granting of interest-free periods, the jump in interest rates, the requirement for additional collateral or guarantees, or other changes in the contractual framework for financial instruments that may result from the breach of contract;
- (11) Whether the debtor's expected performance and repayment activities have changed significantly;
- (12) Whether the Group's approach to credit management of financial instruments has changed.

Regardless of whether the credit risk has increased significantly after the above assessment, when the financial instrument contract payment has been overdue for more than 30 days (inclusive), it indicates that the credit risk of the financial instrument has increased significantly.

At the balance sheet date, the Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk. If the default risk of financial instrument is relatively low, the borrower has a strong capability in performing its contract cash flow obligation in the short term, and the capability of the borrower to perform its contract cash obligation is not necessarily reduced even if adverse change exists in the economic situation and business environment in a relatively long time, the financial instrument is considered to be exposed to the credit risk at a relatively low level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) A breach of contract by the debtor, such as a default in interest or principal or past due event;
- (3) The creditor(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor(s) would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- (5) The issuer or debtor has financial difficulty resulting in disappearance of active market for the financial assets;
- (6) Purchase or originate a financial asset at substantial discount, which reflects the fact that the financial asset has become credit-impaired.

10.2.3 Recognition of expected credit losses

The Group recognizes the credit loss of other receivables, other current assets and financial assets included in other non-current assets based on an individual asset basis, and recognizes credit loss of related financial instruments for accounts receivable on a collectively basis by using an impairment matrix. The Group classifies financial instruments into different groups based on shared risk characteristics, and the Group adopts the shared risk characteristics including: type of financial instruments, credit risk rating, initial recognition date, etc.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.3 Recognition of expected credit losses (Continued)

ECL of relevant financial instruments is recognized based on the following methods:

- For a financial asset, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flow to be received.
- For a financial guarantee contract (refer to Note (III) 10.4.1.2.1 for detailed accounting policies), credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance sheet date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognized by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

10.2.4 Write-down of financial assets

The Group shall directly write down the carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-down constitutes a derecognition of relevant financial assets.

10.3 Transfer of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.3 *Transfer of financial assets (Continued)*

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control over the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The Group measures relevant liabilities by the following methods:

- If the financial assets transferred are measured at amortized cost, and the carrying amounts of relevant liabilities are equivalent to the carrying amounts of the transferred financial assets continuing in involvement less the amortized costs of the retained rights of the Group (if the Group retains associated rights for the transfer of financial assets) plus the amortized costs of the Group's obligations (if the Group bears associated obligations for the transfer of financial assets), relevant liabilities are not designated as financial liabilities at FVTPL.
- If financial assets transferred are measured at fair value, and the carrying amounts of relevant liabilities are equivalent to the carrying amounts of the transferred financial assets continuing in involvement less the fair value of the retained rights of the Group (if the Group retains associated rights for the transfer of financial assets) plus the Group's obligations (if the Group bears associated obligations for the transfer of financial assets), the fair value of the rights and obligations should be the fair value measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred at the derecognition date; and (2) the sum of the consideration received from the transfer of financial assets and the corresponding amount of the derecognition part in the cumulative change that has been recognized in other comprehensive income, is recognized in profit or loss for the current period. If the financial assets transferred by the Group are the non-trading equity instrument investment designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are reclassified in retained earnings from other comprehensive income.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss for the current period. If the financial assets transferred by the Group are the non-trading equity instrument investment designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are reclassified in retained earnings from other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.3 *Transfer of financial assets (Continued)*

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognize the transferred financial asset in its entirety. The consideration received from transfer of assets is recognized as a financial liability upon receipt.

10.4 *Classification of financial liabilities and equity instrument*

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

10.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL.

10.4.1.1 *Financial liabilities at FVTPL*

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivative instrument of financial liabilities) and those designated as at FVTPL, in which financial liabilities at FVTPL are presented as financial liabilities held for trading, except for derivative liabilities that are presented independently.

A financial liability is classified as held for trading if one of the following conditions is satisfied:

- It has been acquired principally for the purpose of repurchasing in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a financial guarantee contract or a derivative that is a designated and effective hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.4 Classification of financial liabilities and equity instrument (Continued)

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

10.4.1.1 Financial liabilities at FVTPL (Continued)

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

Held-for-trading financial liabilities are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognized in profit or loss.

For financial liability designated as at FVTPL, the amount of change in the fair value of such financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, and other changes in the fair value are presented in profit or loss. Upon the derecognition of such financial liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognized in other comprehensive income, is transferred to retained earnings. Any dividend or interest income earned on the financial liabilities are recognized in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

For financial liabilities arising from contingent consideration recognized by the Group as a purchaser in the business combination not involving enterprises under a common control, the Group measures such financial liabilities at fair value and the changes are recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.4 Classification of financial liabilities and equity instrument (Continued)

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

10.4.1.2 Other financial liabilities

Other financial liabilities (exclusive of financial guarantee contracts and those arising from transfer of financial assets that does not meet the requirements for derecognition or continuing involvement in the transferred financial assets) are classified as at amortized cost and measured subsequently at amortized cost. Gains or losses arising from derecognition or amortization are recorded to profit or loss for the period.

When the contractual cash flows are changed due to the renegotiation or modification of the contract made between the Group and the counterparty and the renegotiation or modification does not result in the derecognition of the financial asset that is subsequently measured at amortized cost, the Group shall recalculate the carrying amount of the financial asset and shall recognize related gains or losses in profit or loss. The carrying amount of the financial asset shall be recalculated at the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortized over the remaining term of the modified financial liability.

10.4.1.2.1 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at FVTPL, or financial liabilities arising from transfer of financial assets does not satisfy derecognition criteria or continue involvement of transferred financial assets are measured at the higher of: (1) amount of loss allowance; and (2) the amount initially recognized less cumulative amortization amount during the guarantee period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.4 *Classification of financial liabilities and equity instrument (Continued)*

10.4.2 Derecognition of financial liabilities

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

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

10.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of the liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

10.5 *Derivatives and embedded derivatives*

Derivative instruments include forward foreign exchange contracts, commodity futures contracts, commodity forward contracts, currency swaps contracts, and interest rate swaps contracts and foreign exchange options contracts. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently measured at fair value.

For the hybrid contract comprised of embedded derivatives and master contract, if the master contract belongs to financial assets, the Group shall apply the hybrid contract as a whole to the accounting standards on the classification of financial assets rather than split embedded derivatives from the hybrid contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.5 *Derivatives and embedded derivatives (Continued)*

An embedded derivative is separated from the hybrid instrument as a stand-alone derivative instrument, where the master contract included in the hybrid contract does not belong to financial assets and meet the following conditions.

- (1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- (3) the hybrid contract is not measured at FVTPL over the current period.

Where an embedded derivative is split from a hybrid contract, the Group performs accounting treatment for the master contract of the hybrid contract in accordance with applicable accounting standards. Where the Group is unable to measure the fair value of an embedded derivative reliably in accordance with the terms and conditions of the embedded derivative, the fair value of such embedded derivative is determined as the difference between the fair value of the hybrid contract and that of the master contract. Where the fair value of such embedded derivative on the acquisition date or the subsequent balance sheet dates is still unable to be measured separately, the Group designates the hybrid contract in a whole into the financial instrument at FVTPL over the current period.

10.6 *Offsetting financial assets and financial liabilities*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial Instrument (Continued)

10.7 Compound instrument

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

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity instrument, is included in equity instruments.

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

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

11. Financing with receivables

Notes receivable classified as at FVTOCI due within 1 year (inclusive) since acquisition are presented as financing with receivables, and those due over 1 year since acquisition are presented as other debt investments. See Note (III) 10.1, 10.2 and 10.3 for relevant accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Inventories

12.1 *Classification of inventories*

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

The trading inventories are mainly from IXM (including IXM Holding and its subsidiaries), the subsidiaries of the Group. As a commodity trader, IXM measures the trading inventories at fair value less costs to sell in its financial statements prepared in accordance with International Financial Reporting Standards, and recognizes changes in fair value in profit or loss.

Pursuant to Interpretation No.1 of the Accounting Standards for Business Enterprises, for transactions or events occurred abroad to overseas subsidiaries of a domestic enterprise within China, if such transactions or events are not subject to the relevant laws and regulations of China or if such transactions are rare and not covered by the Accounting Standards for Business Enterprises, the accounting treatments made by the aforesaid overseas subsidiaries may be adjusted under the International Financial Reporting Standards and then be consolidated into the relevant items of the consolidated financial statements of the parent company, provided that the principle of the Accounting Standards for Business Enterprises – Basic Standards is followed. Therefore, in the preparation of the financial statements, trading inventories outside the PRC of IXM are still measured according to the above-mentioned accounting policies.

12.2 *Valuation methods of the inventory delivered*

When the inventories (excluding trading inventories outside the PRC) are delivered, the actual costs of the delivered inventories are determined using the method of weighted average.

12.3 *The basis of the net realizable value of the inventories*

On the balance sheet date, the inventories (excluding trading inventories outside the PRC) shall be calculated by the lower of cost and net realized value. When the net realizable value is less than the cost, inventory provision is required.

The net realizable value represents the amount derived by deducting the potential cost, estimated sale cost and relative taxes to the completion date from the estimated selling price of the inventory in daily activities. The company determined net realizable value of inventories, made the obtained conclusive evidence as basis, and considered the purposes of holding inventories, events after the balance sheet date and other factors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Inventories (Continued)

12.3 *The basis of the net realizable value of the inventories (Continued)*

The provision for decline in value of inventories shall be provided by the difference between the cost of the individual inventory or a type of inventories and its net realized value.

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

12.4 *The inventory system for inventories*

The Group uses a perpetual inventory system.

12.5 *Amortization method of low-value consumables and packaging materials*

Packing materials and low-price easily-worn materials are amortized using immediate writing-off method.

13. Held-for-sale assets

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount through a sale (including an exchange of nonmonetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

When there is loss of control over a subsidiary due to disposal of investments in the subsidiary, and the proposed disposal of investment in the subsidiary satisfies classification criteria of held-for-sale category, the investments in subsidiaries are classified as held-for-sale category as a whole in the company's separate financial statement, and all assets and liabilities of subsidiaries are classified as held-for-sale category in the consolidated financial statements regardless that part of the equity investments are remained after the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Held-for-sale assets (Continued)

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets is made. When there is increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period. The impairment loss of assets recognized before the classification of held-for-sale category will not be reversed.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held-for-sale, it is no longer accounted for using the equity method since the date of the classification.

14. Long-term equity investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.2 Determination of initial investment cost

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

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer determines if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the initial investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. When the equity held was accounted for under equity method, relevant other comprehensive income is not accounted temporarily; when the equity held was accounted for investments in other equity instruments, the difference between the fair value and carrying amount, together with the cumulative changes in fair value recognized in other comprehensive income are included in retained earnings for the current period.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.3 *Subsequent measurement and recognition of profit or loss*

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.3 *Subsequent measurement and recognition of profit or loss (Continued)*

14.3.2 Long-term equity investments accounted for using the equity method (Continued)

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

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

14.4 *Disposal of long-term equity investments*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets

15.1 *The conditions of recognition*

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

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

15.2 *Depreciation method*

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

Resources-related subsidiaries of the Group situated in PRC

| Category | Depreciation method | Depreciation period | Residual value rate (%) | Annual depreciation rate (%) |
|--|----------------------------|----------------------------|--------------------------------|-------------------------------------|
| Land use rights, buildings | Straight-line method | 8-45 | 0-5 | 2.1~12.5 |
| Mining projects | Units of production method | Expected life of mines | 0 | Unit of production |
| Machinery and equipment | Straight-line method | 8-10 | 5 | 9.5~11.9 |
| Electronic equipment, appliances and furniture | Straight-line method | 5 | 5 | 19.0 |
| Transportation equipment | Straight-line method | 8 | 5 | 11.9 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets (Continued)

15.2 Depreciation method (Continued)

Resources-related subsidiaries of the Group situated in Australia

| Category | Depreciation method | Depreciation period | Residual value rate (%) | Annual depreciation rate (%) |
|-------------------------------|----------------------------|------------------------|-------------------------|------------------------------|
| Buildings | Straight-line method | 8-45 | 0-5 | 2.1~12.5 |
| Mining projects | Units of production method | Expected life of mines | 0 | Unit of production |
| Machinery and other equipment | Straight-line method | 8-10 | 5 | 9.5~11.9 |

Resources-related subsidiaries of the Group situated in Brazil

| Category | Depreciation method | Depreciation period | Residual value rate (%) | Annual depreciation rate (%) |
|-------------------------------|----------------------------|------------------------|-------------------------|------------------------------|
| Land ownership | N/A | Permanent | - | - |
| Buildings | Straight-line method | 20-50 | 0-5 | 1.9~5.0 |
| Mining projects | Units of production method | Expected life of mines | 0 | Unit of production |
| Machinery and other equipment | Straight-line method | 5-20 | 0-5 | 4.8~20.0 |

Resources-related subsidiaries of the Group situated in Congo (DRC)

| Category | Depreciation method | Depreciation period | Residual value rate (%) | Annual depreciation rate (%) |
|-------------------------------|----------------------------|------------------------|-------------------------|------------------------------|
| Land ownership | N/A | Permanent | - | - |
| Mining projects | Units of production method | Expected life of mines | 0 | Unit of production |
| Buildings | Straight-line method | 5-33 | 0-5 | 2.9~20.0 |
| Machinery and other equipment | Straight-line method | 3-20 | 0-5 | 4.8~33.3 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets (Continued)

15.2 Depreciation method (Continued)

Metal trading-related subsidiaries of the Group

| Category | Depreciation method | Depreciation period | Residual value rate (%) | Annual depreciation rate (%) |
|--|----------------------|---------------------|-------------------------|------------------------------|
| Buildings | Straight-line method | 20 | 5 | 4.8 |
| Machinery and equipment | Straight-line method | 3-5 | 5 | 19.0~31.7 |
| Electronic equipment, appliances and furniture | Straight-line method | 5 | 5 | 19.0 |

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

15.3 Other descriptions

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

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

16. Construction in progress

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Borrowing costs

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

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

18. Biological assets

Biological assets of the Group are consumable biological assets.

Consumable biological assets are biological assets held for sale or to be harvested as agricultural products in the future. The consumable biological assets the Group owns are timbers.

Upon harvest or disposal of consumable biological assets, the Group uses the weighted average method to carry forward the cost by carrying amount.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets

19.1 Intangible assets

Intangible assets include land use rights, exploration and mining rights, copper supply concessions, supplier relationships, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less accumulated impairment provision is amortized over its estimated useful life using the straight-line method or the units of production method. Amortization method, useful life and estimate residual value rate of all intangible assets are as follows:

| Category | Amortization method | Useful life (year) | Residual value rate (%) |
|-------------------------------|----------------------------|-------------------------------|------------------------------------|
| Land use rights | Straight-line method | 50 years | 0 |
| Exploration and mining rights | Units of production method | N/A | 0 |
| Copper supply concessions | Units of purchase method | N/A | 0 |
| Supplier relationship | Straight-line method | 15 years | 0 |

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

See Note (III) 20. "Impairment of long-term assets" for the details of impairment test of intangible assets.

19.2 Research and development expenditure for internal study

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

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

- 1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- 2) the Group has the intention to complete the intangible asset and use or sell it;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (Continued)

19.2 Research and development expenditure for internal study (Continued)

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

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

20. Impairment of long-term assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Impairment of long-term assets (Continued)

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

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

21. Long-term prepaid expenses

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

22. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Contract assets and contract liabilities under the same contract are presented at net amount.

23. Employee benefits

23.1 Accounting treatment of short-term remuneration

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Employee benefits (Continued)

23.2 Accounting treatment of post-employment benefits

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

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

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

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

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

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

23.3 Accounting treatment of termination benefits

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Employee benefits (Continued)

23.4 Accounting treatment of other long-term employee benefits

For other long-term employee benefits, where the definition of defined contribution plans is met, it is accounted for according to above-mentioned requirements of defined contribution plans. Otherwise, net liabilities or net assets of such other long-term employee benefits are recognized and measured according to related requirements of defined benefit plans. At the end of reporting period, the cost of employee benefits arising from other long-term employee benefits are recognized as service cost, and net interest of net liabilities or net assets of other long-term employee benefits, and changes arising from re-measurement of net liability or net assets of other long-term employee benefits. The total net amount of those items is either charged to profit or loss in the period, or included in cost of related assets.

24. Provisions

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

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

25. Share-based payments

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

25.1 Equity-settled share-based payments

Equity-settled share-based payments granted to employees.

The equity-settled share-based payments granted to employees for exchange of the services rendered by employees are measured at the fair value of the equity instrument at the grant date. The amount of the fair value in the vesting period is determined based on the best estimate of the quantity of exercisable equity instruments, and included in related cost or expenses using straight-line method, with capital reserve increased accordingly.

At each balance sheet date within the vesting period, the Group revises the quantity of expected exercisable equity instruments on the basis of best estimate made based on subsequent information such as the latest change in number of employees with vesting rights.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Share-based payments (Continued)

25.2 *Cash-settled share-based payments*

Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share or other equity instruments. The Group recognizes the services for the period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at each balance sheet date within the vesting period. Until the liability is settled, the Group re-measures the fair value of the liability at each balance sheet date and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

25.3 *Accounting treatment related to implementation, modification and termination of share-based payment plan*

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognized for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Other financial instruments such as preference shares, perpetual bonds, etc.

Other financial instruments such as the as preference shares, perpetual bonds issued by the Group are accounted for as equity instruments if all the following criteria are satisfied:

- (1) The financial instrument does not include a contractual obligation of delivering cash or other financial assets to other party, or exchanging financial assets or financial liabilities with other party under potentially adverse conditions;
- (2) Where the financial instrument is required to be or may be settled using the Group's own equity instrument, it does not include a contractual obligation of settlement by delivering variable quantity of the Group's own equity instruments if the financial instrument is not a derivative instrument; or the financial instrument is settled by exchanging only fixed quantity of the Group's own equity instruments for a fixed amount of cash or other financial assets if the financial instrument is a derivative instrument.

Except for those satisfy the above criteria of classification as equity instruments, the Group's other financial instruments are classified as financial liabilities.

For other financial instruments (including preference shares, perpetual bonds, etc.) classified as financial liabilities, the interest expenses or dividends distribution are accounted for as borrowing cost, with any gain or loss arising from the repurchase or redemption included in profit or loss for the period. If the financial liabilities are measured at amortized cost, related transaction costs are included in initial measurement amount.

For other financial instruments (including preference shares, perpetual bonds, etc.) classified as equity instruments, the interest expenses or dividends distribution are accounted for as profit distribution, and the repurchase, cancellation, etc. are dealt with as changes in equity, with related transaction costs deducted from equity.

27. Revenue

The revenue of the Group is mainly from:

(1) *Sale of goods and metal trading*

The Group sells minerals including self-produced mineral products of molybdenum, tungsten, niobium, phosphorus, copper, cobalt and gold, etc. and commercial mineral products of copper, lead and zinc concentrates and copper, lead and zinc refined metal to the customers. Generally, the performance business only includes delivery of goods in the contract concerning sales of goods, so the consideration of sale is recognized according to the price as agreed in the sales contract. The Group recognizes the revenue at the time point when the control over the relevant goods are passed to the customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Revenue (Continued)

(2) *Metal flow transaction*

In respect of the Group's metal flow transaction contracts, the Group receives payments in advance from customers for the sale of goods (gold, silver and other mineral products), which are first recognized as liabilities (contract liabilities and other non-current liabilities – metal flow transaction contract liabilities) and then transferred to revenue when the relevant performance obligations are satisfied, i.e. when control of the goods is transferred to the customer. Where a metal flow contract has a significant financing component, the Group determines the transaction price at the time of entering into the metal flow contract based on the amount payable in cash assuming that the customer will pay for the goods as soon as it obtains control over these goods, and the difference between this transaction price and the contract consideration is amortized over the term of the contract using the effective interest method. Where, at the date of commencement of the contract, the Group expects that the interval between the acquisition of control over the goods or services by the customer and the payment of the price by the customer will be less than one year, the existence of a significant financing component in the contract is not taken into account.

(3) *Hotel services*

The Group provides services to the customers through its self-operated hotels and accordingly obtains revenue which is recognized over the period when the customers obtain and consume the relevant services.

(4) *Others*

The Group provides auxiliary material businesses including sales of scrap to the customers and accordingly obtains revenue which is recognized at the time point when the control over the relevant goods is transferred to the customers.

The Group recognizes revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Revenue (Continued)

(4) Others (Continued)

The Group evaluates a contract at the contract inception date, identifies each performance obligation contained in the contract, and determines whether the performance obligation is performed during a period of time or at a point of time. It is a performance obligation satisfied during a period of time and the Group recognizes revenue during a period of time according to the progress of performance if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods or services in progress during the Group's performance; (iii) goods or services generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, revenue is recognized at a point in time when the customer obtains control over the relevant goods or services.

Where a contract includes a variable consideration (e.g. metal flow transaction contracts, etc.), the Group determines the best estimate of the variable consideration based on the expected or most probable amount. The transaction price that includes variable consideration does not exceed the amount for which it is highly probable that there will be no material reversal of the revenue recognized in the aggregate when the relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration to be included in the transaction price.

The Group assesses whether it controls each specified good or service before that good or service is transferred to the customer to determine whether the Group is a principal or an agent. If the Group controls the specified good or service before that good or service is transferred to a customer, the Group is a principal and recognizes revenue in the gross amount of consideration received or receivable. Otherwise, the Group is an agent and recognizes revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the receipts in advance are non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low for the customer to satisfy remaining performance obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Types and accounting treatment of government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

28.1 Criterion and accounting treatment of government grants related to assets

The government grants of the Group mainly include grant for demonstration base project, etc. Due to direct relationship with investment and construction of fixed assets, such government grants are defined as the government grants related to assets.

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

28.2 Criterion and accounting treatment of government grants related to income

The government grants of the Group mainly include receipts of tax refunds, etc... Such government grants are defined as the government grants related to income.

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

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income and expenses.

29. Deferred tax assets/Deferred tax liabilities

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

29.1 Current income taxes

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred tax assets/Deferred tax liabilities (Continued)

29.2 *Deferred tax assets and deferred tax liabilities*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred tax assets/Deferred tax liabilities (Continued)

29.3 Offsetting of income taxes

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

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

30. Stripping costs

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Exploration, assessment and development expenditures

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

32. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration.

The Group assesses whether a contract is, or contains, a lease at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

32.1 *The Group as a lessee*

32.1.1 Separating components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

32.1.2 Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognizes a right-of-use asset at the commencement date of the lease. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use. The right-of-use asset is measured at cost. The cost of the right-of-use asset shall include:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Leases (Continued)

32.1 *The Group as a lessee (Continued)*

32.1.2 Right-of-use assets (Continued)

The Group makes provision for the depreciation of right-of-use assets in accordance with Accounting Standards for Business Enterprises No. 4 – Fixed Assets. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease terms are depreciated from commencement date to the end of their useful lives. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group assesses and determines whether the right-of-use asset is impaired and accounts for any impairment loss identified in accordance with Accounting Standards for Business Enterprises No. 8 – Impairment of Assets.

32.1.3 Lease liabilities

Except for short-term leases and leases of low-value assets, at the commencement date of a lease, the Group recognizes the lease liability at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments are payments to the lessor for the right to use the underlying asset during the lease term made by the Group, including fixed payments and in-substance fixed payments, less any lease incentives receivable, if applicable.

After the commencement date, the Group recognizes interest expenses in each accounting periods during the lease, based on a constant periodic rate of interest on the remaining balance of the lease liabilities, and charges to profit or loss or the related costs of assets for the current period.

After the commencement date, the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments and the corresponding right-of-use asset is adjusted, if the carrying amount of right-of-use assets has been reduced to zero, but the lease liability still needs to be further reduced, the difference is recognized in the profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Leases (Continued)

32.1 *The Group as a lessee (Continued)*

32.1.4 Short-term leases and leases of low-value assets

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases of transportation devices and machinery equipment and leases of low-value assets. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain any purchase options. A lease of a low-value asset, is a lease that the single underlying asset, when it is new, is of low value. The Group shall recognize the lease payments associated with short-term leases and leases of low-value assets as the cost of the related assets or profit or loss on a straight-line basis over the lease term.

32.1.5 Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group reallocates the consideration in the contract, and remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

For the decrease in scope of lease or the lease term arising from lease modification, the Group should decrease the carrying amount of right-of-use assets and recognizes the gains or losses relating to the partly or full derecognition of the lease into the profit or loss in current period. For remeasurement arising from lease modification, the Group should adjust the corresponding carrying amount of right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Leases (Continued)

32.1 The Group as a lessee (Continued)

32.1.6 Deferred tax assets and deferred tax liabilities relating to leases

Where the Group recognizes right-of-use assets and lease liability relating to lease transaction, the deferred income tax is recognized in accordance with the relevant regulations of Accounting Standards for Business Enterprises No.18 – Income Tax regarding lease transaction in its entirety. The Group assesses the temporary difference on the basis of net amount of right-of-use assets and lease liability, and recognizes deferred tax assets and deferred tax liabilities.

33. Other significant accounting policies and accounting estimates

33.1 Safety production expenses

In accordance with the Notice on Issuing the Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds (Cai Qi [2012] No. 16), the safety expenses for domestic mining enterprises are provided as per RMB5/ton for raw ore of surface mine, RMB10/ton for raw ore of downhole mine and RMB1/ton for tailing pond; the safety expenses for domestic metallurgy enterprises are provided as per actual operating revenue in the prior year and are provided month by month based on the following standards with excessive and accumulative withdrawal method:

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

In accordance with the Notice on Issuing the Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds (Cai Zi [2022] No. 136), from 1 December 2022, the safety expenses for domestic mining enterprises are provided as per RMB5/ton for raw ore of surface mine, RMB15/ton for raw ore of downhole mine and RMB4/ton for tailing pond;

When safety expenses of the enterprises are provided as per the standards, debit “manufacturing expenses” and credit “special reserve”.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Other significant accounting policies and accounting estimates (Continued)

33.1 Safety production expenses (Continued)

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

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

33.2 Hedge accounting

33.2.1 Basis of adopting hedge accounting and relevant accounting treatment

Some financial instruments are designated as hedging instruments by the Group for the purpose of managing risk exposure caused by specific risks such as foreign exchange risk, interest rate risk, price risk, etc. The Group applies hedging accounting for a hedge that satisfies the prescribed conditions. Hedging activities of the Group include fair value hedges and cash flow hedges.

At the inception of the hedge, the Group designates hedging instruments and hedged items formally, and prepares written documents of the nature of hedging instruments, hedged items and hedged risks as well as the effective assessment methods of hedge (including analysis on the causes for effective hedging and the method to determine the hedging ratio).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Other significant accounting policies and accounting estimates (Continued)

33.2 Hedge accounting (Continued)

33.2.1 Basis of adopting hedge accounting and relevant accounting treatment (Continued)

The Group will terminate the application of hedge accounting if one of the following conditions is met:

- the risk management objective is changed so that the hedging relationship no longer meets the risk management objective.
- the hedging instrument expires, or is sold, terminated or exercised.
- an economic relationship no longer exists between the hedged items and the hedging instruments, or the effect of credit risk starts to dominate in the changes in value arising from the economic relationship between the hedged items and the hedging instruments.
- the hedging relationship no longer meets other conditions for hedge accounting.

Fair value hedges

The Group recognizes gains or losses arising from hedging instruments in current profit or loss. Where a hedging instrument is a hedge of an investment in a non-trading equity instrument that has been elected to be measured at FVTOCI, the gain or loss arising on the hedging instrument is included in other comprehensive income.

The Group recognizes gains or losses on hedged items arising from hedged exposures in current profit or loss and adjusts the carrying amount of recognized hedged items not measured at fair value. If the hedged item is a financial asset classified as at FVTOCI, the gain or loss arising from the hedged exposure is included in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Other significant accounting policies and accounting estimates (Continued)

33.2 Hedge accounting (Continued)

33.2.1 Basis of adopting hedge accounting and relevant accounting treatment (Continued)

Cash flow hedges

The Group recognizes the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge in the other comprehensive income as cash flow hedges, and recognizes the portion that is determined to be an ineffective hedge in current profit or loss. The cash flow hedging reserve shall be determined to be the lesser of (in absolute amounts) 1) the cumulative gain or loss on the hedging instrument from inception of the hedge; and 2) the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or the forecast transaction of a non-financial asset or a non-financial liability forms a firm commitment applicable to fair value hedge accounting, the Group will reclassify the cash flow hedging reserve originally recognized in the other comprehensive income into initial carrying amount of the asset or liability. For the cash flow hedges not under the above conditions, the Group will reclassify the cash flow hedging reserve originally recognized in the other comprehensive income into current profit or loss in the same period(s) during which the hedged expected cash flow affects profit or loss. If the cash flow hedging reserve recognized in the other comprehensive income is a loss all or a portion of which will not be recovered in future accounting periods, the Group shall reclassify into profit or loss the amount that is not expected to be recovered.

When the Group terminates the application of hedge accounting to cash flow hedge, if the hedged future cash flow is still expected to happen, the accumulated cash flow hedging reserve should be reserved and an accounting treatment should be made in the above manner; if the hedged future cash flow is expected not to happen, the accumulated cash flow hedging reserve will be reclassified from other comprehensive income into current profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Other significant accounting policies and accounting estimates (Continued)

33.2 Hedge accounting (Continued)

33.2.2 Method for assessing effectiveness of hedging

The Group assesses whether the hedging relationship conforms to the hedge effectiveness requirements at the inception date of the hedge and the subsequent periods continuously. A hedge is regarded as conforming to the hedge effectiveness requirement if all of the following conditions are met:

- An economic relationship exists between the hedged items and the hedging instruments.
- The effect of credit risk is not dominant in the changes in value arising from the economic relationship between the hedged items and the hedging instruments.
- The hedge ratio of hedging relationship is equal to the ratio between the quantity of actual hedged items of the Group and the actual quantity of hedging instruments to hedge them.

Where the hedging relationship no longer conforms to the hedging effectiveness requirement due to hedge ratio, but the risk management objective for such set of hedging relationship designated by the Group stays unchanged, the Group will rebalance the hedging relationship and adjust the quantity of the hedged items or hedging instruments having existed in the hedging relationship to make the hedge ratio conform to the hedge effectiveness requirement again.

34. Key assumptions and uncertainties in the accounting estimates

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Key assumptions and uncertainties in the accounting estimates (Continued)

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

Estimate of mineral reserve

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

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

The useful life of fixed assets

The management judges the estimated useful life of fixed assets and their residual value. The estimate should base on the experience in actual useful life of fixed assets and assume the government will update upon expiration of mining rights. The scientific innovation and fierce industrial competition have material impact on the estimate of useful life. Where the actual useful life is different from the estimated useful life, the management should adjust the depreciation amount

Impairment of non-current assets other than financial assets

The Group assesses whether there are any indicators of impairment of all non-current assets other than financial assets at the balance sheet date. Non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Intangible assets with indefinite useful life or not yet available for use and goodwill are tested for impairment annually, irrespective of whether there is any indication that the assets and goodwill may be impaired. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. Impairment exists if the carrying amount of an asset or asset group is higher than recoverable amount, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group. For the net amount of fair value less costs of disposal, it is determined by referring to the observable market prices less incremental costs for disposing of the asset. For the estimated future cash flows, the changes in assumptions adopted by the Group, such as budgeted gross profits, discount rates and inflation rates of raw material prices, may have a significant impact on the present value of future cash flows used in the impairment test.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Key assumptions and uncertainties in the accounting estimates (Continued)

Revenue recognition – metal flow transactions

The Group's metal cash flow transaction contract contains variable considerations and significant financing components. The unrecognized financing expenses are amortized in each reporting period, with the balance of contract liabilities and other non-current liabilities (metal flow transaction contract liabilities) adjusted accordingly. In application of Revenue Standards to account for the metal flow transactions, the key assumptions adopted by the Group include the discount rate of significant financing component, mineral reserves, expected time and quantity of delivery, as well as the forecasted market price of the goods, etc. The changes in the above estimates may have impact on the adjustment of variable considerations and the measurement of contract liabilities and other non-current liabilities (metal flow transaction contract liabilities).

Provision for closure, restoration and rehabilitation costs

Provision for closure, restoration and rehabilitation costs has been determined by the directors based on their best estimates. The directors estimated this liability for final reclamation and mine closure based upon detailed calculations of the amount and timing of future cash flows spending for a supplier to perform the required work, escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability, such that the provision reflects the present value of the expenditures expected to be required to settle the obligation. However, in so far as the effect on the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the future. The provision is reviewed regularly to verify that it properly reflects the present value of the obligation arising from the current and past mining activities. The adjustments to the expected rehabilitation costs for the current year are detailed in Note (V) 15.

Deferred tax assets

The realization of deferred tax assets mainly depends on actual future profits and taxable temporary differences. In cases where the actual future profits are less than the expected profits or the actual tax rates are lower than the expected tax rates, deferred tax assets recognized will be reversed and recognized in the consolidated profit or loss account for the period during which such reversals take place.

Income tax

Since the operating environment for subsidiaries of the Group situated in the Brazil and Congo (DRC) is special, and the final tax decisions on certain transactions made by local tax authorities have uncertainties. The income tax expenses accrued by the relevant subsidiaries during the reporting period are objectively estimated based on existing tax laws and other relevant tax policies. The provision for liabilities uses significant accounting estimates and is based on the management's best estimate of future income tax to be paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Key assumptions and uncertainties in the accounting estimates (Continued)

Income tax (Continued)

In 2018, the government of Congo (DRC) approved a new mining law (“New Mining Law of Congo (DRC)”), which introduces extensive reform, including adoption of higher royalties, new excess profit tax system and further regulatory control. The implementation of this mining law is to a certain degree uncertain, especially the extent of application and explanation. The explanation and challenges raised by tax authority of Congo (DRC) in respect of the new mining law may have material impact on the deferred tax recognized by the Group.

Contingent liabilities

The Group will face a wide range of legal disputes in the course of continuing operations, and the results of the relevant disputes are highly uncertain.

When the economic benefits related to a particular administrative and legal dispute are considered to be extremely likely to flow out and measurable, the management of the Group will make corresponding provisions according to the professional legal advice. The management uses judgment to determine whether a provision shall be made for the relevant administrative and legal dispute or whether the dispute shall be disclosed as a contingent liability. Details are set out in Note (V)38 and Note (XII).

Fair value measurement and valuation procedure

Group’s held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and trading inventories at fair value that are related with IXM business are measured at fair value. In determining the fair value of the underlying assets and liabilities, the management of the Group will adopt the appropriate valuation method and the input value of the fair value measurement according to the nature of the underlying assets and liabilities. For the selection of input values, the Group will use observable market data wherever possible. The Group will set up an internal valuation team or employs eligible appraisers from a third party to assess the part of financial instruments in respect of which the Level 1 inputs are not available. The financial department of the Group will cooperate with the valuation team or eligible external appraisers closely to determine suitable valuation technology and inputs of relevant model. For the relevant information relating to the valuation technology and input adopted in determining the fair value of assets and liabilities, refer to Note (IX).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. New accounting requirements applied in the current year

Interpretation No. 15 of the Accounting Standards for Business Enterprises

The *Interpretation No. 15 of the Accounting Standards for Business Enterprises* (the “*Interpretation No. 15*”) was issued by the Ministry of Finance on 30 December 2021, which stipulated the accounting treatment of external sale of products or by-products produced by an enterprise before the fixed assets are ready for intended use or in the process of research and development, as well as the judgment on onerous contract.

Accounting treatment of external sale of products or by-products produced by an enterprise before the fixed assets are ready for intended use or in the process of research and development

In accordance with the *Interpretation No. 15*, if an enterprise sells products or by-products produced before the fixed assets are ready for intended use or in the process of research and development, it shall, in accordance with the provisions of *Accounting Standards for Business Enterprises No. 14 – Revenue and Accounting Standards for Business Enterprises No. 1 – Inventory*, respectively conduct accounting treatment of income and costs related to the trial sale, and include them in profit or loss for the period, but the balance of the related income from trial sale less cost shall not be used to offset against the cost of fixed assets or research and development expenses. Concurrently, an enterprise shall separately disclose in the notes the information including the amount of related income from and cost of trial sale, the specific presenting items, and the significant accounting estimates applied in determining the cost of trial sale. The *Interpretation* became effective on 1 January 2022, and retroactive adjustments should be made for trial sale that occurred between the beginning of the earliest presentation period of the financial statements and 1 January 2022.

Upon assessment, the Group considers that the adoption of this *Interpretation* has no significant impact on the financial statements of the Group.

Judgment on onerous contracts

The *Interpretation No. 15* clarifies that the “cost to perform the contract” considered by an enterprise in determining whether a contract is an onerous contract shall include the incremental cost to perform the contract and the apportioned amount of other costs directly related to the performance of the contract. The *Interpretation* became effective on 1 January 2022, and an enterprise shall implement this *Interpretation* on contracts to which the obligations have not been completely fulfilled by 1 January 2022. The accumulative effect is adjusted for the opening balance of retained earnings for the year when the *Interpretation* is implemented and other related items to the financial statements, but not adjusted for the comparative data of prior periods.

Upon assessment, the Group considers that the adoption of this *Interpretation* has no significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. New accounting requirements applied in the current year (Continued)

Interpretation No. 16 of the Accounting Standards for Business Enterprises

The *Interpretation No. 16 of the Accounting Standards for Business Enterprises* (the “*Interpretation No. 16*”) was issued by the Ministry of Finance on 30 November 2022, which stipulated the accounting treatment concerning 1) the income tax effect of dividends on a financial instrument classified as an equity instrument by the issuer and 2) the change of cash-settled share-based payment to equity-settled share-based payment by an enterprise.

Accounting treatment concerning the income tax effect of dividends on a financial instrument classified as an equity instrument by the issuer

In accordance with the *Interpretation No. 16*, for a financial instrument classified as an equity instrument by an enterprise in accordance with the *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* and other applicable provisions, if the relevant dividend payments are deductible before enterprise income tax in accordance with the relevant tax provisions, the enterprise, on recognition of dividends payable, shall include the tax effect of dividends in profit or loss or owners’ equity using the same accounting treatment for previous transactions or events that generated distributable profits. The *Interpretation* became effective on 30 November 2022. Where the recognition of dividends payable by a financial instrument classified as an equity instrument occurs during the period from 1 January 2022 to the effective date of this *Interpretation*, the enterprise shall adjust the tax effect if such effect exists but is not treated according to the provisions hereinabove. Where the said recognition occurs before 1 January 2022 but the relevant financial instrument has not been derecognized as at 1 January 2022, the enterprise shall adjust the tax effect retrospectively if such effect exists but is not treated according to the provisions hereinabove.

The Group considers that the adoption of this *Interpretation* has no significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(III). SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. New accounting requirements applied in the current year (Continued)

Interpretation No. 16 of the Accounting Standards for Business Enterprises (Continued)

Accounting treatment concerning the change of cash-settled share-based payment to equity-settled share-based payment by an enterprise

In accordance with the *Interpretation No. 16*, where an enterprise changes the terms and conditions of a cash-settled share-based payment agreement to those of an equity-settled share-based payment agreement, the enterprise shall, on the date of change, measure the equity-settled share-based payment at the fair value of the granted equity instrument on the current day, include the services received in capital reserve, and at the same time, derecognize the liability that has been recognized for cash-settled share-based payment on the date of change, with the resulted difference included in profit or loss for the period. The Interpretation became effective on 30 November 2022. For the aforesaid transactions that are added during the period from 1 January 2022 to the effective date of this Interpretation, the enterprise shall make adjustments in accordance with the provisions of this Interpretation. If any transaction occurred before 1 January 2022 is not treated in accordance with the aforesaid provisions, the enterprise shall adjust the retained earnings as of 1 January 2022 and other related items to the financial statements based on the accumulative effect, without adjusting the information of the comparable period.

The Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IV). TAXATION

1. Major categories of taxes and tax rates

| Category of tax | Basis of tax assessment | Tax rate |
|---|---|---|
| Chinese VAT | The Company is a general taxpayer. Value-added Tax ("VAT") on sales is paid after deducting input VAT on purchases. | 13%, 9%, 6% |
| Chinese urban maintenance and construction tax | Actual turnover tax | For city urban area, tax rate is 7%; For county town, tax rate is 5%; For others, tax rate is 1%. |
| Chinese resource tax | Sales volume of concentrate | 6.5%, 8% collection on ad valorem basis (<i>Note 1</i>) |
| Chinese educational surtax and surcharge | Actual turnover tax | 3% |
| Chinese regional educational surtax and surcharge | Actual turnover tax | 2% |
| Australia goods and services tax ("GST") | Amount of the income from rendering of goods and services in Australia less the deductible purchase cost. It is not required to pay goods and services tax for export goods and the refund policy of goods and services tax is also applicable. | 10% of the sales price of goods or services |
| Australia mining royalty | Royalty of mineral resources can be levied by volume or by price. If levied by volume, the royalty will be levied per the unit of exploited minerals. If levied by price, it will be levied per 4% of the total value or the sales price of exploited minerals. | 4% ex-mine value |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IV). TAXATION (CONTINUED)

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

| Category of tax | Basis of tax assessment | Tax rate |
|--|--|--|
| Brazil social contribution tax and goods circulation tax | Brazil local social contribution tax (PIS & CONFINS) and the goods circulation tax (ICMS) are applicable to CMOC Brazil, of which the tax basis is the balance of income from rendering of goods and services in Brazil less the deductible costs. It is not required to pay social contribution tax and goods circulation tax for export goods. | The social contribution tax is 9.25% of the sales price of goods or services. The goods circulation tax is 4% -25% of the sales price of goods or services. The tax rates imposed by the local states of Brazil are different. |
| Congo (DRC) VAT | VAT of the Democratic Republic of the Congo ("DRC") is applicable to CMOC Kisanfu Mining S.A.R.L ("KFM") and TFM | The output VAT is calculated at 16% of the sales amount calculated in accordance with the relevant tax provisions. |
| Royalties of mining rights in Congo (DRC) | Sales of related products | <i>Note 2</i> |
| Congo (DRC) exchange tax | The amount of foreign currency paid to or received from countries other than Congo (DRC). | 0.2% |
| Enterprise income tax | Taxable income: the amount of taxable income is computed on basis of adjusted pre-tax accounting profit of the period in accordance with the relevant provisions of the tax law multiplying by the statutory tax rate. | <i>Note 3</i> |

Note 1: According to the Law of People's Republic of China on Resources Tax, the resources tax is price-based or quantity-based. The taxes on Tungsten and Molybdenum resources are price-based and are calculated at 6.5% and 8% respectively.

Note 2: In accordance with the new mining act of Congo (DRC), the Group calculates and pays royalties of mining rights at 3.5% and 10% respectively in respect of the revenue from sales of products relating to copper and cobalt business in Congo (DRC).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IV). TAXATION (CONTINUED)

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

Note 3: Applicable tax rates:

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

According to the two-tier profits tax regime, the qualified HK companies apply profits tax rate of 8.25% to the first HKD2,000,000 taxable profit, and apply 16.5% to the portion of taxable profit exceeding HKD2,000,000. For related companies within a single Group, only one enterprise can be nominated for the benefit. China Molybdenum (Hong Kong) Company Limited and CMOC Co., Ltd. are incorporated in Hong Kong. The applicable enterprise income tax rate for China Molybdenum (Hong Kong) Company Limited is 16.5%; the applicable enterprise income tax rates for CMOC Co., Ltd. is 8.25% and 16.5%.

CMOC Mining Pty Limited ("CMOC Mining") and CMOC Mining Services Pty. Limited ("CMOC Mining Services") are incorporated in Australia, and are subject to Income Tax levied at a rate of 30%.

CMOC UK Limited ("CMOC UK") is incorporated in the United Kingdom, thus is subject to the applicable income tax rate of 19%.

CMOC Brazil Mineração, Indústria e Participações Ltda. ("CMOC Brazil") are incorporated in Brazil, thus are subject to the income tax rate of 34%.

There's no enterprise income tax for the subsidiaries of the Group established in Bermuda and the British Virgin Islands ("BVI").

TFM and KFM are incorporated in Congo (DRC) and are subject to the enterprise income tax rate of 30%. In addition, when the prices of materials or commodities significantly increase by 25% on average basis comparing to the prices disclosed in the feasibility study report of the Company, the mining enterprises are required to pay excess profit tax at 50% of the profit.

IXM and its subsidiaries principally operate in Switzerland and China. Applicable income tax rate of its subsidiaries in Switzerland is 13.99%.

2. Tax incentive and approval

According to the Law of the People's Republic of China on Enterprise Income Tax and the Implementation Provisions, the revenue from products satisfying the state industrial policy produced by comprehensive utilization of resources may be partially deducted when calculating the taxable income. Such deduction represents that the enterprise's revenue from using the resources included in the Catalogue of Preferential Enterprise Income Tax for Comprehensive Utilization of Resources as the main raw material to produce the products that are neither restricted not forbidden by the state and satisfy the national and industrial standards is included in taxable income at 90%. The proportion of the aforesaid raw material to the total materials used to produce the product shall not be lower than the standards specified in the Catalogue of Preferential Enterprise Income Tax for Comprehensive Utilization of Resources. However, the Company sold powdered Tungsten (scheelite concentrates) is still within the scope of Catalogue of Preferential Enterprise Income Tax for Comprehensive Utilization of Resources. Therefore, the Company still recognized 90% of sales of powdered Tungsten (scheelite concentrates) to taxable income during the year 2021 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IV). TAXATION (CONTINUED)

2. Tax incentive and approval (Continued)

In accordance with the Resource Tax Law of the People's Republic of China ("New Resource Tax Law"), the resource tax rate for molybdenum minerals is 8%, and the exemption or reduction of resource tax for associated mines is decided by the provincial people's congresses; in accordance with the decision of the Nineteenth Meeting of the Standing Committee of the Thirteenth People's Congress of Henan Province on 31 July 2020, associated mines are exempt from resource tax. Since 1 September 2020, the Company's associated tungsten, associated iron and other associated mines continue to be exempt from resource tax, and the symbiotic tungsten, symbiotic iron and other symbiotic minerals are levied for resource tax at the applicable preferential tax rate.

On 9 September 2020, the Company received a "high-tech enterprise certificate", No. GR202041000074, which was jointly issued by the Henan Science and Technology Department, the Henan Finance Department, and the Henan Provincial Tax Service, State Taxation Administration. The issuance of the high-tech enterprise certificate is a re-recognition after the expiration of the previous certificate, which is valid for 3 years. The Company will enjoy a preferential enterprise income tax from 1 January 2020 to 31 December 2022 and the applicable enterprise income rate during above period is 15%.

In accordance with the Measures for the Implementation of the Enterprise Income Tax Policies of the Tibet Autonomous Region (Provisional) (Zang Zheng Fa (2022) No. 11) and the Notice on Several Provisions of the Preferential Policies for Investment Promotion of the Tibet Autonomous Region issued by the People's Government of the Tibet Autonomous Region, Article 5 and Article 6 of the above documents stipulate that enterprises meeting certain conditions shall be exempted from local share of enterprise income tax from 1 January 2021 to 31 December 2025. The subsidiary of the Group, Tibet Shmok Investment Co., Ltd. ("Tibet Shmok"), meets the condition for enjoying a preferential tax and the condition for exemption from local share of enterprise income tax stipulated in the above documents. Therefore, the applicable enterprise income rate of Tibet Schmoke is 9% during the above period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

| Item | 31 December 2022 | | | 31 December 2021 | | |
|--|-----------------------------|---------------|--------------------------|-----------------------------|---------------|-------------------|
| | Amount in original currency | Exchange rate | Amount in RMB | Amount in original currency | Exchange rate | Amount in RMB |
| Cash: | | | 1,503,981.98 | | | 1,322,107.51 |
| RMB | 3,020.77 | 1.0000 | 3,020.77 | 8,045.77 | 1.0000 | 8,045.77 |
| USD | 194,753.93 | 6.9646 | 1,356,383.22 | 186,322.85 | 6.3757 | 1,187,938.60 |
| CDF | 42,017,001.00 | 0.0034 | 142,330.45 | 39,533,701.00 | 0.0032 | 126,033.82 |
| ZAR | 5,491.82 | 0.4093 | 2,247.54 | 222.76 | 0.4008 | 89.32 |
| Bank balance: | | | 29,044,044,668.95 | | | 20,391,368,736.18 |
| RMB | 10,655,159,604.42 | 1.0000 | 10,655,159,604.42 | 6,149,239,350.56 | 1.0000 | 6,149,239,350.56 |
| USD | 2,400,935,097.76 | 6.9646 | 16,721,552,539.10 | 2,016,972,219.00 | 6.3757 | 12,859,617,897.16 |
| EUR | 1,111,313.24 | 7.4229 | 8,249,167.07 | 5,835,984.60 | 7.2207 | 42,139,975.33 |
| HKD | 3,422,391.04 | 0.8934 | 3,057,623.63 | 7,600,640.56 | 0.8175 | 6,213,505.49 |
| CAD | 1,199,223.00 | 5.1385 | 6,162,207.39 | 1,198,707.32 | 5.0124 | 6,008,403.84 |
| AUD | 11,841,302.91 | 4.7185 | 55,873,383.15 | 7,529,424.77 | 4.6263 | 34,833,671.89 |
| BRL | 1,173,035,499.92 | 1.3348 | 1,565,770,941.75 | 1,110,403,258.46 | 1.1425 | 1,268,631,494.49 |
| GBP | 254,150.79 | 8.4011 | 2,135,140.42 | 241,715.11 | 8.4574 | 2,044,275.69 |
| SGD | 537,385.49 | 5.1852 | 2,786,470.85 | 79,129.49 | 4.7217 | 373,628.71 |
| CDF | 1,632,641,810.18 | 0.0034 | 5,530,513.64 | 600,942,414.97 | 0.0032 | 1,915,767.59 |
| ZAR | 34,364,272.91 | 0.4093 | 14,063,684.48 | 36,122,693.33 | 0.4008 | 14,479,520.92 |
| AED | 2,583.99 | 1.8964 | 4,900.22 | 2,583.99 | 1.7358 | 4,485.37 |
| CHF | 59,872.18 | 7.5350 | 451,136.84 | 163,719.62 | 6.9924 | 1,144,798.38 |
| CLP | 8,721,054.00 | 0.0081 | 70,666.66 | 80,406,182.00 | 0.0075 | 602,935.22 |
| MXP | 4,504,865.20 | 0.3597 | 1,620,462.47 | 6,927,030.08 | 0.3108 | 2,152,725.20 |
| NAD | 120,117.69 | 0.4088 | 49,102.10 | 126,259.00 | 0.4001 | 50,511.45 |
| PEN | 716,776.56 | 1.8232 | 1,306,823.42 | 1,168,981.56 | 1.5947 | 1,864,201.19 |
| TRY | - | - | - | 3,189.91 | 0.4775 | 1,523.09 |
| IDR | 448,424,717.00 | 0.0004 | 200,301.34 | 112,116,673.00 | 0.0004 | 50,064.61 |
| Other cash and bank balances: | | | 3,602,016,617.35 | | | 3,925,334,145.87 |
| RMB | 989,428,127.50 | 1.0000 | 989,428,127.50 | 1,258,943,275.64 | 1.0000 | 1,258,943,275.64 |
| USD | 361,932,083.73 | 6.9646 | 2,520,712,190.35 | 413,421,903.52 | 6.3757 | 2,635,854,030.27 |
| EUR | 7,379,165.13 | 7.4229 | 54,774,804.84 | - | - | - |
| BRL | 3,512,820.65 | 1.3348 | 4,688,922.45 | - | - | - |
| CDF | 9,579,133,255.00 | 0.0034 | 32,412,572.21 | 9,581,744,373.00 | 0.0032 | 30,536,839.96 |
| Total | | | 32,647,565,268.28 | | | 24,318,024,989.56 |
| Including: Total amount deposited abroad | | | 19,377,543,546.96 | | | 14,633,643,450.92 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. Cash and bank balances (Continued)

Note: At 31 December 2022, other cash and bank balances which are restricted for use mainly include deposits for mines, deposits for loan interest, and certificates of deposit pledged for obtaining short-term borrowings, deposits for derivative financial instruments, deposits for bills and other deposits, amounting to RMB53,906,031.56, RMB1,197,708,898.92, RMB737,000,000.00, RMB73.65, RMB1,299,988,003.89 and RMB313,413,609.33 (31 December 2021: RMB49,678,315.20, RMB640,705,792.41, RMB675,600,000.00, RMB73.31, RMB2,525,168,260.87 and RMB34,181,704.08) respectively.

2. Held-for-trading financial assets

RMB

| | Fair value at the end of the year | Fair value at the beginning of the year |
|--|--------------------------------------|--|
| Financial assets at FVTPL | | |
| Including: Receivables (<i>Note 1</i>) | 4,105,796,953.55 | 6,110,112,384.81 |
| Structured deposits (<i>Note 2</i>) | 100,000,000.00 | 938,636,794.54 |
| Wealth management products | 10,231,506.89 | 48,186,385.22 |
| Fund products of financial institutions | 20,764,481.75 | 20,362,000.81 |
| Total | 4,236,792,942.19 | 7,117,297,565.38 |

Note 1: The major products of the Group are copper, lead, zinc concentrates, cobaltous hydroxide, etc., selling price of which is provisionally determined according to the market price upon delivery. Generally, the price is finally determined according to the monthly average spot price quoted by the London Metals Exchange (LME) or other agreed pricing methods within a specified period or a period subsequent to the delivery. The Group classifies the accounts receivable generated from relevant business as financial assets at FVTPL.

As at 31 December 2022, receivables with a carrying amount of USD367,659,035.48 (equivalent to RMB2,560,598,118.50) were pledged to obtain short-term borrowings. (2021: USD476,980,604.34 (equivalent to RMB3,041,085,239.10)).

Note 2: They are the structured deposits of RMB purchased by the Group from domestic financial institutions in the current year, the yield of which is linked to exchange rate. The Group classifies such deposits as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Derivative financial assets

RMB

| Item | Fair value at the end of the year | Fair value at the beginning of the year |
|---|--------------------------------------|--|
| Derivative financial instruments of which hedging relationship is not designated (<i>Note 1</i>) | | |
| Forward commodity contracts | 804,889,379.70 | 1,335,447,376.63 |
| Forward foreign exchange contracts | 71,907,037.93 | 58,414,462.37 |
| Commodity futures contracts | 535,447,878.84 | 436,957,595.83 |
| Commodity option contracts | 37,497,782.49 | – |
| Derivative financial instruments of which hedging relationship is designated | | |
| Commodity futures contracts (<i>Note 2</i>) | 495,111,488.36 | – |
| Total | 1,944,853,567.32 | 1,830,819,434.83 |

Note 1: The Group uses commodity (copper, lead, zinc concentrates, refined metals, etc.) futures contracts, forward commodity contracts and commodity option contracts to manage the risk of commodity purchases and future sales so as to avoid bearing the risk of significant changes in the price of relevant products arising from the fluctuation of the market price. Besides, the Group uses forward foreign exchange contracts for risk management to avoid the Group's exchange rate and interest rate risk.

The above forward commodity contracts, forward foreign exchange contracts, commodity futures contracts and commodity option contracts are not designated as hedging instruments. The gains or losses arising from changes in fair value of these contracts shall be directly recorded into profit or loss. See Note (V)56.

Note 2: It refers to the commodity futures contracts purchased by the Group, which are used to hedge fair value risks caused by price fluctuations in some copper products of the Group or cash flow risks caused by expected sales. The Group accounts for the above hedging instruments and corresponding hedged items in accordance with hedge accounting. See Note (V)65 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) Disclosure by aging

RMB

| Aging | 31 December 2022 | | |
|---------------|---------------------|----------------|----------------|
| | Accounts receivable | Loss allowance | Proportion (%) |
| Within 1 year | 818,672,585.69 | 35,816,949.44 | 4.38 |
| 1 – 2 years | 19,540,745.67 | 2,164,593.52 | 11.08 |
| 2 – 3 years | 59,384.78 | 34,883.35 | 58.74 |
| Over 3 years | 20,636,571.91 | 20,636,571.91 | 100.00 |
| Total | 858,909,288.05 | 58,652,998.22 | 6.83 |

RMB

| Aging | 31 December 2021 | | |
|---------------|---------------------|----------------|----------------|
| | Accounts receivable | Loss allowance | Proportion (%) |
| Within 1 year | 731,349,277.13 | 6,036,864.55 | 0.83 |
| 1 – 2 years | 3,897,385.05 | 405,317.22 | 10.40 |
| 2 – 3 years | 28,000,979.25 | 10,901,980.92 | 38.93 |
| Over 3 years | 18,682,996.91 | 18,682,996.91 | 100.00 |
| Total | 781,930,638.34 | 36,027,159.60 | 4.61 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(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, acid business and quicklime business in Congo (DRC), and metal trading business in Switzerland, the management believes that the credit risk is low. The Group classifies the customers into different groups on the basis of aging at the balance sheet date and historical repayments in respect of the tungsten and molybdenum business in China and phosphorus business in Brazil, and determines expected loss rate of accounts receivable for each group. At the balance sheet date, the Group recognizes the expected credit loss allowance for accounts receivable based on impairment matrix.

RMB

| Internal credit rating | 31 December 2022 | | | | 31 December 2021 | | | |
|------------------------|----------------------------|-----------------------|----------------------|-----------------------|----------------------------|-----------------------|----------------------|-----------------------|
| | Expected average loss rate | Book balance | Loss allowance | Carrying amount | Expected average loss rate | Book balance | Loss allowance | Carrying amount |
| Low risk | 0.09% | 417,676,924.84 | 390,328.82 | 417,286,596.02 | 0.04% | 623,785,238.20 | 263,044.42 | 623,522,193.78 |
| Normal | 2.59% | 158,382,584.69 | 4,103,048.24 | 154,279,536.45 | 2.54% | 49,637,331.37 | 1,260,825.22 | 48,376,506.15 |
| Attention | 6.86% | 228,194,762.60 | 15,664,851.04 | 212,529,911.56 | 6.45% | 69,601,340.76 | 4,488,581.80 | 65,112,758.96 |
| Doubtful (impaired) | 52.50% | 34,018,444.02 | 17,858,198.22 | 16,160,245.80 | 51.24% | 18,236,556.11 | 9,344,536.26 | 8,892,019.85 |
| Loss (impaired) | 100.00% | 20,636,571.90 | 20,636,571.90 | - | 100.00% | 20,670,171.90 | 20,670,171.90 | - |
| Total | | 858,909,288.05 | 58,652,998.22 | 800,256,289.83 | | 781,930,638.34 | 36,027,159.60 | 745,903,478.74 |

The expected average loss rate is measured based on historical actual impairment rate with the current situation and prediction on future economy taken into consideration. There are no changes in evaluation approach and significant assumption in 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) *Changes in expected credit loss allowance for accounts receivable*

RMB

| | Lifetime ECL |
|---|---------------------|
| 1 January 2022 | 36,027,159.60 |
| Transfer out due to direct write-down of financial assets | – |
| Provision of ECL for the year | 61,447,963.77 |
| Reversal of ECL for the year | (41,769,819.86) |
| Changes in exchange rate | 2,947,694.71 |
| 31 December 2022 | 58,652,998.22 |

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

RMB

| Name of entity | Amount | Proportion of the amount to the total accounts receivable (%) | Credit impairment loss |
|-----------------------|-----------------------|--|-------------------------------|
| 31 December 2022 | | | |
| Company B | 94,479,430.46 | 11.00 | 109,806.26 |
| Company BA | 74,652,318.58 | 8.69 | 86,762.72 |
| Company BB | 42,797,049.62 | 4.98 | 429,101.19 |
| Company BC | 39,448,979.65 | 4.59 | 1,002,964.88 |
| Company BD | 33,798,846.29 | 3.94 | 39,281.83 |
| Total | 285,176,624.60 | 33.20 | 1,667,916.88 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

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

RMB

| Name of entity | Amount | Proportion of the amount to the total accounts receivable (%) | Credit impairment loss |
|------------------|-----------------------|---|------------------------|
| 31 December 2021 | | | |
| Company X | 74,079,411.00 | 9.48 | – |
| Company F | 47,782,876.51 | 6.11 | 68,510.40 |
| Company B | 45,682,896.49 | 5.84 | 65,499.50 |
| Company H | 41,891,527.41 | 5.36 | 5,002,814.21 |
| Company Y | 33,492,106.91 | 4.28 | 3,349.22 |
| Total | 242,928,818.32 | 31.07 | 5,140,173.33 |

5. Financing with receivables

RMB

| Category | 31 December 2022 | 31 December 2021 |
|-----------------------------|-----------------------|-----------------------|
| Notes receivable | 388,389,728.54 | 662,973,657.80 |
| Including: Bank acceptances | 388,389,728.54 | 662,544,587.40 |
| Others | – | 429,070.40 |
| Total | 388,389,728.54 | 662,973,657.80 |

Part of notes receivable are endorsed or discounted by the Group in accordance with the daily fund requirement, and classified as financial assets at FVTOCI.

At 31 December 2022, the Group measures bad debt provision at lifetime ECL. The Group considers that there is minor possibility of significant loss arising from the default of banks, therefore it has no significant credit risk on bank acceptances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financing with receivables (Continued)

- (1) Financing with receivables endorsed or discounted and not yet matured of the Group at balance sheet date at the end and beginning of the year respectively are as follows:

RMB

| Category | Amount derecognized at the end of 2022 | Amount derecognized at the end of 2021 |
|------------------|--|--|
| Bank acceptances | 2,134,119,780.31 | 1,511,576,931.98 |
| Total | 2,134,119,780.31 | 1,511,576,931.98 |

Note: Since major risks and reward including the interest rate risks related to such bank acceptance have been substantially transferred to the bank or another party, the Group ceases to recognize the discounted or endorsed bank acceptances.

- (2) At 31 December 2022, the amount of financing with receivables of the Group pledged to issue notes payable is RMB255,797,055.59 (2021: RMB430,703,171.04).
- (3) At the end and beginning of the year, none of the Group's notes is transferred to accounts receivable due to the drawers' failure in performing the agreements.

6. Prepayments

- (1) Aging analysis of prepayments is as follows:

RMB

| Aging | 31 December 2022 | | 31 December 2021 | |
|---------------|------------------|----------------|------------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 2,111,763,603.37 | 99.17 | 1,456,806,903.44 | 98.90 |
| 1 to 2 years | 15,643,210.42 | 0.73 | 12,735,523.50 | 0.86 |
| 2 to 3 years | 1,894,588.39 | 0.09 | 298,364.08 | 0.02 |
| Over 3 years | 243,604.04 | 0.01 | 3,227,953.36 | 0.22 |
| Total | 2,129,545,006.22 | 100.00 | 1,473,068,744.38 | 100.00 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Prepayments (Continued)

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

RMB

| 31 December 2022 | | | 31 December 2021 | | |
|------------------|-----------------------|---|------------------|-----------------------|---|
| Name of entity | Amount | Proportion of the amount to the total prepayments (%) | Name of entity | Amount | Proportion of the amount to the total prepayments (%) |
| Company BE | 169,594,265.25 | 7.96 | Company O | 196,175,272.41 | 13.32 |
| Company BF | 125,347,717.30 | 5.89 | Company P | 137,800,698.53 | 9.35 |
| Company BG | 104,591,145.10 | 4.91 | Company Q | 103,866,981.63 | 7.05 |
| Company G | 97,945,710.24 | 4.60 | Company R | 85,742,172.53 | 5.82 |
| Company BH | 73,201,128.00 | 3.44 | Company S | 57,647,861.64 | 3.91 |
| Total | 570,679,965.89 | 26.80 | Total | 581,232,986.74 | 39.45 |

7. Other receivables

7.1 Summary of other receivables

RMB

| Item | 31 December 2022 | 31 December 2021 |
|----------------------|-------------------------|-------------------------|
| Interest receivable | 618,379,463.56 | 409,454,105.99 |
| Dividends receivable | – | 900,000.00 |
| Other receivables | 4,398,705,020.63 | 1,748,067,581.52 |
| Total | 5,017,084,484.19 | 2,158,421,687.51 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

7.2 Interest receivable

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---|-----------------------|------------------|
| Interest receivable on bank deposits | 503,666,797.68 | 323,841,461.91 |
| Interest receivable from related parties (Note (X) 6) | 95,540,087.29 | 65,183,288.85 |
| Interest receivable from third parties | 19,172,578.59 | 20,429,355.23 |
| Total | 618,379,463.56 | 409,454,105.99 |

7.3 Other receivables

(1) Other receivables disclosed by nature

RMB

| Nature of other receivables | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Deductible Brazil social contribution tax (Note 1) | 409,920,481.10 | 214,598,313.48 |
| Congo (DRC) VAT refunds and other taxes (Note 2) | 2,149,432,124.83 | 1,130,647,232.15 |
| Deposits | 62,159,430.02 | 75,375,019.22 |
| Gains in close position (Note 3) | 107,227,531.80 | 66,570,087.57 |
| Australia VAT refunds | 56,471,337.10 | – |
| Others | 1,641,905,832.00 | 289,676,044.11 |
| Total | 4,427,116,736.85 | 1,776,866,696.53 |

Note 1: See Note (V) 22 (3) for details.

Note 2: It mainly refers to the VAT refundable amount generated from the export business of subsidiaries situated in Congo (DRC). The entity has applied for tax refunds from the government.

Note 3: This represents the gains that will be received at the settlement after the period from the Group's forward commodity contracts that have been closed out.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

7.3 Other receivables (Continued)

(2) Credit risk of other receivables

The Group has other receivables of which the loss allowance is recognized on the basis of ECL as below:

RMB

| | 31 December 2022 | | | 31 December 2021 | | |
|--|------------------|----------------|------------------|------------------|----------------|------------------|
| | Book balance | Loss allowance | Carrying amount | Book balance | Loss allowance | Carrying amount |
| Other receivables of which the loss allowance was recognized on the basis of ECL | 4,427,116,736.85 | 28,411,716.22 | 4,398,705,020.63 | 1,776,866,696.53 | 28,799,115.01 | 1,748,067,581.52 |

At 31 December 2022, the management of the Group believes that there's no significant ECL on other receivables as their credit risk has not been increased significantly since the initial recognition, except for the receivables of RMB28,411,716.22 (31 December 2021: RMB28,799,115.01) that have become credit-impaired and for which impairment has been provided fully.

(3) Changes in expected credit loss allowance for other receivables

2022:

RMB

| Item | 1 January 2022 | Increase | Decrease | | 31 December 2022 |
|----------------------|----------------|----------|----------|------------|------------------|
| | | | Reversal | Write-off | |
| Impairment provision | 28,799,115.01 | 314.50 | - | 387,713.29 | 28,411,716.22 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

7.3 Other receivables (Continued)

(3) Changes in expected credit loss allowance for other receivables (Continued)

2021:

RMB

| Item | 1 January 2021 | Increase | Decrease | | 31 December 2021 |
|----------------------|----------------|----------|-----------|------------|------------------|
| | | | Reversal | Write-off | |
| Impairment provision | 28,938,592.24 | - | 35,000.00 | 104,477.23 | 28,799,115.01 |

Note: Provision for expected credit losses on other receivables is made for other receivables that are credit impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

7.3 Other receivables (Continued)

- (4) Top five other receivables balances at the end of the year based on debtors

RMB

| Name of entity | Nature | Closing balance | Aging | Proportion of the amount to the total other receivables (%) | Closing balance of impairment provision |
|------------------------------|-------------------------|------------------|----------------|---|---|
| 31 December 2022 | | | | | |
| Congo (DRC) government | Tax refunds receivable | 2,149,432,124.83 | Within 4 years | 48.55 | - |
| Company G | Account current | 705,000,000.00 | Within 1 year | 15.92 | - |
| Federal government of Brazil | Deductible tax | 409,920,481.10 | Within 2 years | 9.26 | - |
| Company BJ | Advances receivable | 283,726,723.35 | Within 1 year | 6.41 | - |
| Company BK | Account current | 226,586,483.47 | Within 1 year | 5.12 | - |
| Total | | 3,774,665,812.75 | | 85.26 | - |
| 31 December 2021 | | | | | |
| Congo (DRC) government | Tax refunds receivable | 1,130,647,232.15 | Within 4 years | 63.63 | - |
| Federal government of Brazil | Deductible tax | 214,598,313.48 | Within 2 years | 12.08 | - |
| Company T | Gains in close position | 31,440,369.93 | Within 1 year | 1.77 | - |
| Company U | Gains in close position | 20,777,718.36 | Within 1 year | 1.17 | - |
| Company Z | Account current | 15,136,858.27 | Within 1 year | 0.85 | - |
| Total | | 1,412,600,492.19 | | 79.50 | - |

- (5) There are no other receivables concerning government grants during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories

RMB

| Item | 31 December 2022 Carrying amount | 31 December 2021 Carrying amount |
|--------------------------|---|-------------------------------------|
| Inventories: | | |
| – Measured at cost | 22,454,745,274.32 | 15,104,113,469.50 |
| – Measured at fair value | 16,801,712,647.60 | 17,967,395,337.60 |
| Total | 39,256,457,921.92 | 33,071,508,807.10 |

Note: As at 31 December 2022, the carrying amount of the inventories measured at fair value, which are pledged by the Group to obtain short-term borrowings, is USD1,911,370,964.52, equivalent to RMB13,311,934,219.50 (2021: USD2,605,557,836.09, equivalent to RMB16,612,255,095.55).

As at 31 December 2022, the Group pledged warehouse receipts with a carrying amount of RMB8,669,184.00 (2021: RMB45,177,672.00), which is measured at cost, to acquire forward trading quotas.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(1) Inventories measured at cost

(a) Categories of inventories

RMB

| Item | 31 December 2022 | | | 31 December 2021 | | |
|----------------------|-------------------|-----------------------------------|-------------------|-------------------|-----------------------------------|-------------------|
| | Book balance | Provision for decline in value | Carrying amount | Book balance | Provision for decline in value | Carrying amount |
| Current: | | | | | | |
| Raw materials | 3,972,682,344.55 | 25,158,733.08 | 3,947,523,611.47 | 2,527,285,925.10 | 20,505,753.59 | 2,506,780,171.51 |
| Work-in-progress | 3,862,193,117.31 | 1,089,446.58 | 3,861,103,670.73 | 3,254,749,545.80 | 670,344.70 | 3,254,079,201.10 |
| Finished goods | 6,279,844,864.63 | 1,699,897.96 | 6,278,144,966.67 | 1,419,548,028.89 | 727,496.39 | 1,418,820,532.50 |
| Trading inventories | 1,458,624,346.26 | - | 1,458,624,346.26 | 1,858,533,615.54 | - | 1,858,533,615.54 |
| Sub-total | 15,573,344,672.75 | 27,948,077.62 | 15,545,396,595.13 | 9,060,117,115.33 | 21,903,594.68 | 9,038,213,520.65 |
| Non-current: | | | | | | |
| Raw materials (note) | 6,928,568,085.30 | 19,219,406.11 | 6,909,348,679.19 | 6,083,949,455.96 | 18,049,507.11 | 6,065,899,948.85 |
| Sub-total | 6,928,568,085.30 | 19,219,406.11 | 6,909,348,679.19 | 6,083,949,455.96 | 18,049,507.11 | 6,065,899,948.85 |
| Total | 22,501,912,758.05 | 47,167,483.73 | 22,454,745,274.32 | 15,144,066,571.29 | 39,953,101.79 | 15,104,113,469.50 |

Note: Non-current raw materials are minerals reserved by the Group for future production or sales, mainly including the sulfide ore exploited and reserved in Australian Northparkes Copper and gold business, and low-grade ores produced from Tenke Copper-Cobalt mine in Congo (DRC). As the ore recovery process is further demanded in the future, the management estimates that these ores will not be ready for sales within one year, so it is presented as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(1) *Inventories measured at cost (Continued)*

(b) Provision for decline in value of inventories

RMB

| Categories of inventories | 1 January 2022 | Increase Provision | Decrease | | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 |
|---------------------------|----------------|-----------------------|---------------|--------------|---|----------------------|
| | | | Reversal | Write-off | | |
| Raw materials | 20,505,753.59 | 39,294,041.95 | 35,430,620.97 | 1,167,219.42 | 1,956,777.93 | 25,158,733.08 |
| Work-in-progress | 670,344.70 | 2,130,341.63 | 1,700,511.93 | 10,727.82 | - | 1,089,446.58 |
| Finished goods | 727,496.39 | 3,022,859.57 | - | 2,050,458.00 | - | 1,699,897.96 |
| Sub-total | 21,903,594.68 | 44,447,243.15 | 37,131,132.90 | 3,228,405.24 | 1,956,777.93 | 27,948,077.62 |
| Non-current: | | | | | | |
| Raw materials | 18,049,507.11 | 2,802,365.34 | - | 2,136,782.29 | 504,315.95 | 19,219,406.11 |
| Total | 39,953,101.79 | 47,249,608.49 | 37,131,132.90 | 5,365,187.53 | 2,461,093.88 | 47,167,483.73 |

(2) *Inventories measured at fair value*

(a) Categories of inventories

RMB

| Item | 31 December 2022 Carrying amount | 31 December 2021 Carrying amount |
|--|-------------------------------------|-------------------------------------|
| Current: Trading inventories outside the PRC | 16,709,325,831.51 | 17,921,750,932.26 |
| Non-current: Consumable biological assets | 92,386,816.09 | 45,644,405.34 |
| Total | 16,801,712,647.60 | 17,967,395,337.60 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(2) *Inventories measured at fair value (Continued)*

(b) Changes in consumable biological assets are set out below:

RMB

| Item | Quantity | 1 January 2022 | Increase | | Decrease Utilization | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 |
|-----------------------------|---------------|----------------|----------------------|--------------------------|-------------------------|---|----------------------|
| | | | Transfer from CIP | Changes in fair value | | | |
| Eucalyptus forest in Brazil | 2092 hectares | 45,644,405.34 | - | 43,386,848.12 | 2,658,378.75 | 6,013,941.38 | 92,386,816.09 |

9. Other current assets

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Derivative financial instruments deposits (Note 1) | 3,676,924,347.48 | 4,475,288,356.94 |
| VAT input to be deducted (Note 2) | 458,285,373.37 | 453,104,055.38 |
| Prepayment of enterprise income tax | 101,943,837.59 | 54,751,711.56 |
| Prepaid insurance expenses (Note 3) | 66,739,930.10 | 59,461,725.83 |
| Prepayment of VAT | 176,950,530.58 | 46,170,968.70 |
| Others | 23,951,358.26 | 26,897,079.75 |
| Total | 4,504,795,377.38 | 5,115,673,898.16 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other current assets (Continued)

The Group accounts the financial assets in the other current assets according to ECL model. At 31 December 2022, the management believes that the relevant financial assets have a low credit risk.

Note 1: It is the deposit paid by the Group to acquire derivative financial instruments.

Note 2: It is the VAT input to be deducted arising from the subsidiaries of the Group in China and the subsidiaries of IXM outside the PRC

Note 3: It is the insurance expenses paid by the Group for the overseas business, which are amortized over the corresponding period of benefits.

10. Non-current assets due within one year

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---|-------------------------|------------------|
| Borrowings due from SNEL (<i>Note (V) 22</i>) | 83,843,527.02 | 126,688,005.30 |
| Loans to suppliers (<i>Note (V) 22</i>) | 18,943,712.00 | 39,254,087.39 |
| Loans to related parties (<i>Note (V) 22</i>) | – | 407,791,549.93 |
| Large deposits due within one year (<i>Note (V) 22</i>) | 1,655,000,000.00 | – |
| Total | 1,757,787,239.02 | 573,733,642.62 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

RMB

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments

| Investee | Note | 1 January 2022 | Increase arising from a business combination | Additional investments | Decreased investments | Investment income recognized under equity method | Cash dividends or profits declared for distribution | Provision for impairment losses | Translation differences of financial statements denominated in foreign currencies | Others | 31 December 2022 |
|--|---------|------------------|--|------------------------|-----------------------|--|---|---------------------------------|---|---------------|------------------|
| | | | | | | | | | | | |
| I. Joint ventures | | | | | | | | | | | |
| Xuzhou Huanyu Molybdenum Co., Ltd. ("Huan Yu") | Note 1 | 663,880,936.06 | - | - | - | (165,766,414.81) | - | - | - | - | 498,114,521.25 |
| Sub-total | | 663,880,936.06 | - | - | - | (165,766,414.81) | - | - | - | - | 498,114,521.25 |
| II. Associates | | | | | | | | | | | |
| Luoyang Yulu Mining Co., Ltd. ("Yulu Mining") | Note 2 | 74,533,921.32 | - | - | - | 73,135,411.01 | (78,750,000.00) | - | - | - | 68,919,332.33 |
| Caili Nanomoly Development, Inc. ("Nanomoly Development") | Note 3 | - | - | - | - | - | - | - | - | - | - |
| Luoyang Shenyu Molybdenum Co., Ltd. ("Luoyang Shenyu") | Note 4 | 2,901,864.19 | - | - | - | 1,355,968.32 | (600,000.00) | - | - | - | 3,657,842.51 |
| Zhejiang Youqing Trade Co., Ltd. ("You Qing") | Note 5 | 3,197,145.02 | - | 1,500,000.00 | - | 10,873,024.74 | - | - | - | - | 15,570,169.76 |
| Walvis Bay Cargo Terminal Pty. Ltd. ("WalvisBay") | Note 6 | 9,877,417.55 | - | - | - | 5,718,799.38 | - | 380,549.82 | - | - | 15,986,766.75 |
| PT-Huayue Nickel Cobalt ("Huayue Nickel Cobalt") | Note 7 | 493,987,595.03 | - | - | - | 715,036,802.69 | - | - | 78,818,721.75 | 36,833,771.06 | 1,324,676,890.53 |
| Beijing Youhong Yongsheng Science & Technology Co., Ltd. ("Beijing Youhong") | Note 8 | 871,828.50 | - | - | - | 757,955.94 | - | - | - | - | 1,629,784.44 |
| Tongxiang Huaang Trade Co., Ltd. ("Tongxiang Huaang") | Note 9 | - | - | 900,000.00 | - | 4,218,190.80 | - | - | - | - | 5,118,190.80 |
| ENERLOG SA | Note 10 | 216,773.80 | - | - | - | - | - | - | 20,022.60 | - | 236,796.40 |
| HongKong CBC Investment Limited ("CBC") | Note 11 | - | - | 22,678.51 | - | (22,678.51) | - | - | - | - | - |
| Sub-total | | 585,586,565.41 | - | 2,422,678.51 | - | 811,073,464.37 | (79,350,000.00) | - | 79,229,294.17 | 36,833,771.06 | 1,435,795,773.52 |
| Total | | 1,249,467,501.47 | - | 2,422,678.51 | - | 645,307,049.56 | (79,350,000.00) | - | 79,229,294.17 | 36,833,771.06 | 1,933,910,294.77 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (Continued)

Note 1: Huan Yu, a joint venture where the Group holds 50% equity, holds 90% equity in Luoyang Fuchuan Mining Co., Ltd. ("Fu Chuan"). Meanwhile, the Group directly holds 10% equity in Fu Chuan.

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

Note 2: According to the resolution of Yulu Mining's 2007 annual general meeting of shareholders, both investors would share the net profit at 50% respectively since year 2008. Therefore, the Group holds 40% equity interest in Yulu Mining but recognizes investment income at 50% out of its net profit.

Note 3: The Group holds 40% of Nanomoly Development's equity and accounts investment therein based on equity method. In accordance with Articles of Association of Nanomoly Development, the Group does not assume any additional liabilities for additional loss. As at the end of the current year, the Group has written down its investment in Nanomoly Development to zero.

Note 4: On 7 April 2016, the Company entered into a collaboration agreement with a third party, and the Company invested RMB1.5 million by way of intangible assets and the counterparty invested RMB8.5 million of cash to incorporate Luoyang Shenyu. Meanwhile, the Company appointed a director and a supervisor to Luoyang Shenyu. Therefore, Luoyang Shenyu is accounted for as an associate due to the Company's significant influence.

Note 5: On 11 October 2019, the Company signed an equity transfer agreement with a third party, purchasing 30% of equity in You Qing held by a third party at a cash consideration price of RMB1.5 million. In 2022, in accordance with the Articles of Association, the Company supplemented its capital by RMB1.5 million, and the shareholding ratio remained unchanged. At the same time, the Company assigned two directors and one supervisor. Therefore, it is accounted for as a joint venture due to the Company's significant influence.

Note 6: Walvis Bay is an associate of IXM Holding SA, which is a wholly-owned subsidiary of the Company.

Note 7: In November 2019, the Group's wholly-owned subsidiary CMOC Limited signed an equity transfer agreement with Newstride Limited, acquiring 100% of equity in W-Source Holding Limited ("W-Source Holding") at a consideration price of USD1,125.87, and indirectly acquiring 21% share of PT.Huayue Nickel Cobalt held by W-Source Holding. On 25 July 2020, CMOC Limited increased its equity held in PT.Huayue Nickel Cobalt to 30% in the way of subscribing the registered capital newly increased by PT.Huayue Nickel Cobalt through W-Source Holding. W-Source Holding assigned a director and a supervisor to PT.Huayue Nickel Cobalt. Therefore, it is accounted for as an associate due to its significant influence.

Note 8: Beijing Youhong was incorporated on 27 August 2020 and the Company, as a shareholder with 30% equity therein, contributed RMB900,000 in cash and assigned one director and one supervisor. Therefore, Beijing Youhong is accounted for as an associate due to the Company's significant influence.

Note 9: Tongxiang Huaang was incorporated on 31 August 2019 and the Company, as a shareholder with 30% equity therein, contributed RMB600,000 in cash. In 2022, in accordance with the Articles of Association, the Company supplemented its capital by RMB900,000, and the shareholding ratio remained unchanged. The Company assigned one director and one supervisor. Therefore, Tongxiang Huaang is accounted for as an associate due to the Company's significant influence.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (Continued)

Note 10: On 14 July 2021, the Company, as a shareholder with 34% equity therein, contributed USD34,000. Therefore, ENERLOG SA is accounted for as an associate due to its significant influence.

Note 11: On 24 March 2022, the Company, as a shareholder with 34% equity therein, contributed USD3,400 and assigned one director. Therefore, CBC is accounted for as an associate due to its significant influence. The Group assumes no additional obligation for excess loss. As at 31 December 2022, the Group's investment in CBC has been reduced to Zero.

No significant limits exist regarding cash transfer to the investees.

The entities invested by the Group are all unlisted entities.

12. Investments in other equity instruments

RMB

| Item | 1 January 2022 | Changes in fair value | Translation differences of financial statements denominated in foreign currencies | |
|-------------------|----------------------|------------------------|---|----------------------|
| | | | | 31 December 2022 |
| Z company equity | 61,792,733.00 | (52,770,163.00) | - | 9,022,570.00 |
| AA company equity | 5,795,576.24 | - | - | 5,795,576.24 |
| AB company equity | 184,424.07 | - | (175,011.83) | 9,412.24 |
| Total | 67,772,733.31 | (52,770,163.00) | (175,011.83) | 14,827,558.48 |

Note: As the investments in equity instruments of the Group and its subsidiaries are the investments that the Group and its subsidiaries plan to hold for a long term, they are designated as financial assets at FVTOCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Other non-current financial asset

The Group's financial assets at FVTPL are as follows:

RMB

| Item | 1 January 2022 | Increase | Changes in fair value | Disposal/ dividends | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 |
|--|-------------------------|-----------------------|--------------------------|-------------------------|---|-------------------------|
| Entrusted wealth management products of banking financial institutions (Note 1) | 135,500,909.61 | - | 3,795,846.55 | (48,340,560.00) | - | 90,956,196.16 |
| Fund trust (Note 2) | 350,656,692.83 | - | 21,792,750.02 | (21,792,902.93) | - | 350,656,539.92 |
| AC Partnership shares (Note 3) | 1,042,698,709.16 | - | (420,271,576.42) | (22,499,717.34) | - | 599,927,415.40 |
| AD Partnership shares | 250,705,231.62 | - | (74,124,335.83) | - | - | 176,580,895.79 |
| AE Partnership shares | 104,497,907.15 | - | (28,655,843.66) | - | 8,358,810.83 | 84,200,874.32 |
| AF Fund shares | 328,222,632.93 | 3,001,567.50 | (66,056,578.20) | (18,009,405.00) | 26,649,346.97 | 273,807,564.20 |
| Target asset management plans (Note 4) | 1,016,523,101.98 | - | (37,281,177.31) | - | 91,971,639.65 | 1,071,213,564.32 |
| AI company equity | 6,951,096.76 | - | (6,920,874.34) | - | 334,647.96 | 364,870.38 |
| AJ company equity | 137,833,664.06 | - | - | - | 12,693,886.36 | 150,527,550.42 |
| AK Fund shares | 402,066,617.71 | - | 106,685,891.87 | - | 41,738,190.83 | 550,490,700.41 |
| AL Partnership | 127,500,000.00 | 100,000,000.00 | (24,528,581.65) | - | - | 202,971,418.35 |
| AM company equity | 9,243,163.95 | - | (7,011,485.19) | - | 541,737.51 | 2,773,416.27 |
| Others | 4,928.00 | 400.21 | - | - | 17.68 | 5,345.89 |
| Total | 3,912,404,655.76 | 103,001,967.71 | (532,575,964.16) | (110,642,585.27) | 182,288,277.79 | 3,554,476,351.83 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Other non-current financial asset (Continued)

Note 1: It is the non-principle preservation wealth management products with floating yield purchased by the Group from banks and financial institutions in China, with an expected yield of 5.00% over a period of 5 years. The investment principal recovered for the period is RMB40,000,000.00.

Note 2: It is the fund trust product purchased by the Group from non-banking financial institutions in China, with an expected yield of 6.2265% over a period of 3 years.

Note 3: It is the Group's partnership share, from which the Group received dividends of RMB1,919,482.36 in the current period. According to the partnership agreement, the Group recovered the investment cost of RMB22,499,717.34 and investment income of RMB53,690,608.70 from the partnership in the current year.

Note 4: It is the Group's target asset management plan, which mainly include shares and fund investments.

14. Non-current derivative financial liabilities

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---|------------------|------------------|
| Non-current derivative financial liabilities | | |
| – Interest rate swaps contracts (<i>Note 1</i>) | 230,168,848.27 | 357,204,494.71 |
| Total | 230,168,848.27 | 357,204,494.71 |

Note 1: Interest rate swaps contracts are in relation to the forward interest rate swaps contracts purchased by the Group, which are used to hedge the cash flow risk due to a part of loans with floating interest rate on the balance sheet of the Group. The Group accounted for the above hedging instrument and corresponding hedged items according to hedge accounting. Refer to Note (V) 65 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets

(1) Fixed assets

RMB

| Item | Land, buildings and mining structures | Machinery and equipment | Electronic equipment, fixture and furniture | Transportation devices | Total |
|--|---------------------------------------|-------------------------|---|------------------------|-------------------|
| I. Total original carrying amount: | | | | | |
| 1. Balance at 1 January 2022 | 16,710,577,422.48 | 22,227,594,090.61 | 246,449,585.21 | 86,325,420.71 | 39,270,946,519.01 |
| 2. Increase in the current year | | | | | |
| (1) Purchase | 1,703,693,813.78 | 49,877,446.13 | 19,024,102.01 | 19,435,713.49 | 1,792,031,075.41 |
| (2) Transfer from CIP | 1,716,218,877.88 | 745,188,848.91 | 3,309,570.79 | 3,820,208.52 | 2,468,537,506.10 |
| 3. Decrease in the current year | | | | | |
| (1) Disposal or scrap | 29,099,428.62 | 138,497,757.55 | 1,004,442.85 | 4,449,948.69 | 173,051,577.71 |
| 4. Revaluation of rehabilitation and asset disposal cost (Note 1) | (135,879,639.17) | - | - | - | (135,879,639.17) |
| 5. Translation differences of financial statements denominated in foreign currencies | 980,617,401.80 | 1,891,093,782.12 | 1,258,414.20 | 1,446,463.99 | 2,874,416,062.11 |
| 6. Balance at 31 December 2022 | 20,946,128,448.15 | 24,775,256,410.22 | 269,037,229.36 | 106,577,858.02 | 46,096,999,945.75 |
| II. Accumulated depreciation | | | | | |
| 1. Balance at 1 January 2022 | 6,212,994,836.89 | 7,814,007,913.54 | 187,210,178.09 | 42,351,462.98 | 14,256,564,391.50 |
| 2. Increase in the current year | | | | | |
| (1) Provision | 1,153,174,867.19 | 1,632,942,922.35 | 19,674,473.47 | 12,955,240.93 | 2,818,747,503.94 |
| 3. Decrease in the current year | | | | | |
| (1) Disposal or scrap | 15,543,625.30 | 98,227,561.04 | 689,874.87 | 4,077,314.60 | 118,538,375.81 |
| 4. Translation differences of financial statements denominated in foreign currencies | 321,095,712.57 | 675,398,388.38 | 548,286.73 | 459,992.90 | 997,502,380.58 |
| 5. Balance at 31 December 2022 | 7,671,721,791.35 | 10,024,121,663.23 | 206,743,063.42 | 51,689,382.21 | 17,954,275,900.21 |
| III. Impairment provision | | | | | |
| 1. Balance at 1 January 2022 | 27,200,779.13 | 26,895,149.79 | 973,691.94 | 5,660.97 | 55,075,281.83 |
| 2. Increase in the current year | | | | | |
| (1) Provision | 2,037,951.52 | 31,922,543.23 | 579,896.27 | 129,908.45 | 34,670,299.47 |
| 3. Decrease in the current year | | | | | |
| (1) Disposal or scrap | - | 4,459,186.37 | - | - | 4,459,186.37 |
| 4. Translation differences of financial statements denominated in foreign currencies | - | 1,695,635.86 | - | - | 1,695,635.86 |
| 5. Balance at 31 December 2022 | 29,238,730.65 | 56,054,142.51 | 1,553,588.21 | 135,569.42 | 86,982,030.79 |
| IV. Carrying amount | | | | | |
| 1. Closing carrying amount | 13,245,167,926.15 | 14,695,080,604.48 | 60,740,577.73 | 54,752,906.39 | 28,055,742,014.75 |
| 2. Opening carrying amount | 10,470,381,806.46 | 14,386,691,027.28 | 58,265,715.18 | 43,968,296.76 | 24,959,306,845.68 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(1) *Fixed assets (Continued)*

Note 1: At the end of the year, the Group reviewed the future rehabilitation and asset disposal cost in the Congo (DRC), and adjusted the carrying amount of rehabilitation and asset disposal cost according to the updated rehabilitation plan.

As at the end of the year, no fixed assets are used as collateral.

(2) At the end and the beginning of the year, the Group has no fixed assets leased under finance leases.

(3) At the end and the beginning of the year, the Group has no fixed assets leased out under operating leases.

(4) *Details of the fixed assets without certificate of titles*

RMB

| Item | Carrying amount | The reason of not completing the certificate of title |
|--|------------------------|---|
| High-pressure roller mill workshop | 21,157,162.56 | Completed and settled, with asset right transaction in progress |
| High-pressure roller mill slope retaining | 6,968,149.31 | Completed and settled, with asset right transaction in progress |
| Tungsten and molybdenum extraction and separation workshop | 5,290,249.82 | Completed and settled, with asset right transaction in progress |
| Main decomposition workshop | 5,217,793.25 | Completed and settled, with asset right transaction in progress |
| Main extraction workshop | 5,126,392.69 | Completed and settled, with asset right transaction in progress |
| Office staff dining hall | 4,734,076.01 | Completed and settled, with asset right transaction in progress |
| Main crystallization workshop | 4,300,930.47 | Completed and settled, with asset right transaction in progress |
| Others | 17,682,304.84 | Completed and settled, with asset right transaction in progress |
| Total | 70,477,058.95 | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

(1) Construction in progress:

RMB

| Item | 31 December 2022 | | | 31 December 2021 | | |
|--|--------------------------|----------------------|--------------------------|-------------------------|----------------------|-------------------------|
| | Book balance | Impairment provision | Net carrying amount | Book balance | Impairment provision | Net carrying amount |
| Northparkes E26 underground mine development project | 9,103,413.56 | - | 9,103,413.56 | 759,416,521.10 | - | 759,416,521.10 |
| Northparkes E48 mine northern extension project | 439,485.83 | - | 439,485.83 | 4,960,181.11 | - | 4,960,181.11 |
| KFM Phase I principal part | 4,623,510,854.58 | - | 4,623,510,854.58 | 390,191,940.88 | - | 390,191,940.88 |
| TFM Kwatebala KT2 tailings pond project | | | | | | |
| Phase I | 233,856.15 | - | 233,856.15 | 454,829,806.01 | - | 454,829,806.01 |
| TFM mixed ore project | 6,729,949,863.12 | - | 6,729,949,863.12 | 174,334,158.89 | - | 174,334,158.89 |
| TFM dehydration equipment installation project | 45,026,815.75 | - | 45,026,815.75 | 34,284,736.73 | - | 34,284,736.73 |
| TFM mine transportation road repair and construction project | 35,483,119.41 | - | 35,483,119.41 | 24,100,940.87 | - | 24,100,940.87 |
| TFM mine power supply project | 21,459,439.11 | - | 21,459,439.11 | 13,007,794.81 | - | 13,007,794.81 |
| TFM production process optimization research | 9,855,557.13 | - | 9,855,557.13 | 3,344,458.30 | - | 3,344,458.30 |
| Copebras phosphorus production plant maintenance project | 205,947,223.16 | - | 205,947,223.16 | 302,375,137.79 | - | 302,375,137.79 |
| Copebras phosphorus production process improvement project | 164,876,321.25 | - | 164,876,321.25 | 21,931,325.84 | - | 21,931,325.84 |
| Niobras Niobium production plant maintenance project | 68,925,660.89 | - | 68,925,660.89 | 112,194,731.75 | - | 112,194,731.75 |
| Niobras tailings dam heightening project | 60,574,358.68 | - | 60,574,358.68 | 7,734,331.19 | - | 7,734,331.19 |
| KFM Phase I supporting project | 839,479,959.31 | - | 839,479,959.31 | 380,527,999.72 | - | 380,527,999.72 |
| Quicklime Plant | 4,687,184.85 | - | 4,687,184.85 | 11,660,876.17 | - | 11,660,876.17 |
| Building acquisition and decoration project | - | - | - | 220,546,701.82 | - | 220,546,701.82 |
| Molybdenum mine project in East Gobi | 95,099,450.68 | 31,615,388.19 | 63,484,062.49 | 92,027,473.24 | 31,615,388.19 | 60,412,085.05 |
| Project replacing Xuansan Tailing | 41,179,924.78 | - | 41,179,924.78 | 40,179,924.78 | - | 40,179,924.78 |
| TFM potential tapping and efficiency increasing project | 6,924,978.53 | - | 6,924,978.53 | - | - | - |
| Others | 727,943,171.18 | - | 727,943,171.18 | 866,017,731.46 | - | 866,017,731.46 |
| Total | 13,690,700,637.95 | 31,615,388.19 | 13,659,085,249.76 | 3,913,666,772.46 | 31,615,388.19 | 3,882,051,384.27 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

| Name of project | Budget | 1 January 2022 | Increase | Transfer to fixed assets | Transfer to intangible assets | Other decreases | Impairment provision | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 | Proportion of project investment to budget amount (%) | Accumulated capitalized interest | Including: interest capitalization for the year | Capitalization rate for the current year (%) | Source of fund | RMB |
|--|-------------------|----------------|------------------|--------------------------|-------------------------------|-----------------|----------------------|---|------------------|---|----------------------------------|---|--|----------------------|-----|
| | | | | | | | | | | | | | | | |
| Northparkes E26 underground mine development project | 1,324,134,703.15 | 759,416,521.10 | 66,418,604.64 | 850,219,495.51 | - | - | - | 33,497,724.33 | 91,103,413.56 | 66 | - | - | - | Funds in hand | |
| Northparkes E48 mine northern extension project | 162,375,974.25 | 4,980,181.11 | 464,639.02 | 5,198,665.35 | - | - | - | 213,651.05 | 439,465.83 | 76 | - | - | - | Funds in hand | |
| KFM Phase I principal pit | 11,959,399,935.90 | 390,191,940.88 | 3,975,463,213.77 | - | - | - | - | 257,855,699.93 | 4,623,510,854.58 | 36 | 617,487,309.08 | 518,643,953.75 | 5 | Funds in hand/raised | |
| TFM Kwiatkoba K12 tailings pond project Phase I | 823,215,720.00 | 454,829,806.01 | 73,754,516.68 | 549,365,893.15 | - | - | - | 21,015,366.61 | 233,656.15 | 67 | - | - | - | Funds in hand | |
| TFM mixed ore project | 17,481,146,000.00 | 174,334,158.89 | 6,297,200,871.70 | 20,605,272.01 | - | - | - | 279,020,104.54 | 6,729,949,863.12 | 38 | - | - | - | Funds in hand | |
| TFM dehydration equipment installation project | 185,620,519.20 | 34,284,766.73 | 59,622,951.32 | 52,367,897.80 | - | - | - | 3,497,025.50 | 45,026,815.75 | 70 | - | - | - | Funds in hand | |
| TFM mine transportation road repair and construction project | 104,892,047.20 | 24,100,940.87 | 46,412,361.73 | 37,643,399.47 | - | - | - | 2,613,216.28 | 35,483,119.41 | 70 | - | - | - | Funds in hand | |
| TFM mine power supply project | 99,297,337.60 | 13,007,794.81 | 6,943,639.02 | - | - | - | - | 1,508,035.28 | 21,459,439.11 | 91 | - | - | - | Funds in hand | |
| TFM production process optimization research | 2,140,918,040.00 | 3,344,468.30 | 10,188,820.95 | 4,248,853.93 | - | - | - | 571,131.81 | 9,855,557.13 | 98 | - | - | - | Funds in hand | |
| Copébras phosphorus production plant maintenance project | 833,125,745.36 | 302,375,137.79 | 196,888,795.74 | 315,976,566.67 | - | 11,837.98 | - | 22,671,695.28 | 205,947,223.16 | 68 | - | - | - | Funds in hand | |
| Copébras phosphorus production process improvement project | 249,720,991.69 | 21,931,325.84 | 187,308,403.73 | 52,346,922.65 | - | - | - | 7,983,514.33 | 164,876,321.25 | 98 | - | - | - | Funds in hand | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

(2) Changes in significant construction in progress (Continued)

| Name of project | Budget | 1 January 2022 | Increase | Transfer to fixed assets | Transfer to intangible assets | Other decreases | Impairment provision | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 | Proportion of project investment to budget amount (%) | Accumulated capitalized interest | Including: interest capitalized for the year | Capitalization rate for the current year (%) | Source of fund |
|---|------------------|------------------|-------------------|--------------------------|-------------------------------|-----------------|----------------------|---|-------------------|---|----------------------------------|--|--|----------------------|
| | | | | | | | | | | | | | | |
| Niobas Niobium production plant maintenance project | 473,867,557.72 | 112,194,731.75 | 105,689,480.58 | 156,898,691.42 | 36,441.30 | 118,971.86 | - | 8,095,553.14 | 68,925,660.89 | 73 | - | - | - | Funds in hand |
| Niobas Tailings dam heightening project | 150,327,444.43 | 7,794,331.19 | 85,513,470.32 | 35,591,607.04 | - | - | - | 2,918,164.21 | 60,574,365.68 | 83 | - | - | - | Funds in hand |
| KFM Phase I supporting project | 901,897,731.33 | 330,527,999.72 | 405,886,361.51 | - | - | - | - | 53,065,595.08 | 839,479,993.31 | 54 | 172,008,976.51 | 70,655,381.85 | 5 | Funds in hand/raised |
| Quicklime Plant | 278,594,000.00 | 11,680,876.17 | 5,791,661.50 | 13,502,054.21 | - | - | - | 736,701.39 | 4,687,184.85 | 72 | - | - | - | Funds in hand |
| Building acquisition and decoration project | 250,000,000.00 | 220,546,701.82 | 17,051,996.93 | 154,633,376.92 | - | 77,915,289.83 | - | - | - | 100 | - | - | - | Funds in hand |
| Molybdenum mine project in East Gobi | 2,849,000,000.00 | 60,412,065.05 | 3,071,977.44 | - | - | - | - | - | 63,484,062.49 | 3 | - | - | - | Funds in hand |
| Project replacing Xuanshan Tailings TFM potential tapping and efficiency increasing project | 946,730,000.00 | 40,179,924.78 | 1,000,000.00 | - | - | - | - | - | 41,179,924.78 | 12 | - | - | - | Funds in hand |
| Others | 465,179,563.20 | 247,333.10 | 14,959,017.25 | 8,465,569.33 | - | - | - | 304,197.51 | 6,924,979.53 | 3 | - | - | - | Funds in hand |
| | N/A | 865,770,388.36 | 49,814,227.40 | 206,403,335.64 | 12,334,256.20 | 2,966,866.79 | - | 34,053,024.05 | 727,943,171.18 | N/A | - | - | - | Funds in hand |
| Total | | 3,882,051,384.27 | 11,609,344,681.23 | 2,468,537,506.10 | 12,370,697.50 | 81,012,996.46 | - | 729,610,374.32 | 13,659,085,249.76 | | 789,495,285.59 | 569,289,335.60 | | |

At 31 December 2022, the balance of the Group's provision for impairment of construction in progress is RMB31,615,388.19 (31 December 2021: RMB31,615,388.19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Right-of-use assets

RMB

| Item | Buildings | Machinery and equipment | Transportation devices | Total |
|--|----------------|-------------------------|------------------------|----------------|
| I. Total original carrying amount: | | | | |
| 1. Balance at 1 January 2022 | 343,929,796.58 | 478,808,107.83 | 1,282,865.12 | 824,020,769.53 |
| 2. Increase | | | | |
| (1) Leasehold | 44,365,666.06 | 27,340,153.70 | – | 71,705,819.76 |
| 3. Decrease | 3,031,966.78 | 450,000,201.25 | – | 453,032,168.03 |
| 4. Translation differences of financial statements denominated in foreign currencies | 18,167,749.76 | 25,526,344.11 | 118,493.62 | 43,812,587.49 |
| 5. Balance at 31 December 2022 | 403,431,245.62 | 81,674,404.39 | 1,401,358.74 | 486,507,008.75 |
| II. Accumulated depreciation | | | | |
| 1. Balance at 1 January 2022 | 95,293,255.49 | 369,112,433.16 | 962,149.07 | 465,367,837.72 |
| 2. Increase | | | | |
| (1) Provision | 61,778,801.98 | 86,686,439.88 | 335,527.82 | 148,800,769.68 |
| 3. Decrease | 1,061,188.58 | 417,469,586.48 | – | 418,530,775.06 |
| 4. Translation differences of financial statements denominated in foreign currencies | 7,002,122.66 | 19,450,011.24 | 103,681.85 | 26,555,815.75 |
| 5. Balance at 31 December 2022 | 163,012,991.55 | 57,779,297.80 | 1,401,358.74 | 222,193,648.09 |
| III. Impairment provision | | | | |
| 1. Balance at 1 January 2022 | – | – | – | – |
| 2. Increase | – | – | – | – |
| 3. Decrease | – | – | – | – |
| 4. Translation differences of financial statements denominated in foreign currencies | – | – | – | – |
| 5. Balance at 31 December 2022 | – | – | – | – |
| IV. Carrying amount | | | | |
| 1. Closing carrying amount | 240,418,254.07 | 23,895,106.59 | – | 264,313,360.66 |
| 2. Opening carrying amount | 248,636,541.09 | 109,695,674.67 | 320,716.05 | 358,652,931.81 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Right-of-use assets (Continued)

The Group has leased multiple assets, including leases of buildings, machinery and equipment and transportation devices, with lease terms of 1-11 years, 1-5 years and 4 years, respectively. The above mentioned right-of-use assets cannot be used for purposes such as loan pledge and guarantee. Lease terms are negotiated on an individual basis, including variable terms and conditions. In determining lease terms and assessing the lengths of the irrevocable period, the Group applies the definition of contract and determines the enforceable period of contract.

In 2022, total cash outflows relating to lease amount to RMB188,042,674.76.

Short-term lease expenses under simplified approach recognized in profit or loss for the year amount to RMB10,951,796.97, without lease of low-value assets.

The Group's lease liabilities and interest expense on lease liabilities are set out in Note (V) 36, and Note (V) 53 respectively. As at 31 December 2022, except for the Group's payment of deposit to the lessor as guarantee for leasehold assets, lease agreements have no other additional guarantee terms.

As at 31 December 2022, the Group has no leases that have been entered into but not yet incepted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets

Details of intangible assets

RMB

| Item | Land use rights | Exploration and mining rights | Copper supply concessions <i>(Note)</i> | Supplier relationship <i>(Note)</i> | Others | Total |
|--|-----------------|-------------------------------|--|--|----------------|-------------------|
| I. Total original carrying amount | | | | | | |
| 1. Balance at 1 January 2022 | 599,212,389.45 | 26,374,964,099.98 | 122,283,508.14 | 261,403,700.00 | 265,381,522.76 | 27,623,245,220.33 |
| 2. Increase | | | | | | |
| (1) Purchase | 8,320,000.00 | - | - | - | 14,748,728.90 | 23,068,728.90 |
| (2) Transfer from CIP | - | - | - | - | 12,370,697.50 | 12,370,697.50 |
| 3. Decrease | | | | | | |
| (1) Disposal | 33,046,635.18 | - | - | - | - | 33,046,635.18 |
| 4. Translation differences of financial statements denominated in foreign currencies | - | 2,299,495,587.66 | 11,294,878.67 | 24,144,900.00 | 20,417,363.52 | 2,355,352,729.85 |
| 5. Balance at 31 December 2022 | 574,485,754.27 | 28,674,459,687.64 | 133,578,386.81 | 285,548,600.00 | 312,918,312.68 | 29,980,990,741.40 |
| II. Accumulated amortization | | | | | | |
| 1. Balance at 1 January 2022 | 145,184,019.06 | 7,893,244,026.19 | 28,309,416.74 | 42,115,040.73 | 115,403,394.69 | 8,224,255,897.41 |
| 2. Increase | | | | | | |
| (1) Provision | 13,408,803.40 | 1,439,621,357.95 | 20,603,794.66 | 18,231,743.27 | 26,866,862.69 | 1,518,732,561.97 |
| 3. Decrease | | | | | | |
| (1) Disposal | 1,424,819.50 | - | - | - | - | 1,424,819.50 |
| 4. Translation differences of financial statements denominated in foreign currencies | - | 754,581,643.93 | 3,524,379.75 | 4,694,841.87 | 8,628,497.08 | 771,429,362.63 |
| 5. Balance at 31 December 2022 | 157,168,002.96 | 10,087,447,028.07 | 52,437,591.15 | 65,041,625.87 | 150,898,754.46 | 10,512,993,002.51 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (Continued)

Details of intangible assets (Continued)

| Item | Land use rights | Exploration and mining rights | Copper supply concessions (Note) | Supplier relationship (Note) | Others | Total |
|--|-----------------|-------------------------------|-------------------------------------|---------------------------------|----------------|-------------------|
| III. Impairment provision | | | | | | |
| 1. Balance at 1 January 2022 | - | - | - | - | - | - |
| 2. Increase | - | 20,484,319.60 | - | - | - | 20,484,319.60 |
| 3. Decrease | - | - | - | - | - | - |
| 4. Translation differences of financial statements denominated in foreign currencies | - | - | - | - | - | - |
| 5. Balance at 31 December 2022 | - | 20,484,319.60 | - | - | - | 20,484,319.60 |
| IV. Carrying amount | | | | | | |
| 1. Closing carrying amount | 417,317,751.31 | 18,566,528,339.97 | 81,140,795.66 | 220,506,974.13 | 162,019,558.22 | 19,447,513,419.29 |
| 2. Opening carrying amount | 454,028,370.39 | 18,481,720,073.79 | 93,974,091.40 | 219,288,659.27 | 149,978,128.07 | 19,398,989,322.92 |

At the end of the year, there are no land use rights or mining rights used as collateral.

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

Note: Copper supply concessions and supplier relationship are acquired through acquisition of IXM.

19. Goodwill

(1) *Original carrying amount of goodwill*

RMB

| Investee | 1 January 2022 | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 |
|----------------------------|----------------|---|-----------------------|
| Brazil phosphorus business | 602,702,102.46 | 55,669,380.33 | 658,371,482.79 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Goodwill (Continued)

(2) Provision for impairment losses of goodwill

RMB

| Investee | 1 January 2022 | Provision | Translation differences of financial statements denominated in | | 31 December 2022 |
|----------------------------|----------------|-----------|--|--|-----------------------|
| | | | foreign currencies | | |
| Brazil phosphorus business | 215,497,947.13 | - | 19,904,754.16 | | 235,402,701.29 |

Allocation of goodwill to asset groups

For the purpose of impairment testing, goodwill has been allocated to asset groups. The carrying amount of goodwill as at 31 December 2022 allocated to the asset groups is as follows:

RMB

| | Cost | Translation differences of financial statements denominated in | | Impairment provision | 31 December 2022 |
|--|----------------|--|------------------|----------------------|-----------------------|
| | | foreign currencies | | | |
| Asset group – Brazil phosphorus business | 850,671,685.12 | (199,535,068.40) | (228,167,835.22) | | 422,968,781.50 |

The recoverable amount of the asset group of Brazil phosphorus business is determined according to the present value of the expected future cash flows. Future cash flows are determined based on the financial budget of the next five years approved by the management and based on the production life of available reserves and future mining plans, and discount rate of 10.56% is used. As the sale of the products in phosphorus business is priced in USD and settled in BRL, the management believes that the inflation risk faced with by the relevant business in the operation process mainly comes from the inflation risk in the environment denominated in USD. Therefore, the inflation rate used to infer the cash flow from the asset group after 5 years is 3.00% (based on the USD environment).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Goodwill (Continued)

(2) *Provision for impairment losses of goodwill (Continued)*

The key assumptions for calculating the present value of future cash flows for the above asset group as at 31 December 2022 are as follows:

| Key assumptions | Consideration of the management |
|---------------------------------|---|
| Budget gross margin | On the basis of the realized average gross margin in the year before the budget year, the gross margin budget appropriately modified according to the changes in the expected efficiency and the fluctuation of metal market price has a direct impact on the final net profit and future cash flows. |
| Discount rate | The pre-tax discount rate that reflects the specific risk of a related asset group has a direct impact on the present value of the expected future cash flows of the asset group. |
| Inflation of raw material price | The expected price index for the operating environment in the budget year has a direct impact on the forecast of costs. |

The data of key assumptions of the sales price, discount rate, raw material price inflation used in the above asset group are consistent with the external information.

Based on the above impairment test and the phosphorus price and market performance, the management considers that there is no further impairment indication in the current period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Long-term prepaid expenses

RMB

| Item | 1 January 2022 | Increase | Amortization | 31 December 2022 |
|---------------------------------------|----------------|---------------|---------------|------------------|
| Relocation compensation (Note 1) | 59,687,552.42 | 647,218.12 | 8,432,512.82 | 51,902,257.72 |
| Geological Museum project (Note 2) | 24,600,000.00 | – | 600,000.00 | 24,000,000.00 |
| Others | 94,556,317.47 | 82,435,137.00 | 35,227,105.10 | 141,764,349.37 |
| Total | 178,843,869.89 | 83,082,355.12 | 44,259,617.92 | 217,666,607.09 |

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets/deferred tax liabilities

(1) *Deferred tax assets before offsetting*

RMB

| Item | 31 December 2022 | | 31 December 2021 | |
|--|----------------------------------|-------------------------|----------------------------------|---------------------|
| | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for asset impairment | 475,152,868.03 | 137,167,266.73 | 446,701,657.29 | 130,063,927.78 |
| Deductible losses (<i>Note 1</i>) | 532,913,250.63 | 137,817,596.30 | 885,834,704.85 | 262,379,793.48 |
| Differences in inventory costs | 292,374,924.83 | 87,712,477.45 | 174,936,807.26 | 52,481,042.18 |
| Unrealized gross profit | 5,425,551,350.11 | 767,423,698.46 | 4,556,653,135.90 | 703,304,347.37 |
| Deferred income from government grants | 44,483,239.13 | 9,357,685.91 | 51,873,694.70 | 11,166,741.23 |
| Gains or losses from fair value changes | 261,531,958.87 | 43,550,529.19 | 331,869,272.56 | 48,888,109.95 |
| Outstanding expenses – net | 2,583,418,158.28 | 651,473,072.12 | 2,069,580,467.26 | 557,202,430.38 |
| Losses on disposal of fixed assets without filing | 21,611,375.27 | 3,241,706.29 | 21,611,375.27 | 3,241,706.29 |
| Equity incentives not yet unlocked | 79,675,908.82 | 19,918,977.20 | 63,060,535.16 | 15,765,133.79 |
| Differences in depreciation of fixed assets | 29,406,953.47 | 5,391,099.21 | 32,136,711.74 | 5,891,538.56 |
| Others | 63,631,587.48 | 12,558,706.76 | 65,333,607.79 | 11,592,483.52 |
| Total | 9,809,751,574.92 | 1,875,612,815.62 | 8,699,591,969.78 | 1,801,977,254.53 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(2) Deferred tax liabilities before offsetting

RMB

| Item | 31 December 2022 | | 31 December 2021 | |
|--|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
| Accrued interest income | 738,772,989.32 | 126,423,047.64 | 486,532,551.13 | 85,589,874.17 |
| Effect of exchange rate of non-monetary items (Note 1) | 1,490,152,821.68 | 506,054,198.16 | 1,952,067,349.18 | 659,714,885.11 |
| Differences in depreciation of fixed assets | 8,411,963,538.04 | 2,523,518,883.88 | 8,490,717,870.79 | 2,546,276,932.22 |
| Gains or losses from fair value changes | 794,645,829.00 | 151,605,716.10 | 1,105,424,268.80 | 173,149,039.09 |
| Additional provision under Switzerland tax laws (Note 2) | 2,684,245,476.72 | 375,794,366.74 | 2,757,705,851.21 | 385,803,048.58 |
| Adjustment to the fair value of assets in business combination not involving enterprises under common control (Note 3) | 10,602,549,111.50 | 3,158,968,672.94 | 10,374,559,197.28 | 3,092,488,836.94 |
| Others | 45,799,699.13 | 14,292,899.94 | 41,174,996.19 | 7,548,503.35 |
| Total | 24,768,129,465.39 | 6,856,657,785.40 | 25,208,182,084.58 | 6,950,571,119.46 |

Note 1: The amount of losses that the Group can finally deduct before income tax calculation for 2022 is subject to the amount determined by the local tax authority. Certain enterprises of the Group's business in Brazil adopt USD as functional currency, while make tax declaration and annual filing in BRL for the operating activities in Brazil in accordance with local tax regulations in Brazil. Management recognizes tax losses in the related financial statements denominated in BRL as a deferred tax assets and makes it an adjusting item for tax. In the meanwhile, the non-monetary items including inventories and fixed assets of such enterprises on the balance sheet are recognized and subsequently measured at historical exchange rate, resulting temporary difference between their tax bases and carrying amounts upon tax accounting, the Company accordingly recognize the relevant temporary difference as one deferred tax asset/liability.

Note 2: It represents the taxable temporary differences arising from additional provision made to certain extent based on the carrying amount of inventories under Switzerland tax laws.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(2) *Deferred tax liabilities before offsetting (Continued)*

Note 3: It mainly represents the deferred tax liabilities arising from the adjustments on fair values of assets in the acquisitions of Congo (DRC) business in 2016, Brazil business in 2016 and Switzerland metal trading platform business in 2019.

In the course of Brazil business combination not involving enterprises under common control in 2016, identifiable net assets of the acquiree were recorded at the fair value at the acquisition date, and deferred tax liability was recognized in accordance with the differences between the fair value and tax base of the related assets on the date of acquisition. The change in the current year is mainly due to the structural reorganization by the Group in 2020 to consolidate the three legal entities of the niobium phosphorus business in Brazil, the redetermination of the tax basis of their carrying assets and liabilities and the adjustment of the deferred income tax liabilities mentioned above.

(3) *Deferred tax assets or liabilities at net after offsetting*

RMB

| Item | Closing set-off amount of deferred tax assets and deferred tax liabilities | Closing balance of deferred tax assets and deferred tax liabilities after offsetting | Opening set-off amount of deferred tax assets and deferred tax liabilities | Opening balance of deferred tax assets and deferred tax liabilities after offsetting |
|--------------------------|--|--|--|--|
| Deferred tax assets | 764,125,233.76 | 1,111,487,581.86 | 814,274,908.91 | 987,702,345.62 |
| Deferred tax liabilities | 764,125,233.76 | 6,092,532,551.64 | 814,274,908.91 | 6,136,296,210.55 |

The deferred tax assets of the year increase by RMB19,245,859.26 due to the translation of financial statements denominated in foreign currencies. The deferred tax liabilities of the year increase by RMB484,711,205.61 due to the translation of financial statements denominated in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(4) Details of unrecognized deferred tax assets

RMB

| Item | 31 December 2022 | 31 December 2021 |
|----------------------------------|-----------------------|------------------|
| Deductible losses | 215,258,960.76 | 265,205,948.25 |
| Deductible temporary differences | 65,528,667.71 | 86,013,887.77 |
| Sub-total | 280,787,628.47 | 351,219,836.02 |

Note: Due to the uncertainty in availability of sufficient taxable income in the future, deferred tax assets are not recognized.

(5) Deductible losses, for which deferred tax assets are not recognized, will expire in the following years:

RMB

| Item | 31 December 2022 | 31 December 2021 |
|-----------|-----------------------|------------------|
| 2022 | – | 70,104,046.10 |
| 2023 | 17,664,151.79 | 31,976,951.05 |
| 2024 | 39,602,210.83 | 45,771,778.60 |
| 2025 | 61,388,666.96 | 65,478,809.45 |
| 2026 | 49,202,064.55 | 51,874,363.05 |
| 2027 | 47,401,866.63 | – |
| Sub-total | 215,258,960.76 | 265,205,948.25 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Other non-current assets

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Borrowings due from SNEL (Note 1) | 1,325,169,661.53 | 1,103,697,787.80 |
| Amount due from TFM minority shareholders (Note 2) | 437,173,313.17 | 375,468,898.71 |
| Brazil deductible social contribution tax (Note 3) | 109,317,920.49 | 100,034,853.82 |
| Prepayments for water charges (Note 4) | 63,000,000.00 | 63,000,000.00 |
| Prepayments for farmland occupation tax | – | 8,028,346.01 |
| Prepayments for land | – | 8,659,900.00 |
| Compensatory assets (Note 5) | 126,963,338.90 | 105,992,620.25 |
| Litigation guarantee (Note 6) | 37,993,936.27 | 26,023,124.51 |
| Loans to suppliers (Note 7) | 50,702,281.04 | 101,920,134.99 |
| Related party borrowings (Note 8) | 397,916,144.92 | 407,791,549.93 |
| Purchase of tailings pond (Note 9) | – | 514,061,111.10 |
| Certificates of deposit due after one year (Note 10) | 2,155,000,000.00 | 2,455,000,000.00 |
| Prepayments for construction and equipment | 674,652,540.75 | 288,244,638.87 |
| Others | 33,598,595.84 | 15,761,647.64 |
| Less: Non-current assets due within one year (Note (V) 10) | 1,757,787,239.02 | 573,733,642.62 |
| Total | 3,653,700,493.89 | 4,999,950,971.01 |

The Group recognizes ECL allowance of relevant financial assets in the other non-current assets on the basis of ECL. At 31 December 2022, the management of the Group believes that the credit risk of the relevant financial assets has not increased significantly since its initial recognition, and there is no significant ECL.

Note 1: It represents Congo (DRC) subsidiary's loan due from SNEL. The applicable interest rate for the loan is determined by 6-months Libor interest rate plus 3%, which will be settled by electricity charges payable in the future. Therein, the portion expected to be deductible within one year is detailed in Note (V) 10.

Note 2: It represents Congo (DRC) subsidiary's loan due from La Générale des Carrières et des Mines («Gécamines»). As at 31 December 2022, the principal due to Congo (DRC) subsidiary is USD30,000,000.00 (equivalent to RMB208,938,000.00); the interest receivable is USD32,770,771.21 (equivalent to RMB228,235,313.17) and the applicable interest rate for the loan is determined based on the 1-year Libor interest rate plus 6%, which will be charged against dividends of Gécamines in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Other non-current assets (Continued)

- Note 3:* It represents Brazil social contribution tax applicable to CMOC Brazil, of which the tax base is the balance of income from the sales of goods and rendering of services in Brazil after deducting deductible cost. As it is not required to pay the social contribution tax and goods circulation tax for export goods, the company has no tax retained at the end of the year. The social contribution tax is levied by the Brazil's federal government, so the tax credit can be used to deduct the enterprise income tax levied by the federal government without expiry date. The portion of deductible balance within one year is accounted for as other receivables by the Group. See Note (V) 7 for details.
- Note 4:* It represents prepayments for water charges of Xinjiang Luomu Mining Co., Ltd ("Xinjiang Luo Mu").
- Note 5:* Based on the agreement between the Group and Anglo American in the course of the acquisition of the Brazilian Niobium Phosphorus business, if CMOC Brazil subsidiary has incurred cash outflows in the course of the business due to tax-related contingencies, compensation will be provided by Anglo American. The Group recognized a liability for CMOC Brazil subsidiary related contingencies at fair value (Note (V) 38), accordingly recognizes the right of relevant tax related compensation as non-current assets.
- Note 6:* It represents CMOC Brazil's disputes and litigation arising from some of the tax, labor and civil related legal proceedings in the course of business. Some of these proceedings require the submission of litigation collateral at the request of the court. The deposit is restricted for use and the interest is calculated at the Brazilian benchmark interest rate during this period. After the end of the litigation, according to the results, the Company can call back the deposit or settle the litigation by the deposit.
- Note 7:* It represents loans that IXM provided to its suppliers. As at 31 December 2022, balance of loans to suppliers includes USD7,279,999.00 (equivalent to RMB50,702,281.04) provided by the Group to the third party supplier B and supplier C at the annual interest rate of 6.24%. Therein, the portion due within one year is detailed in Note (V) 10.
- Note 8:* It represents the borrowings lent by the Group to the shareholders of Huayue Nickel Cobalt.
- Note 9:* It represents the associated prepayments made by the Group to purchase the tailings pond. The acquisition has been completed in 2022.
- Note 10:* At 31 December 2022, the Group pledged the certificates of deposit due after one year with carrying amount of RMB1,985,000,000.00, including certificate of deposit of RMB1,585,000,000.00 pledged for obtaining long-term borrowings and certificate of deposit of RMB400,000,000.00 pledged to obtain long-term borrowings for the Group's joint venture Fuchuan. Details for the certificates of deposit due within one year and the pledged amount for obtaining long-term borrowings for Fuchuan are set out in Note (V) 10 and Note (XV) 9 (1.4) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term borrowings

(1) *Categories of short-term borrowings:*

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---------------------------|--------------------------|-------------------|
| Credit borrowings | 5,091,192,711.82 | 9,910,390,336.25 |
| Secured borrowings (Note) | 15,016,317,002.22 | 17,001,509,299.17 |
| Total | 20,107,509,714.04 | 26,911,899,635.42 |

Note: Details for secured borrowings are set out in Note (V) 1, 2 and 8.

(2) *At the end of this year, there are no outstanding short-term borrowings of the Group that are overdue.*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Held-for-trading financial liabilities

RMB

| Item | Fair value at the end of the year | Fair value at the beginning of the year |
|---|--------------------------------------|--|
| 1. Liabilities from forward commodity contract and gold lease measured at fair value (Note 1) | 676,512,725.59 | 784,146,860.96 |
| 2. Payables at FVTPL (Note 2) | 2,975,298,635.88 | 3,618,366,825.57 |
| Total | 3,651,811,361.47 | 4,402,513,686.53 |

Note 1: The Group concluded gold lease agreement with the bank. During the lease term, the Group may sell the leased gold to a third party, and then return the gold in the same specification and with the same weight to the bank until the lease is matured. The obligation of the Group to return the gold is recognized as a financial liability at fair value. Meanwhile, in order to hedge the risk in commodity price of related liabilities, the Group uses gold forward contract to manage the risk in the obligations to return the gold with the same quantity and quality to the bank under the gold lease agreement so as to evade the risk undertaken by the Group in the fluctuation of fair value of held-for-trading financial liabilities with the fluctuation of gold market price.

Note 2: The major products of the Group are copper, lead and zinc concentrates and cobaltous hydroxide etc., purchasing price of which is provisionally determined according to the market price upon delivery. Generally, the price is finally determined according to the monthly average spot price quoted by the London Metals Exchange (LME) or other agreed pricing methods within a specified period or a period subsequent to the delivery. The Group classifies the accounts receivable generated from relevant business as financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Derivative financial liabilities

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Derivative financial instruments of which hedge relationship is not designated (<i>Note 1</i>) | | |
| Commodity futures contracts | 1,588,876,522.42 | 1,195,523,537.04 |
| Forward foreign exchange contracts and exchange rate option contracts | 50,483,773.27 | 44,653,094.98 |
| Commodity option contracts | – | 153,019,465.55 |
| Forward commodity contracts | 642,398,639.69 | 891,529,749.28 |
| Derivative financial instruments of which hedge relationship is designated | | |
| Forward foreign exchange contracts and exchange rate option contracts (<i>Note 2</i>) | – | 267,840.22 |
| Commodity futures contracts (<i>Note 3</i>) | 69,088,136.38 | 351,511,408.23 |
| Total | 2,350,847,071.76 | 2,636,505,095.30 |

Note 1: For details, please refer to Note (V) 3 (1).

Note 2: Forward foreign exchange contracts and exchange rate option contracts are in relation to the forward foreign exchange contracts and exchange rate option contracts purchased by the Group, which are used to hedge the cash flow risk arising from capital expenditure of Brazil subsidiary. The Group accounts for the above hedging instrument and corresponding hedged items according to hedge accounting. The derivative financial instruments have expired in this period. Refer to Note (V) 65 for details.

Note 3: Commodity futures contracts are in relation to the commodity futures contracts purchased by the Group, which are used to hedge the fair value risk arising from price fluctuation of a part of the Group's cooper products or the cash flow risk arising from expected sales. The Group accounts for the above hedging instrument and corresponding hedged items according to hedge accounting. Refer to Note (V) 65 for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Notes payable

RMB

| Categories | 31 December 2022 | 31 December 2021 |
|------------------------|------------------|------------------|
| Bank acceptances | 1,691,293,255.29 | 2,892,664,242.48 |
| Commercial acceptances | 718,126,071.13 | 13,359,485.01 |
| Total | 2,409,419,326.42 | 2,906,023,727.49 |

27. Accounts payable

RMB

| Categories | 31 December 2022 | 31 December 2021 |
|--------------------------------|------------------|------------------|
| Payables for purchase of goods | 1,017,848,408.19 | 847,805,823.01 |
| Others | 529,456,634.84 | 412,442,149.86 |
| Total | 1,547,305,043.03 | 1,260,247,972.87 |

Aging analysis on accounts payable is set out as follows:

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---------------|------------------|------------------|
| Within 1 year | 1,533,137,566.72 | 1,242,547,179.00 |
| 1 to 2 years | 5,395,397.35 | 5,200,210.69 |
| Over 2 years | 8,772,078.96 | 12,500,583.18 |
| Total | 1,547,305,043.03 | 1,260,247,972.87 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Contract liabilities

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Receipts in advance of sales of goods (Note 1) | 1,595,864,677.29 | 606,592,452.63 |
| Metal flow transaction contract liabilities (Note 2) | 93,927,497.79 | 31,341,323.94 |
| Total | 1,689,792,175.08 | 637,933,776.57 |

Note 1: The Group recognizes the receipts in advance collected on a basis of commodity sales contract as contract liabilities, and relevant contract liabilities are recognized as sales income when the control over the goods were transferred to the customers.

The receipts in advance for goods at the beginning of year have been recognized as income in the current year. At the end of year, the contract liabilities with carrying amount of RMB1,593,996,319.24 are expected to be recognized as income in 2023, and the contract liabilities with carrying amount of RMB1,868,358.05 are expected to be recognized as income in 2024 or subsequent years.

Note 2: On 10 July 2020, the Group entered into the metal purchase and sales agreement (“metal flow agreement”) with Triple Flag Mining Finance Bermuda Ltd. (collectively called “TripleFlag”), a wholly-owned subsidiary of Triple Flag Precious Metals Corp., by which Triple Flag prepaid the Group USD550,000,000.00 in cash and another payments for goods as per 10% of the price of spot gold/silver per ounce of the gold/silver delivered according to the metal flow agreement upon the actual delivery.

According to the metal flow contract, the Group has committed to Triple Flag to deliver 54% of the gold production from the Northparkes copper-gold mine until cumulative deliveries reach 630,000 ounces, when deliveries will commence to be made at 27%, and 80% of the silver production from the Northparkes copper-gold mine until cumulative deliveries reach 9 million ounces, when deliveries will commence to be made at 40%. There is no minimum delivery volume agreed in this metal flow contract.

The Group first recognizes the receipts in advance as liabilities when they are received and then transfer them to revenue when the relevant performance obligations are satisfied, i.e. when control of the goods is transferred to the customer. The Group makes an estimate on the amount of contract liabilities based on 12-month expected deliveries and classifies the remaining as other non-current liabilities (Note (V) 40).

As the metal flow contract includes a significant financing component, the Group determines the transaction price at the time of entering into the metal flow contract based on the amount payable in cash assuming that the customer will pay for the goods as soon as it obtains control over these goods, and the difference between this transaction price and the contract consideration is amortized over the term of the contract using the effective interest method.

At the same time, such metal flow transaction contract includes a variable consideration ft. When there is a change in mineral reserves or in the timing and quantity of expected delivery of goods, the Group will adjust revenue in the reporting period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee benefits payable

(1) Details of employee benefits payable are as follows

RMB

| Item | 1 January 2022 | Increase | Decrease | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 |
|---|----------------|------------------|------------------|---|-------------------------|
| 1. Short-term compensation | 845,661,209.34 | 2,982,648,065.06 | 2,916,054,956.95 | 52,662,230.57 | 964,916,548.02 |
| 2. Retirement benefits-defined contribution plans | 1,309,106.44 | 118,913,116.18 | 118,251,707.61 | (2,369.47) | 1,968,145.54 |
| 3. Others (Note) | 50,779,584.60 | 21,835,453.15 | 23,437,413.44 | 1,931,272.55 | 51,108,896.86 |
| Total | 897,749,900.38 | 3,123,396,634.39 | 3,057,744,078.00 | 54,591,133.65 | 1,017,993,590.42 |

Note: It represents the liabilities related to annual leave and long service leave which are provided by Group's subsidiary in Australia to its employees and short-term compensation plan which is provided by Group's subsidiary in Congo (DRC) to its employees, expected to be paid within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee benefits payable (Continued)

(2) Details of short-term compensation are as follows

RMB

| Item | 1 January 2022 | Increase | Decrease | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 |
|---|-----------------------|-------------------------|-------------------------|---|-----------------------|
| I. Wages or salaries, bonuses, allowances and subsidies | 799,114,449.59 | 2,666,281,416.34 | 2,607,240,852.50 | 48,099,362.22 | 906,254,375.65 |
| II. Staff welfare | 118,277.46 | 32,632,200.27 | 32,632,200.27 | 10,924.85 | 129,202.31 |
| III. Social security contributions | 35,469,230.11 | 198,260,671.62 | 192,195,477.57 | 4,549,396.61 | 46,083,820.77 |
| Including: Medical insurance | 28,624,711.36 | 109,629,695.19 | 101,742,402.07 | 2,888,160.26 | 39,400,164.74 |
| Work injury insurance | 6,844,518.75 | 88,630,976.43 | 90,453,075.50 | 1,661,236.35 | 6,683,656.03 |
| IV. Housing funds | 372,810.10 | 71,497,858.77 | 71,194,857.22 | - | 675,811.65 |
| V. Termination benefits | - | - | - | - | - |
| VI. Union running costs and employee education costs | 10,586,442.08 | 13,975,918.06 | 12,791,569.39 | 2,546.89 | 11,773,337.64 |
| Total | 845,661,209.34 | 2,982,648,065.06 | 2,916,054,956.95 | 52,662,230.57 | 964,916,548.02 |

All the employee compensation payables are not overdue and not related to non-cash benefits, which is expected to be paid out in 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee benefits payable (Continued)

(3) Retirement benefits – defined contribution plans

RMB

| Item | 1 January 2022 | Increase | Decrease | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 |
|----------------------------|----------------|----------------|----------------|---|---------------------|
| 1. Basis pension insurance | 1,268,020.89 | 114,824,415.17 | 114,176,113.80 | (2,369.47) | 1,913,952.79 |
| 2. Unemployment insurance | 41,085.55 | 4,088,701.01 | 4,075,593.81 | - | 54,192.75 |
| Total | 1,309,106.44 | 118,913,116.18 | 118,251,707.61 | (2,369.47) | 1,968,145.54 |

The Group participates, as required, in the pension insurance and unemployment insurance plan established by government institutions. According to such plans, the Group contributes monthly to such plans based the employee's basic salary. Except for above monthly contributions, the Group does not assume further payment obligations. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

In this year, the Group should contribute RMB114,824,415.17 and RMB4,088,701.01 (2021: RMB126,834,936.22 and RMB22,736,084.92) to pension insurance and unemployment insurance plans respectively. As at 31 December 2022, the Group has contributions payable of RMB1,913,952.79 and RMB54,192.75 (31 December 2021: RMB1,268,020.89 and RMB41,085.55) which are due in this reporting period but not yet paid to pension insurance and unemployment plans respectively. The relevant contributions have been paid after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Taxes payable

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---|-----------------------|------------------|
| PRC enterprise income tax | 195,288,763.93 | 88,266,328.63 |
| Australia enterprise income tax | 15,946,427.37 | 45,062,296.15 |
| Brazil enterprise income tax | 190,253,786.21 | 23,770,730.09 |
| Congo (DRC) enterprise income tax | – | 2,236,075,973.99 |
| UK enterprise income tax | 2,361,974.44 | 4,799,361.41 |
| Enterprise income tax of IXM and its subsidiaries | 78,471,729.80 | 81,042,448.64 |
| Urban maintenance and construction tax | 2,477,948.55 | 3,693,256.74 |
| Value added tax | 187,307,610.61 | 101,130,456.91 |
| Resource tax and royalties of mineral rights | 42,081,380.39 | 32,952,408.35 |
| Education surcharge | 2,433,318.05 | 3,443,004.48 |
| Individual income tax | 36,839,940.08 | 33,664,065.61 |
| Congo (DRC) exchange tax | 120,508.40 | 4,512,064.78 |
| Others | 51,166,370.95 | 46,266,524.89 |
| Total | 804,749,758.78 | 2,704,678,920.67 |

31. Other payables

(1) Summary of other payables

RMB

| Item | 31 December 2022 | 31 December 2021 |
|-------------------|-------------------------|------------------|
| Dividends payable | 27,885,796.67 | 27,885,796.67 |
| Interest payable | 234,561,190.61 | 161,655,596.08 |
| Other payables | 6,598,818,119.32 | 2,728,649,575.28 |
| Total | 6,861,265,106.60 | 2,918,190,968.03 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables (Continued)

(2) Dividends payable

RMB

| Name of entity | 31 December 2022 | 31 December 2021 |
|--|------------------|------------------|
| Luanchuan Taifeng Industry and Trading Co., Ltd. (Note) | 6,623,109.24 | 6,623,109.24 |
| Luanchuan Hongji Mining Co., Ltd. (Note) | 15,943,017.89 | 15,943,017.89 |
| Luanchuan Chengzhi Mining Co., Ltd. (Note) | 5,319,669.54 | 5,319,669.54 |
| Total | 27,885,796.67 | 27,885,796.67 |

Note: Minority shareholders of subsidiaries of the Group.

(3) Interest payable

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|------------------|------------------|
| Interest payable on bank borrowings | 173,556,670.01 | 93,480,564.20 |
| Interest payable on medium-term notes with periodic payments of interest payable and return of principal at maturity (Note (V) 35) | 61,004,520.60 | 27,793,561.66 |
| Interest payable on corporate bonds in USD (Note) | – | 36,394,620.94 |
| Interest payable on corporate bonds in RMB (Note (V) 35) | – | 3,986,849.28 |
| Total | 234,561,190.61 | 161,655,596.08 |

Note: Interest payable on bonds in USD arises from the issuance of bonds in USD by CMOC Capital Limited (a subsidiary of the Group). For the details, refer to Note (V) 35.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables (Continued)

(4) Other payables

(a) Other payables by nature

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Project and equipment funds | 3,559,787,516.21 | 855,993,735.27 |
| Royalties due to Gécamines | 41,699,358.66 | 154,455,200.70 |
| Service and transportation expenses | 99,943,254.04 | 142,093,141.69 |
| Deposits, guarantees and advances | 1,331,093,114.30 | 385,757,531.02 |
| Service fees payable | 174,826,980.98 | 67,220,240.36 |
| Resource expenses payable | 24,857,953.71 | 13,796,344.78 |
| Production progress fees due to Gécamines (Note 1) | 34,823,000.00 | – |
| Obligations to repurchase restricted stock | 68,643,782.18 | 97,026,574.00 |
| Earnest money for transfer of equity (Note 2) | – | 907,533,000.00 |
| Amounts due to related parties (Note 3) | 957,632,500.00 | – |
| Others | 305,510,659.24 | 104,773,807.46 |
| Total | 6,598,818,119.32 | 2,728,649,575.28 |

Note 1: Please refer to Note (V) 40.

Note 2: On 10 April 2021, the Group's wholly-owned subsidiary and Hongkong Brunp and CATL Co., Limited ("Brunp and CATL") signed the Share Subscription Agreement. According to the agreement, Brunp and CATL should pay the earnest money for equity transfer amounting to USD137,500,000.00 (equivalent to RMB907,533,000.00) to the Group to obtain 25% equity of KFM Holding Limited, a subsidiary of the Group. As of 31 December 2021, the payment had been received. The above share subscription had been completed in July 2022.

Note 3: On 21 July 2022, KFM Holding Limited and Brunp and CATL signed an agreement on amounts due to related parties. According to the agreement, Brunp and CATL should pay USD137,500,000.00 (equivalent to RMB957,632,500.00) to the Group as a related party payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Non-current liabilities due within one year

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Long-term borrowings due within one year (Note (V) 34) | 6,818,773,757.29 | 2,217,577,948.23 |
| Bonds payable due within one year (Note (V) 35) | – | 2,593,925,000.00 |
| Lease liabilities due within one year (Note (V) 36) | 86,263,062.10 | 142,879,384.41 |
| Total | 6,905,036,819.39 | 4,954,382,332.64 |

33. Other current liabilities

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Other accrued expenses | 622,176,261.93 | 238,640,227.04 |
| Convertible financial instruments (Note 1) | 2,093,210,530.00 | 191,302,878.50 |
| Total | 2,715,386,791.93 | 429,943,105.54 |

Note 1: The Group's subsidiary CMOC Limited signed a series of agreements with an independent third party on 30 December 2021, specifying that the Group should make relevant repayments within one year after the withdrawal date. Meanwhile, the agreements also specify that if the criteria of subscription are satisfied within the term of the agreements, the independent third party may convert its obligatory rights to the preferred stock or perpetual bonds issued by the subsidiary of the Group. Therefore, the Group's receipts under these agreements may be converted to financial instruments for accounting. As of 31 December 2022, the Group has withdrawn USD300,000,000.00 (equivalent to RMB2,089,380,000.00).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings

(1) Categories of long-term borrowings

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|--------------------------|-------------------|
| Secured borrowings (<i>note</i>) | 9,260,316,730.23 | 6,828,600,840.63 |
| Credit borrowings | 16,533,629,225.94 | 8,999,555,962.69 |
| Less: long-term borrowings due within one year (<i>Note (V) 32</i>) | 6,818,773,757.29 | 2,217,577,948.23 |
| Total | 18,975,172,198.88 | 13,610,578,855.09 |

Note: This represents the borrowings obtained by the Group through pledge of certificates of deposit and equities of subsidiaries. The amounts of pledged assets are set out in Note (V) 22. The Group pledges the 100% equity interest in CMOC DRC to the bank and provides a joint guarantee.

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

RMB

| Maturity date | 31 December 2022 | 31 December 2021 |
|---------------|--------------------------|-------------------|
| 1 to 2 years | 10,989,079,078.88 | 9,653,053,493.77 |
| 2 to 5 years | 7,986,093,120.00 | 3,957,525,361.32 |
| Total | 18,975,172,198.88 | 13,610,578,855.09 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings (Continued)

(3) Other descriptions

As at 31 December 2022, the annual interest rate for the above borrowings ranges from 2.7000% to 7.4073% (31 December 2021: 1.8483% to 4.0000%).

As at 31 December 2022, the Group has no long-term borrowing that has been due but not yet repaid.

According to the borrowing agreement entered into between the Group and some banks, the Group is required to satisfy a series of specified financial indicators and requirements. Where the Group violates relevant terms, the banks may request for early repayment from the Company. As of 31 December 2022, the Group has no breach of relevant terms.

35. Bonds payable

(1) Bonds payable

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Medium-term note | 2,150,000,000.00 | 1,150,000,000.00 |
| Corporate bonds in USD | – | 1,593,925,000.00 |
| Corporate bonds in RMB | – | 1,000,000,000.00 |
| Less: Bonds payable due within one year (Note (V) 32) | – | 2,593,925,000.00 |
| Total | 2,150,000,000.00 | 1,150,000,000.00 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Bonds payable (Continued)

(2) Changes in bonds payable

| Name | Par value | Issue date | Term | Issue amount | 1 January 2022 | Repayment in the year | issued amount for the year | Accrued interest at par value | Interest paid during the year | Interest payable at the end of the year | Translation differences of financial statements denominated in foreign currencies | 31 December 2022 | |
|---|-------------------|------------------|---------|------------------|------------------|-----------------------|----------------------------|-------------------------------|-------------------------------|---|---|----------------------------|------------------|
| | | | | | | | | | | | | Amount due within one year | Amount |
| 19 CIMCC 01 (Note 1) CIMCCAFB2202 (Note 2) | 1,000,000,000.00 | 28 November 2019 | 3 years | 1,000,000,000.00 | 1,000,000,000.00 | 1,000,000,000.00 | - | 42,800,000.00 | 42,800,000.00 | - | - | - | - |
| 20 Luanchuan Moyiderum MTN001 (Note 3) | USD300,000,000.00 | 1 February 2019 | 3 years | 2,010,750,000.00 | 1,533,925,000.00 | 1,533,925,000.00 | - | 7,277,668.29 | 43,666,010.00 | - | - | - | - |
| 21 Luanchuan Moyiderum MTN001 (green) (Note 3) | 1,000,000,000.00 | 28 May 2020 | 5 years | 1,000,000,000.00 | 1,000,000,000.00 | - | - | 42,000,000.00 | 42,000,000.00 | 25,084,931.50 | - | - | 1,000,000,000.00 |
| 22 Luanchuan Moyiderum MTN001 (sustainable linkage) (Note 3) | 150,000,000.00 | 16 July 2021 | 3 years | 150,000,000.00 | 150,000,000.00 | - | - | 5,850,000.00 | 5,850,000.00 | 2,709,630.20 | - | - | 150,000,000.00 |
| Total | | | | 5,160,750,000.00 | 3,743,925,000.00 | 2,593,925,000.00 | 1,000,000,000.00 | 131,138,627.19 | 134,316,010.00 | 61,094,520.60 | - | - | 2,150,000,000.00 |

RMB

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Bonds payable (Continued)

(2) Changes in bonds payable (Continued)

Note 1: On 28 November 2019, the Company issued corporate bonds with a total par value of RMB1,000,000,000.00 (“19 CMOC 01”), which are traded in national inter-bank bond market. The proceeds from issuing the corporate bonds are allocated to the Company and subsidiaries as the working capital and for repayment of bank borrowings. The interest on the issued corporate bonds is accrued at the fixed annual interest rate of 4.28% and paid once a year over the term of 3 years. The corporate bonds have matured and been repaid this year.

Note 2: On 1 January 2019, the Company’s subsidiary CMOC Capital Limited issued USD bonds with a total par value of USD300,000,000.00 (“CMOC CAP B2202”) at HK Stock Exchange. The proceeds from issuing the corporate bonds are used to satisfy the general operation demands, including but not limited to, repayment of part of the existing debt of the Company. The interest on the USD bonds is accrued at the fixed annual interest rate of 5.48% and paid twice a year over the term of 3 years. An early repayment of USD50,000,000.00 has been made in prior period. The USD bonds have matured and been repaid this year.

Note 3: On 28 May 2020, the Company issued medium-term notes with a total par value of RMB1,000,000,000.00 (“20 Luanchuan Molybdenum MTN001”), which are traded in national inter-bank bond market. The proceeds from issuing the medium-term notes are allocated to the Company and subsidiaries as the working capital and for repayment of bank borrowings. The interest on the issued medium-term notes is accrued at the fixed annual interest rate of 4.20% and paid once a year over the term of 5 years.

On 16 July 2021, the Company issued green medium-term notes with a total par value of RMB150,000,000.00 (“21 Luanchuan Molybdenum MTN001 (Green)”), which are traded in national inter-bank bond market. The proceeds from issuing the green medium-term green financing bill are used in construction of low-carbon industrial transformation project. The interest on the issued medium-term notes is accrued at the fixed annual interest rate of 3.90% and paid once a year over the term of 3 years.

On 16 July 2022, the Company issued sustainable linkage medium-term notes with a total par value of RMB1,000,000,000.00 (“22 Luanchuan Molybdenum MTN001 (sustainable linkage)”), which are traded in national inter-bank bond market. The proceeds from issuing the sustainable linkage medium-term notes are used in construction of energy-saving industrial transformation projects. The interest on the issued medium-term notes is accrued at the fixed annual interest rate of 3.80% and paid once a year over the term of 3 years. The details of interest payable of the above medium-term notes are set out in Note (V) 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Lease liabilities

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-----------------------|------------------|
| Operating lease payables | 295,612,127.39 | 376,817,378.08 |
| Less: Lease liabilities included in non-current liabilities due within one year (Note (V) 32) | 86,263,062.10 | 142,879,384.41 |
| Total | 209,349,065.29 | 233,937,993.67 |

The Group is not exposed to significant liquidity risk related to lease liabilities.

(1) The maturity analysis of lease liabilities with a term of over one year is as follows:

RMB

| Maturity date | 31 December 2022 | 31 December 2021 |
|---------------|-----------------------|------------------|
| 1 to 2 years | 66,160,314.00 | 53,158,693.06 |
| 2 to 5 years | 97,296,099.87 | 126,272,273.97 |
| Over 5 years | 45,892,651.42 | 54,507,026.64 |
| Total | 209,349,065.29 | 233,937,993.67 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term employee benefits payable

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-----------------------|------------------|
| 1. Retirement benefits-net liability from defined benefit plan | 340,701,027.05 | 294,597,726.68 |
| 2. Other long-term benefits | | |
| – Long service leave (<i>Note</i>) | 13,645,143.15 | 11,867,288.57 |
| – Others | 2,193,445.05 | 2,007,975.71 |
| Total | 356,539,615.25 | 308,472,990.96 |

Note: It represents liabilities relating to annual leave and long service leave accrued for employees by overseas companies of the Group, in which the portion expected to be paid within 12 months is accounted for in employee benefits payable.

38. Provisions

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---|-------------------------|------------------|
| Rehabilitation and asset abandonment cost (<i>Note 1</i>) | 2,912,266,738.54 | 2,745,535,816.07 |
| Lawsuit (<i>Note 2</i>) | 255,094,416.78 | 336,285,942.50 |
| Total | 3,167,361,155.32 | 3,081,821,758.57 |

Note 1: The Group has the obligation of rehabilitation, environmental restoration and dismantling of related assets due to the environmental impact caused by mineral production and development activities. The management's best estimate of future economic benefits outflow generated from the above obligations is recognized as provision upon discounting. The above estimate is determined based on the industry practices and the current local laws and regulations, and significant changes in related laws and regulations may have a significant impact on the Group's estimate.

Note 2: The Group's Niobium-Phosphorus business in Brazil is facing with a series of local litigations and disputes related to tax matters, labors and other civil cases. When the relevant litigations are likely to lose and result in economic benefits outflow, the management of the Group estimates the amount of potential economic benefits outflow and make corresponding provisions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred income

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---|----------------------|------------------|
| Refunds of land-transferring fees (Note 1) | 13,431,238.70 | 13,816,824.50 |
| Demonstration base project subsidies (Note 2) | 26,852,000.40 | 33,856,870.20 |
| Others | 5,430,000.00 | 5,430,000.00 |
| Total | 45,713,239.10 | 53,103,694.70 |

Note 1: It represents the refunds of land-transferring fees received by the Group, which is included in deferred revenue, and amortized in the period of land use with the straight-line method.

Note 2: It represents the special funds for major science and technology of Henan Province, the special funds for mineral resources conservation and comprehensive utilization and the subsidies for the central mineral resources comprehensive utilization demonstration base received by the Group, which are to be used for the study of key technologies for molybdenum-tungsten dressing and deep processing, included in deferred income, and recognized as an other income in the future when related technology research costs are incurred.

Projects related to government grants:

RMB

| Item of liabilities | 1 January 2022 | Increase | Included in other income | Other changes | 31 December 2022 | Related to assets/income (Note) |
|---|----------------|----------|--------------------------|---------------|----------------------|---------------------------------|
| Deferred income-subsidies for low-grade scheelite demonstration project | 33,856,870.20 | - | 7,004,869.80 | - | 26,852,000.40 | Related to assets |
| Subsidies of the return of Nannihu land premium | 13,816,824.50 | - | 385,585.80 | - | 13,431,238.70 | Related to assets |
| Others | 5,430,000.00 | - | - | - | 5,430,000.00 | Related to assets |
| Total | 53,103,694.70 | - | 7,390,455.60 | - | 45,713,239.10 | |

Note: For the government grants to be received by the Company, it will be divided to asset-related government grants and income-related government grants according to the definition and requirements by the government. For those not clearly defined by the government documents, the Company will make judgment according to whether it can form assets or not.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Other non-current liabilities

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|--------------------------|-------------------|
| Production progress fees due to Gécamines (Note 1) | – | 31,878,500.00 |
| Share-based payments (Note 2) | 82,570,114.18 | 142,115,117.19 |
| Metal flow transaction contract liabilities (Note 3) | 7,921,995,824.86 | 3,435,245,078.39 |
| Contract liabilities | 13,689,283,467.92 | 9,984,346,200.00 |
| Others | – | 490,270.81 |
| Total | 21,693,849,406.96 | 13,594,075,166.39 |

Note 1: In accordance with the mining agreement entered into between the Group and Gécamines, Gécamines needs to charge TFM production progress fees of USD5 million, which is expected to be paid within 2023 according to TFM's production plan. Refer to Note (V) 31 for details.

Note 2: Since 2018, IXM announced a cash-settled share-based payment plan (Phantom Equity Retention Plan, "PERP") which will be exercised in five years and a cash-settled share-based payment plan (Phantom Equity Participant Plan, "PEPP") which will be exercised in four years, respectively. Both PERP and PEPP vested 25% per annum during the period from 2020 to 2023, and will be expired in 2029. Vesting conditions of PERP are mainly related to the net assets of IXM and employees' personal performance, while requiring continuing employment with IXM; Vesting conditions of PEPP are mainly related to requirement of continuing employment with IXM. Both PERP and PEPP calculate the amounts payable on the basis of the value of equity of IXM. In 2022, the Group recognized other non-current liabilities relating to PERP and PEPP amounting to RMB7,562,620.43 and RMB75,007,493.75 respectively.

Note 3: On 10 July 2020, the Group and Triple Flag signed a metal flow agreement. In accordance with the contract, Triple Flag should pay a prepayment of USD550 million in cash to the Group, and for each ounce of gold and silver delivered under the metal flow agreement, Triple Flag shall pay an additional payment of 10% of the spot gold and silver price to the Group upon actual delivery. Refer to Note (V) 28 for details.

On 9 December 2022, the Group and a third party signed a metal purchase and sale agreement. In accordance with relevant agreements, the third party is required to pay a prepayment of USD830 million in cash to the Group, and for mineral products delivered under the metal purchase and sale agreement, the third party shall pay an additional payment to the Group at a certain proportion of the spot price of the mineral products upon actual delivery. In accordance with the metal purchase and sale agreement, the Group is required to deliver a certain proportion of its own mineral products sold in its own mining area to a third party based on the metal purchase and sale agreement. The metal purchase and sale agreement does not stipulate a minimum delivery quantity. As at the end of the year, the Group has received the first prepayment of USD600 million, which is recognized as a liability, and then will be transferred to revenue when the Group has fulfilled relevant performance obligations, i.e., when the control of the goods has been transferred to the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Share capital

As at 31 December 2022, the Company has total 21,599,240,583 shares of issued share, with par value of RMB0.2 per share and the total share capital of RMB4,319,848,116.60. The structures and types of shares are shown as follow:

Unit: Shares

| | Shares at 1 January 2022 | Changes for the year | | Shares at 31 December 2022 |
|---|-----------------------------|----------------------|----------|-------------------------------|
| | | Increase | Decrease | |
| I. Shares restricted for trading | | | | |
| 1. Shareholding of state-owned legal person | - | - | - | - |
| 2. Other domestic-owned shares | - | - | - | - |
| Total shares restricted for trading | - | - | - | - |
| II. Unrestricted trading shares | | | | |
| 1. RMB ordinary shares | 17,665,772,583 | - | - | 17,665,772,583 |
| 2. Foreign-owned shares listed overseas | 3,933,468,000 | - | - | 3,933,468,000 |
| Total unrestricted trading shares | 21,599,240,583 | - | - | 21,599,240,583 |
| III. Total shares | 21,599,240,583 | - | - | 21,599,240,583 |

42. Other equity instruments

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|-------------------------|------------------|
| Renewable corporate bonds – phase I (Note) | 1,000,000,000.00 | - |

Note: In December 2022, the Company publicly offered renewable corporate bonds – phase I to professional investors on the Shanghai Stock Exchange, with a total principal of RMB1 billion. According to the issuing terms of the bond, the Group has no contractual obligation to deliver cash or other financial assets. The Company believes that the bond fails to meet the definition of financial liabilities and includes it in other equity instruments instead.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Capital reserve

RMB

| Item | 1 January 2022 | Increase | Decrease | 31 December 2022 |
|--|-------------------|---------------|---------------|-------------------|
| 2022: | | | | |
| Total capital premium | 27,582,794,983.23 | 22,447,195.19 | 3,000,000.00 | 27,602,242,178.42 |
| Including: Capital contribution from investors | 27,580,672,943.23 | 22,447,195.19 | - | 27,603,120,138.42 |
| Others | 2,122,040.00 | - | 3,000,000.00 | (877,960.00) |
| Other capital reserve (Note 1) | 63,060,535.16 | 63,616,600.57 | 47,001,226.90 | 79,675,908.83 |
| Total | 27,645,855,518.39 | 86,063,795.76 | 50,001,226.90 | 27,681,918,087.25 |

| Item | 1 January 2021 | Increase | Decrease | 31 December 2021 |
|--|-------------------|---------------|----------|-------------------|
| 2021: | | | | |
| Total capital premium | 27,582,794,983.23 | - | - | 27,582,794,983.23 |
| Including: Capital contribution from investors | 27,580,672,943.23 | - | - | 27,580,672,943.23 |
| Others | 2,122,040.00 | - | - | 2,122,040.00 |
| Other capital reserve (Note 1) | - | 63,060,535.16 | - | 63,060,535.16 |
| Total | 27,582,794,983.23 | 63,060,535.16 | - | 27,645,855,518.39 |

Note 1: Increase in other capital reserve for the period represents the cost of incentives allocated from the restricted stock incentive plan.

On 10 June 2022, the Company held the fifth extraordinary meeting of the sixth session of board of directors and approved the Proposal on Performance Appraisal Indicators for the First Equity Allocation Period of the 2021 Phase I Employee Stock Ownership Plan, pursuant to which, the Company recognized that the unlocking conditions of the first unlocking period of the 2021 Phase I Employee Stock Ownership Plan had been met, and agreed that the shares unlocked in the first equity allocation period and the attached rights and interests were attributable to incentive target individuals. The total number of shares unlocked this time is 30% of the total number of shares that the ownership plan granted, i.e., 12,303,986 shares are unlocked for four target individuals, and RMB47,001,226.90, which has been included in other capital reserve, has been transferred to equity premium.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Treasury shares

RMB

| Item | 1 January | Increase | Decrease | 31 December |
|-------------------------------|----------------|----------------|---------------|-------------------------|
| | 2022 | | | (Note 1) |
| Repurchase of treasury shares | 876,357,019.96 | 499,999,996.32 | 51,335,885.06 | 1,325,021,131.22 |
| Total | 876,357,019.96 | 499,999,996.32 | 51,335,885.06 | 1,325,021,131.22 |

Note 1: Details are set out in Note (I) 1.

The Company's repurchase of A-share ordinary shares by way of centralized competitive bidding transactions in the current year is as follows:

RMB

| Month | Quantity | Transaction price | | Average transaction price |
|-------|-------------|-------------------|--------------|---------------------------|
| | | Highest price | Lowest price | |
| May | 76,275,541 | 4.81 | 4.60 | 4.69 |
| June | 28,654,902 | 5.00 | 4.72 | 4.82 |
| Total | 104,930,443 | 5.00 | 4.60 | 4.76 |

If the Company fails to use the repurchased shares within 36 months after the completion of the share repurchase, the repurchased shares that have not been used will be cancelled. The Company's subsidiaries have no purchase, disposal or redemption of any listed shares of the Company.

Note 2: The unlocking conditions of the first unlocking period of the 2021 Phase I Employee Stock Ownership Plan have been met, and 12,303,986 shares are unlocked, with treasury shares of RMB49,162,003.91 reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Other comprehensive income

RMB

| Item | 1 January 2022 | Pre-tax amount incurred in the current year | Less: Amount included in other comprehensive income in prior period and transferred to profit or loss in the current period | Amount incurred in the current year | | | Less: Amount previously included in other comprehensive income and transferred to the cost of long-term assets in the current period | 31 December 2022 |
|--|---------------------------|---|---|-------------------------------------|--|--|---|-----------------------|
| | | | | Less: Income tax expenses | After-tax amount attributable to shareholders of the parent company | After-tax amount Attributable to minority shareholders | | |
| I. Other comprehensive income that cannot be reclassified subsequently to profit or loss | (35,245,198.95) | (39,184,265.14) | - | (10,508,619.13) | (28,675,646.01) | - | - | (63,920,844.96) |
| Including: Changes in fair value of other investments in equity instruments | (37,142,737.32) | (52,770,163.00) | - | (13,192,540.75) | (39,577,622.25) | - | - | (76,720,359.57) |
| Remeasurement of changes in net liabilities or net assets of defined benefit plans | 1,897,538.37 | 13,585,897.86 | - | 2,683,921.62 | 10,901,976.24 | - | - | 12,799,514.61 |
| II. Other comprehensive income that will be reclassified subsequently to profit or loss | (6,370,981,831.70) | 6,728,037,408.85 | (829,479,175.00) | 35,603,588.91 | 6,729,782,385.40 | 792,130,609.54 | - | 358,800,553.70 |
| Including: Cash flow hedge reserve | (3,441,871,979.37) | 2,270,981,383.55 | (829,479,175.00) | 35,603,588.91 | 3,064,856,969.64 | - | - | (377,015,009.73) |
| Translation differences of financial statements denominated in foreign currencies | (2,929,109,852.33) | 4,457,056,025.30 | - | - | 3,664,925,415.76 | 792,130,609.54 | - | 735,815,563.43 |
| Total other comprehensive income | (6,406,227,030.65) | 6,688,853,143.71 | (829,479,175.00) | 25,094,969.78 | 6,701,106,739.39 | 792,130,609.54 | - | 294,879,708.74 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Special reserve

RMB

| Item | 1 January 2022 | Increase | Decrease | 31 December 2022 |
|----------------------------|-------------------|----------------|----------------|---------------------|
| 2022: | | | | |
| Safety production expenses | 487,314.82 | 147,803,291.66 | 125,635,019.42 | 22,655,587.06 |
| Total | 487,314.82 | 147,803,291.66 | 125,635,019.42 | 22,655,587.06 |

| Item | 1 January 2021 | Increase | Decrease | 31 December 2021 |
|----------------------------|-------------------|----------------|----------------|---------------------|
| 2021: | | | | |
| Safety production expenses | 230,899.06 | 132,789,457.32 | 132,533,041.56 | 487,314.82 |
| Total | 230,899.06 | 132,789,457.32 | 132,533,041.56 | 487,314.82 |

47. Surplus reserve

RMB

| Item | 1 January 2022 | Increase | Decrease | 31 December 2022 |
|-------------------------------------|-------------------|----------------|----------|---------------------|
| 2022: | | | | |
| Statutory surplus reserve (Note) | 1,463,370,956.65 | 221,017,571.04 | - | 1,684,388,527.69 |

| Item | 1 January 2021 | Increase | Decrease | 31 December 2021 |
|-------------------------------------|-------------------|----------------|----------|---------------------|
| 2021: | | | | |
| Statutory surplus reserve (Note) | 1,295,599,051.54 | 167,771,905.11 | - | 1,463,370,956.65 |

Note: In accordance with the related laws and regulations of the PRC, the Company appropriates the statutory surplus reserve at 10% of the net profit of 2022, totaling RMB221,017,571.04 (2021: RMB167,771,905.11).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Retained profits

RMB

| Item | 31 December 2022 | 31 December 2021 |
|--|--------------------------|-------------------|
| Retained profits at the beginning of current year | 13,698,308,770.45 | 9,472,838,365.96 |
| Add: Net profit attributable to shareholders of the parent company | 6,066,946,564.19 | 5,106,017,249.81 |
| Less: Appropriation to statutory surplus reserve (Note 1) | 221,017,571.04 | 167,771,905.11 |
| Ordinary stock dividends payable (Note 2) | 1,524,344,600.04 | 712,774,940.21 |
| Retained profits at the end of current year | 18,019,893,163.56 | 13,698,308,770.45 |

Note 1: Refer to Note (V) 47 for details.

Note 2: Cash dividend has been approved in annual general meeting of shareholders of the current year.

As resolved at the Company's 2020 annual general meeting of shareholders on 10 June 2022, the Company distributed to all shareholders cash dividends at RMB0.7125 per 10 shares, totaling RMB1,524,344,600.04 (2021: RMB712,774,940.21).

Note 3: Profit distribution declared after the balance sheet date.

According to a proposal of the board of directors, calculating on the basis of 21,394,310,176 shares of issued share (net of the number of shares in the Company's dedicated repurchase account) (with par value of RMB0.2 per share), the Company proposed to distribute cash dividends to all the shareholders at RMB0.8508 per 10 shares (2021: RMB0.7125 per 10 shares (tax included)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Operating income, operating costs

(1) Operating income (by category)

RMB

| Item | 2022 | | 2021 | |
|--------------------------------|---------------------------|---------------------------|--------------------|--------------------|
| | Income | Cost | Income | Cost |
| Principal operating activities | 172,682,807,359.00 | 156,634,041,102.69 | 173,351,399,660.10 | 157,100,249,285.38 |
| Including: Sales of goods | 25,374,732,583.49 | 14,813,769,671.95 | 25,358,304,123.52 | 14,131,177,405.58 |
| Metal trading | 147,308,074,775.51 | 141,820,271,430.74 | 147,993,095,536.58 | 142,969,071,879.80 |
| Other operating activities | 308,049,862.36 | 292,207,028.98 | 511,186,494.72 | 439,293,063.36 |
| Including: Income from | | | | |
| hotel services | 35,810,084.10 | 40,507,807.78 | 54,707,548.40 | 43,623,819.61 |
| Other income | 272,239,778.26 | 251,699,221.20 | 456,478,946.32 | 395,669,243.75 |
| Total | 172,990,857,221.36 | 156,926,248,131.67 | 173,862,586,154.82 | 157,539,542,348.74 |

(2) Principal operating activities (by products)

RMB

| Name of products | 2022 | | 2021 | |
|---|---------------------------|---------------------------|--------------------|--------------------|
| | Operating income | Operating costs | Operating income | Operating costs |
| Molybdenum, tungsten and related products | 6,965,368,091.42 | 4,020,610,663.20 | 5,350,413,902.79 | 3,162,552,021.69 |
| Niobium, phosphorus and related products | 7,368,147,038.65 | 4,566,124,333.17 | 5,086,841,778.80 | 3,615,904,038.10 |
| Copper, cobalt and related products | 9,748,225,331.68 | 5,183,855,582.32 | 13,268,256,624.20 | 6,241,622,321.72 |
| Copper, gold and related products | 1,292,786,434.09 | 1,042,987,983.36 | 1,652,687,869.50 | 1,111,003,201.84 |
| Concentrates metal trading | 39,916,885,676.01 | 38,361,690,395.27 | 42,477,651,076.36 | 39,714,777,592.69 |
| Refined metal trading | 107,391,189,099.50 | 103,458,581,035.47 | 105,515,444,460.22 | 103,254,294,287.11 |
| Others | 205,687.65 | 191,109.90 | 103,948.23 | 95,822.23 |
| Total | 172,682,807,359.00 | 156,634,041,102.69 | 173,351,399,660.10 | 157,100,249,285.38 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Operating income, operating costs (Continued)

(3) *Performance obligations*

Sales of goods and metal trading:

The Group sells mineral products including molybdenum, tungsten, niobium, phosphorus, copper, cobalt and gold, and copper, lead and zinc concentrates, refined metals, aluminum and other secondary metals to customers. In general, contracts on sales of relevant products solely contain one performance obligation, i.e., delivery of goods. The consideration for sales of products is determined based on the fixed price in the sales contract or temporary pricing arrangement. Revenue is recognized at the point in time when the control is transferred to the customer. Revenue from sales in the temporary pricing arrangement is recognized based on the fair value of products upon recognition of sales.

In the meanwhile, the Group carries out business by receipts in advance or sales on credit based on credit status of counterparties.

Income from hotel services:

The Group renders services to clients based on its own hotels, relevant revenue is recognized in the period when clients receive and consume relevant services.

Other income:

The Group sells auxiliary materials and scraps to customers. In general, contracts on sales of relevant products solely contain one performance obligation, i.e., delivery of goods. The consideration for sales of products is determined based on the fixed price in the sales contract. Revenue is recognized at the point in time when the control is transferred to the customer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Taxes and levies

RMB

| Item | 2022 | 2021 | Basis of calculation |
|--|-------------------------|------------------|----------------------|
| Urban maintenance and construction tax | 30,611,139.20 | 21,231,859.52 | Note (IV) |
| Education surcharge | 29,860,529.87 | 19,611,817.43 | Note (IV) |
| Resource tax and royalties of mineral rights | 1,026,101,445.20 | 1,095,713,197.17 | Note (IV) |
| Others | 148,537,686.01 | 119,520,934.08 | |
| Total | 1,235,110,800.28 | 1,256,077,808.20 | |

51. Selling expenses

RMB

| Item | 2022 | 2021 |
|---|----------------------|---------------|
| Wages or salaries, bonus and allowances | 20,231,902.83 | 18,653,765.37 |
| Entertainment expenditures | 2,097,683.64 | 2,013,486.88 |
| Traveling expenses | 1,549,873.70 | 840,850.17 |
| Market consulting fees | 57,244,047.81 | 50,647,829.70 |
| Others | 16,047,914.71 | 17,594,006.98 |
| Total | 97,171,422.69 | 89,749,939.10 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Administrative expenses

RMB

| Item | 2022 | 2021 |
|---|-------------------------|------------------|
| Wages or salaries, bonus and allowances | 912,914,277.75 | 861,919,213.97 |
| Depreciation and amortization | 200,430,998.83 | 145,959,014.17 |
| Consulting and agency fees | 209,768,758.84 | 189,604,296.34 |
| Entertainment expenditures | 23,656,095.67 | 26,575,982.85 |
| Insurance costs | 102,213,097.32 | 59,219,153.57 |
| Traveling expenses | 50,574,671.58 | 24,472,854.09 |
| Rental expenses | 14,156,871.52 | 30,917,236.57 |
| Others | 277,097,309.84 | 217,342,820.17 |
| Total | 1,790,812,081.35 | 1,556,010,571.73 |

53. Financial expenses

RMB

| Item | 2022 | 2021 |
|---|-------------------------|------------------|
| Interest expenses on bonds | 160,152,211.17 | 215,050,342.93 |
| Interest expenses on lease liabilities | 14,155,868.23 | 24,356,158.94 |
| Interest expenses on bank borrowings and others | 2,508,544,973.03 | 1,416,456,949.36 |
| Metal flow project financing expenses | 112,194,569.45 | 108,609,088.13 |
| Total interest expenses | 2,795,047,621.88 | 1,764,472,539.36 |
| Less: Interest income | 1,189,038,307.66 | 748,777,605.00 |
| Exchange differences | 128,024,089.36 | (38,501,323.00) |
| Gold lease charges | 12,167,370.39 | 39,947,120.58 |
| Others | 62,264,593.11 | 77,916,728.97 |
| Total | 1,808,465,367.08 | 1,095,057,460.91 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Other income

RMB

| Item | 2022 | 2021 | Related to assets/ Related to income |
|---|----------------------|---------------|---|
| Government subsidies for stabilizing job posts | 1,693,883.34 | 195,258.02 | Related to income |
| Nannihu land transfer compensation | 385,585.80 | 385,585.80 | Related to assets |
| Deferred income-subsidies for low-grade scheelite demonstration project | 7,004,869.80 | 7,004,869.80 | Related to assets |
| R&D rewards | 1,756,000.00 | 9,461,600.00 | Related to income |
| Special manufacturing development fund | 5,000,000.00 | – | Related to income |
| Tax refunds | 53,359,741.13 | 19,799,659.00 | Related to income |
| High-tech enterprise incentives | 5,500,000.00 | 200,000.00 | Related to income |
| Sinosure fiscal support fund | 2,835,900.00 | 3,000,000.00 | Related to income |
| Personal tax charges refunded by tax authorities | 3,355,861.68 | 1,144,279.08 | Related to income |
| Social security tax credit | – | 45,076.25 | Related to income |
| Special awards and subsidies | 1,016,050.00 | 9,600,000.00 | Related to income |
| Policy cash incentives | – | 5,000,000.00 | Related to income |
| Others | 3,442,712.79 | 2,378,517.44 | Related to income |
| Total | 85,350,604.54 | 58,214,845.39 | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Investment income

RMB

| Item | 2022 | 2021 |
|---|------------------------|-----------------|
| Income (loss) from long-term equity investments under equity method | 645,307,049.56 | (2,281,770.77) |
| Investment income from held-for-trading financial assets during the holding period (Note (V) 2) | 75,482.70 | 33,204,166.53 |
| Investment income from other non-current financial assets during the holding period (Note (V) 13) | 59,023,405.87 | 116,574,573.13 |
| Investment income from disposal of subsidiaries (Note (VI) 1) | 52,011,903.43 | 1,165,641.55 |
| Investment loss from disposal of other non-current financial assets (Note (V) 13) | – | (4,774,325.41) |
| Others | (30,498,351.79) | (33,592,427.67) |
| Total | 725,919,489.77 | 110,295,857.36 |

There are no significant restrictions on remittance of investment income.

56. Losses from changes in fair value

RMB

| | 2022 | 2021 |
|--|---------------------------|--------------------|
| Sources resulting in fair value change losses: | | |
| Losses from changes in fair value of derivative financial instruments | (1,183,715,039.95) | (3,918,411,379.03) |
| Losses from changes in fair values of gold lease and forward contract measured at fair value (Note (V) 24) | (5,944,298.13) | (6,123,710.21) |
| Gains from changes in fair value of consumable biological assets (Note (V) 8) | 43,386,848.12 | 11,320,945.27 |
| (Losses) gains from the changes in fair value of other non-current financial assets at FVTPL (Note (V) 13) | (532,575,964.16) | 523,133,803.42 |
| Gains from changes in fair value of structured deposits | 57,879,414.81 | 21,679,140.07 |
| Gains from changes in fair value of other held-for-trading financial assets | 10,138,749.86 | 652,567.89 |
| Total | (1,610,830,289.45) | (3,367,748,632.59) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. (Losses) gains from credit impairment

RMB

| Sources of credit impairment | 2022 | 2021 |
|---|------------------------|--------------|
| Gains from credit impairment of notes receivable | 487.12 | 735,355.94 |
| Losses from credit impairment of accounts receivable | (19,678,143.91) | (621,896.39) |
| (Losses) gains from credit impairment of other receivables | (314.50) | 35,000.00 |
| Total | (19,677,971.29) | 148,459.55 |

58. Losses from assets impairment

RMB

| Item | 2022 | 2021 |
|---|------------------------|-----------------|
| Losses on decline in value of inventories | (10,118,475.59) | (25,567,061.48) |
| Impairment losses on fixed assets | (34,670,299.47) | (34,276,236.35) |
| Impairment losses on intangible assets | (20,484,319.60) | (882,048.71) |
| Total | (65,273,094.66) | (60,725,346.54) |

59. Non-operating income

RMB

| Item | 2022 | 2021 |
|--------------------------|----------------------|---------------|
| Liquidated damages, etc. | 19,666,081.51 | 19,162,108.50 |
| Total | 19,666,081.51 | 19,162,108.50 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Non-operating expenses

RMB

| Item | 2022 | 2021 |
|--|-----------------------|---------------|
| Losses from retirement of non-current assets | 33,638,491.33 | 12,829,956.03 |
| Donations | 17,335,872.14 | 15,571,939.10 |
| Others | 53,281,486.23 | 24,119,748.37 |
| Total | 104,255,849.70 | 52,521,643.50 |

61. Income tax expenses

RMB

| Item | 2022 | 2021 |
|--|-------------------------|------------------|
| Current tax expenses calculated according to tax laws and relevant requirements | 3,206,035,984.64 | 3,577,912,612.40 |
| Differences arising on settlement of prior-year income tax | 64,839,105.05 | 82,925,243.43 |
| Adjustments to deferred income tax | (658,109,211.27) | (333,136,856.67) |
| Total | 2,612,765,878.42 | 3,327,700,999.16 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Income tax expenses (Continued)

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

| | 2022 | 2021 |
|---|-------------------------|------------------|
| Accounting profit | 9,804,466,705.79 | 8,755,314,341.72 |
| Income tax expenses calculated at 15% (2021: 15%) | 1,470,670,005.87 | 1,313,297,151.26 |
| Effect of expenses that are not deductible for tax purposes | 68,978,876.23 | 38,156,004.72 |
| Effect of tax-free income/additional deduction items | (351,561,772.11) | (151,204,719.11) |
| Effect of using previously unrecognized deductible losses and deductible temporary differences | (622,779.30) | (192,686.38) |
| Effect of unrecognized deductible losses and deductible temporary differences | 4,660,276.29 | 8,812,647.39 |
| Effect of exchange rate of non-monetary items and corporate restructuring (Note (V) 21 (1) & (3)) | (71,286,637.30) | 50,888,005.73 |
| Deductible losses arising from tax return (Note (V) 21 (1)) | 64,979,731.97 | 59,020,911.41 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 1,298,530,815.90 | 1,813,376,863.16 |
| Difference arising on settlement of prior-year income tax | 64,839,105.05 | 82,925,243.43 |
| Withholding income tax on dividends from subsidiaries | 63,578,255.82 | 112,621,577.55 |
| Total | 2,612,765,878.42 | 3,327,700,999.16 |

62. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

| | 2022 | 2021 |
|---|-------------------------|----------------|
| IXM's receipts of net investment income from derivative financial instruments | 638,654,951.32 | – |
| Receipts of interest income | 914,252,806.58 | 608,223,322.41 |
| Receipt of subsidy income | 77,960,148.94 | 50,824,389.79 |
| Cash receipts from metal flow transactions | 4,178,760,000.00 | – |
| Others | 15,333,598.73 | 96,020,877.92 |
| Total | 5,824,961,505.57 | 755,068,590.12 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Notes to items in the cash flow statement (Continued)

(2) Other cash payments relating to operating activities

RMB

| Item | 2022 | 2021 |
|---|-----------------------|------------------|
| IXM's payments of deposits for derivative financial instruments | – | 851,942,426.14 |
| Payments of consulting fee, technology development fee and transportation fee, etc. | 316,324,849.96 | 605,819,764.41 |
| Payments of bank charges, etc. | 28,091,234.04 | 40,675,658.72 |
| Payments of donations and penalty, etc. | 70,617,358.37 | 17,790,844.74 |
| Cash payments for metal flow transactions | 135,515,850.05 | 146,547,636.13 |
| Others | 136,483,336.02 | 72,167,616.54 |
| Total | 687,032,628.44 | 1,734,943,946.68 |

(3) Cash receipts from disposals and recovery of investments

RMB

| Item | 2022 | 2021 |
|--|-------------------------|------------------|
| Cash receipts from withdrawal of bank structured deposits and wealth management products of other financial institutions | 7,825,281,095.99 | 7,551,992,220.75 |
| Cash receipts from withdrawal of other non-current financial assets | 169,665,991.14 | 1,805,488,324.99 |
| Total | 7,994,947,087.13 | 9,357,480,545.74 |

(4) Other cash receipts relating to investing activities

RMB

| Item | 2022 | 2021 |
|--|-------------------------|------------------|
| Cash receipts of repayments from third parties and related parties | 1,910,915,060.38 | 1,077,853,530.69 |
| Total | 1,910,915,060.38 | 1,077,853,530.69 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Notes to items in the cash flow statement (Continued)

(5) Cash payments to acquire investments

RMB

| Item | 2022 | 2021 |
|---|-------------------------|------------------|
| Cash payments for purchase of bank structured deposits and wealth management products of other financial institutions | 6,159,100,000.00 | 6,749,000,000.00 |
| Purchase of non-current financial assets | 103,001,967.71 | 552,632,479.32 |
| Settlement of derivative financial instruments | – | 1,931,844,590.66 |
| Cash payments for capital increase in long-term equity investments | 2,422,678.51 | 6,001,099.69 |
| Total | 6,264,524,646.22 | 9,239,478,169.67 |

(6) Other cash payments relating to investing activities

RMB

| Item | 2022 | 2021 |
|---|-------------------------|------------------|
| Loans to related parties | – | 834,472,563.17 |
| Loans to third parties | 148,298,067.94 | – |
| Loans to suppliers | 1,804,165,561.90 | 189,120,000.00 |
| Deposits for derivative financial instruments | 263,676,634.78 | 1,061,792,472.38 |
| Total | 2,216,140,264.62 | 2,085,385,035.55 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Notes to items in the cash flow statement (Continued)

(7) Other cash receipts relating to financing activities

RMB

| Item | 2022 | 2021 |
|--|------------------|-------------------|
| Cash receipts from gold lease business | 671,682,966.50 | 1,777,772,000.00 |
| Receipts in advance for goods | 4,404,517,400.00 | 9,984,346,200.00 |
| Total | 5,076,200,366.50 | 11,762,118,200.00 |

(8) Other cash payments relating to financing activities

RMB

| Item | 2022 | 2021 |
|--|------------------|------------------|
| Cash paid for gold leasing business | 785,261,400.00 | 1,449,481,400.00 |
| Commission charge related to gold leasing business and loans | 12,167,370.39 | 39,947,120.58 |
| Deposits for borrowing and arrangement fee | 26,895,154.80 | 26,689,627.77 |
| Payments of lease liabilities | 177,090,877.79 | 280,448,302.75 |
| Repurchase of treasury shares | 499,999,996.32 | 684,117,491.95 |
| Others | 380,831.85 | – |
| Total | 1,501,795,631.15 | 2,480,683,943.05 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary information to the cash flow statement

(1) *Supplementary information to the cash flow statement*

RMB

| Supplementary information | 2022 | 2021 |
|---|--------------------|--------------------|
| 1. Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 7,191,700,827.37 | 5,427,613,342.56 |
| Add: Provision for impairment on assets | 65,273,094.66 | 60,725,346.54 |
| Provision for credit impairment (gains are indicated with "-") | 19,677,971.29 | (148,459.55) |
| Depreciation of fixed assets | 2,818,747,503.94 | 2,261,358,025.24 |
| Depreciation of right-of-use assets | 148,800,769.68 | 266,500,369.60 |
| Amortization of intangible asset | 1,518,732,561.97 | 1,728,838,326.03 |
| Amortization of long-term prepaid expenses | 44,259,617.92 | 38,385,777.33 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated with "-") | (29,128,043.33) | 5,274,617.13 |
| Fair value change losses | 1,610,830,289.45 | 3,367,748,632.59 |
| Financial expenses | 2,969,412,440.70 | 1,803,159,407.19 |
| Investment income | (725,919,489.77) | (110,295,857.36) |
| Changes in deferred tax assets/liabilities | 313,764,292.21 | (489,340,969.73) |
| Increase in inventories | (5,612,705,132.90) | (6,206,177,225.72) |
| Decrease in operating receivables (increase is indicated with "-") | 2,863,481,919.64 | (539,408,914.06) |
| Increase in operating payables (decrease is indicated with "-") | 1,178,488,649.61 | (2,136,038,020.84) |
| Increase in provisions | 200,448,317.27 | 20,315,040.46 |
| Amortization of deferred income | (7,390,455.60) | (7,390,455.60) |
| Increase in special reserve | 22,168,272.24 | 256,415.76 |
| Losses on retirement of fixed assets | 33,638,491.33 | 12,829,956.03 |
| Transfer from OCI to profit or loss for the period | 829,479,175.00 | 686,442,698.38 |
| Net cash flow from operating activities | 15,453,761,072.68 | 6,190,648,051.98 |
| 2. Significant investing and financing activities that do not involving cash receipts or payments: | | |
| 3. Net changes in cash and cash equivalents: | | |
| Closing balance of cash | 29,045,548,650.93 | 20,392,690,843.69 |
| Less: Opening balance of cash | 20,392,690,843.69 | 11,448,950,438.25 |
| Add: Closing balance of cash equivalents | - | - |
| Less: Opening balance of cash equivalents | - | - |
| Net increase in cash and cash equivalents | 8,652,857,807.24 | 8,943,740,405.44 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Supplementary information to the cash flow statement (Continued)

(2) Constitution of cash and cash equivalents

RMB

| Item | 31 December 2022 | 31 December 2021 |
|---|--------------------------|-------------------|
| I. Cash | 29,045,548,650.93 | 20,392,690,843.69 |
| Including: Cash on hand | 1,503,981.98 | 1,322,107.51 |
| Bank deposits that are readily available for payment | 29,044,044,668.95 | 20,391,368,736.18 |
| Other cash and bank balances that are readily available for payment | – | – |
| II. Cash equivalents | – | – |
| III. Closing balance of cash and cash equivalents | 29,045,548,650.93 | 20,392,690,843.69 |

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries as well as cash and bank balances due over 3 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Foreign currency monetary items

(1) Foreign currency monetary items

RMB

| Item | Balance in original currencies at 31 December | | Exchange rate | Balance in RMB at 31 December | |
|--|---|--|---------------|----------------------------------|------------------|
| | 2022 | | | 2022 | |
| Cash and bank balances | | | | | |
| Including: RMB | 3,176,789.08 | | 1.0000 | | 3,176,789.08 |
| USD | 66,912,216.35 | | 6.9646 | | 466,016,376.05 |
| EUR | 8,490,478.37 | | 7.4229 | | 63,023,971.91 |
| HKD | 3,422,391.04 | | 0.8934 | | 3,057,623.63 |
| CAD | 1,199,223.00 | | 5.1385 | | 6,162,207.39 |
| AUD | 7,119,211.69 | | 4.7185 | | 33,592,117.82 |
| BRL | 1,176,548,320.57 | | 1.3348 | | 1,570,459,864.20 |
| GBP | 254,150.79 | | 8.4011 | | 2,135,140.42 |
| SGD | 537,385.49 | | 5.1852 | | 2,786,470.85 |
| CDF | 11,253,792,066.18 | | 0.0034 | | 38,085,416.30 |
| ZAR | 34,369,764.73 | | 0.4093 | | 14,065,932.02 |
| AED | 2,583.99 | | 1.8964 | | 4,900.22 |
| CHF | 59,872.18 | | 7.5350 | | 451,136.84 |
| CLP | 8,721,054.00 | | 0.0081 | | 70,666.66 |
| MXP | 4,504,865.20 | | 0.3597 | | 1,620,462.47 |
| NAD | 120,117.69 | | 0.4088 | | 49,102.10 |
| PEN | 716,776.56 | | 1.8232 | | 1,306,822.57 |
| IDR | 448,424,717.00 | | 0.0004 | | 200,301.34 |
| Short-term borrowings | | | | | |
| Including: USD | 14,697,152.59 | | 6.9646 | | 102,359,788.90 |
| MXP | 292,005,615.49 | | 0.3597 | | 105,038,468.60 |
| PEN | 76,757,844.42 | | 1.8232 | | 139,944,419.70 |
| Non-current liabilities due within one year | | | | | |
| Including: RMB | 700,000,000.00 | | 1.0000 | | 700,000,000.00 |
| PEN | 1,634,128.94 | | 1.8232 | | 2,979,343.89 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Foreign currency monetary items (Continued)

(2) Significant overseas operations

| Name of subsidiary | Main place of operation | Functional currency | Basis for determining the functional currency |
|---|--------------------------------|----------------------------|---|
| COMC Brazil | Brazil | USD | Determined based on the primary economic environment in which it operates |
| CMOC Mining | Australia | USD | Determined based on the primary economic environment in which it operates |
| CMOC Mining Services | Australia | AUD | Determined based on the primary economic environment in which it operates |
| TFM and KFM | Congo (DRC) | USD | Determined based on the primary economic environment in which it operates |
| Purveyors South Africa Mine Services CMOC ("CMOC South Africa") | Republic of South Africa | USD | Determined based on the primary economic environment in which it operates |
| IXM Holding SA | Switzerland | USD | Determined based on the primary economic environment in which it operates |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Hedges

Cash flow hedges

Interest rate swaps contracts

The Group enters into interest rate swaps contracts to mitigate the cash flow risk arising from its floating-rate borrowings, i.e., some of the floating-rate borrowings are converted into fixed-rate borrowings. The Group designated the acquired interest rate swaps contracts as hedging instrument, and the critical terms of these interest rate swaps contracts are similar to those of the borrowings. Through qualitative analysis, the Group determines that the quantitative ratio between hedging instrument and the hedged items is 1:1, and considers the hedge to be highly effective.

At the balance sheet date, the gain or loss arising from the changes in fair value of cash flow hedging instruments recognized in the other comprehensive income is RMB127,035,646.44 (2021: RMB49,596,862.86)

During the year, the amount reclassified from other comprehensive income to profit or loss by the Group is RMB-50,153,016.75 (2021: RMB-99,413,454.56).

Forward exchange contracts and exchange rate option contracts

The Group adopts forward foreign exchange contracts and exchange rate option contracts to reduce the cash flow risk of exchange rate fluctuations on the capital expenditure of its subsidiaries in Brazil. The Group designates a portion of the BRL forward foreign exchange contracts and option contracts purchased in 2021 as hedging instruments, which expire and are settled in 2021 and 2022, respectively. The Group adopts ratio analysis to evaluate the effectiveness of the hedges and considers them to be highly effective. The amount of ineffective portion of hedge recognized during the year was not material.

As at the balance sheet date, the gain or loss arising from the changes in fair value of cash flow hedging instruments recognized in the other comprehensive income amounted to RMB22,697,040.75 (2021: RMB-1,745,174.46).

During the year, the Group transferred out the cash flow hedge reserve previously recognized in other comprehensive income and included such amount in profit or loss and the cost of fixed assets, amounting to RMB22,416,830.82 (2021: RMB14,559,886.07) and RMB0.00 (2021: RMB65,271,498.71) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Hedges (Continued)

Cash flow hedges (Continued)

Commodity futures contracts

The Group engages in the business of mining and selling copper products and is exposed to cash flow risk arising from changes in the copper price for the copper products it expects to sell. Therefore, the Group uses copper futures contracts to reduce the cash flow risk arising from changes in the commodity prices of copper products expected to be sold. The refined copper produced and sold by the Group is the same as the refined copper corresponding to the copper futures contracts. Through qualitative analysis, the Group determines that the quantitative ratio between hedging instrument and the hedged items is 1:1, and considers the hedge to be highly effective.

As at the balance sheet date, the gain or loss arising from the changes in fair value of cash flow hedging instruments recognized in other comprehensive income amounted to RMB2,121,248,696.36 (2021: RMB-2,967,395,458.29).

During the year, the amount reclassified from other comprehensive income to profit or loss is RMB-801,742,989.07 (2021: RMB-601,589,129.89)

Fair value hedges

Refined copper futures contracts

The Group adopts refined copper futures contracts to hedge its exposure to price fluctuations in refined copper inventories. Through qualitative analysis, the Group determines that the quantitative ratio between hedging instrument and the hedged items is 1:1, and considers the hedge to be highly effective. As at the balance sheet date, inventories include fair value changes of RMB9,686,491.04 (2021: RMB3,246,551.07) accounted for as hedged items.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(V). NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Hedges (Continued)

Hedging instruments

Key information on the Group's hedging instruments is as follows:

| | 31 December 2022 | |
|--|----------------------------|---|
| | Carrying amount of | Items including hedging |
| | hedging instruments | instruments as presented |
| | Liabilities | on the balance sheet |
| <i>Cash flow hedges</i> | | |
| Interest rate risk – Interest rate swaps contracts | 230,168,848.27 | Non-current derivative financial liabilities |
| Exchange risk – Forward foreign exchange and exchange rate option contracts | – | Derivative financial liabilities |
| Commodity price risk – Commodity futures contracts | 495,111,488.36 | Derivative financial liabilities |
| Commodity price risk – Commodity futures contracts | 69,088,136.38 | Derivative financial liabilities |
| <i>Fair value hedges</i> | | |
| Commodity price risk – Commodity futures contracts | 9,686,491.04 | Derivative financial liabilities |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VI). CHANGES IN SCOPE OF CONSOLIDATION

| 1. Disposal of subsidiaries | RMB | | | | | | | | | | | |
|---|----------------|-------------------------|-----------------|-------------------------------|---|--|---|--|---|--|--|--|
| | Disposal price | Disposal percentage (%) | Disposal method | Time point of loss of control | Determination basis for time point of loss of control | Difference between the disposal price and the share of net assets in the subsidiary at the consolidated financial statement level corresponding to the disposal of the investments | Percentage of remaining equity on the date of loss of control (%) | Carrying amount of remaining equity on the date of loss of control | Fair value of remaining equity on the date of loss of control | Gains or losses arising from remeasurement of remaining equity at fair value | Method and key assumptions adopted in determination of fair value of remaining equity on the date of loss of control | Amount transferred to investment income (losses) from other comprehensive income associated with the equity investments in original subsidiary |
| (1) Loss of control upon disposal of investments in subsidiaries | | | | | | | | | | | | |
| Luoyang Xinchu Equipment Technology Co., Ltd. ("Luoyang Xinchu") (Note 1) | 47,000,000.00 | 100 | By agreement | 14 February 2022 | The time when the registration of change of shares is completed and the Company no longer participates in the operation decision and management | 451,007.15 | - | - | - | - | N/A | - |
| Luochuan Qixing Mining Co. Ltd ("Qixing") (Note 2) | 26,757,200.00 | 90 | By agreement | 20 September 2022 | The time when the registration of change of shares is completed and the Company no longer participates in the operation decision and management | 51,560,896.28 | - | - | - | - | N/A | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VI). CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

1. Disposal of subsidiaries (Continued)

(1) Loss of control upon disposal of investments in subsidiaries (Continued)

Note 1: On 21 January 2022, the Company entered into an Equity Transfer Agreement with a third party, pursuant to which the Company shall transfer 100% equity in Luoyang Xinchu at the consideration of RMB47,000,000.00. The equity has been delivered on 14 February 2022.

Note 2: On 23 August 2022, the Company entered into an Equity Transfer Agreement with Fuchuan, a related party, pursuant to which the Company shall transfer 90% equity in Qixing at the consideration of RMB26,757,200.00. The equity has been delivered on 20 September 2022.

2. Changes in scope of consolidation due to other reasons

On 15 September 2022, the Group established a tier-2 wholly-owned subsidiary, Shanghai Muchao Enterprise Management Co., Ltd. in Shanghai, the main business of which includes enterprise management consulting, information consulting services, financial consulting, etc.

On 27 April 2022, the Group established a tier-2 wholly-owned subsidiary, CMOC Alpha Limited in Hongkong, the main business of which is investment holding. The actual operation has not yet commenced as at the balance sheet date.

On 27 April 2022, the Group established a tier-2 wholly-owned subsidiary, CMOC Delta Limited in Hongkong, the main business of which is investment holding. The actual operation has not yet commenced as at the balance sheet date.

On 15 September 2022, the Group established a tier-2 wholly-owned subsidiary, Artemida Limited in Hongkong, the main business of which is metal trading.

On 24 September 2022, the Group established a tier-2 wholly-owned subsidiary, CMOC New Resources Limited in Hongkong, the main business of which is investment holding. The actual operation has not yet commenced as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Constitution of the Group

| Name of the subsidiary | Main place of operation | Place of incorporation | Paid-in capital | Nature of business | Shareholding ratio (%) | | Acquisition method |
|--|-------------------------|------------------------|---------------------|---|------------------------|----------|--------------------------|
| | | | | | Direct | Indirect | |
| China Molybdenum Metal Material Company Limited ("Metal Material") | China | Luoyang, Henan | RMB170,000,000.00 | Processing and sales of mineral products | 100 | - | Investment establishment |
| China Molybdenum Tungsten Co., Ltd. ("Wu Ye") | China | Luanchuan, Henan | RMB100,000,000.00 | Refining and sales of mineral products | 100 | - | Investment establishment |
| Luanchuan Fu Kai Trading Co., Ltd. ("Fu Kai") | China | Luanchuan, Henan | RMB100,000.00 | Trading of molybdenum and tungstenic products | 100 | - | Investment establishment |
| China Molybdenum Refining Co., Ltd. ("Ye Lian") | China | Luanchuan, Henan | RMB305,638,250.27 | Refining and sales of mineral products | 100 | - | Investment establishment |
| China Molybdenum (Hong Kong) Company Limited ("CMOC HK") | Hong Kong, China | Hong Kong, China | HKD2,148,552,236.38 | Sales of mineral products | 100 | - | Investment establishment |
| Luoyang Mudu International Hotel Co., Ltd. ("International Hotel") | China | Luoyang, Henan | RMB290,000,000.00 | Hotel | 100 | - | Investment establishment |
| Xinjiang Luomu Mining Co., Ltd. ("Xin Jiang Luo Mu") | China | Xinjiang | RMB1,400,000,000.00 | Selection and sales of mineral products | 65.1 | - | Investment establishment |
| Luanchuan County Jiuyang Mining Co., Ltd. ("Jiu Yang") | China | Luanchuan, Henan | RMB33,390,000.00 | Refining and sales of mineral products | 51 | - | Investment establishment |
| Luanchuan County Sanqiang Molybdenum Tungsten Co., Ltd. ("San Qiang") | China | Luanchuan, Henan | RMB55,480,000.00 | Refining and sales of mineral products | 51 | - | Investment establishment |
| Luanchuan County Dadongpo Tungsten Molybdenum Co., Ltd. ("Da Dong Po") | China | Luanchuan, Henan | RMB65,654,411.50 | Refining and sales of mineral products | 51 | - | Investment establishment |
| China Molybdenum Sales Co., Ltd. ("Sales Company") | China | Luanchuan, Henan | RMB50,000,000.00 | Sales of mineral products | 100 | - | Investment establishment |
| CMOC Holding Limited ("CMOC Limited") | Hong Kong, China | Hong Kong, China | USD3,731,449,582.10 | Investment holding | 100 | - | Investment establishment |
| Schmoke (Shanghai) International Trading Co., Ltd. ("Schmocke") | China | Shanghai | RMB660,000,000.00 | Import and export of goods and technology | 100 | - | Investment establishment |
| Beijing Yongbo Resources Investment Holding Co., Ltd. ("Beijing Yongbo") | China | Beijing | RMB267,800,000.00 | Consulting, asset management and sales | 100 | - | Investment establishment |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

| Name of the subsidiary | Main place of operation | Place of incorporation | Paid-in capital | Nature of business | Shareholding ratio (%) | | Acquisition method |
|--|-------------------------|------------------------|-------------------|---|------------------------|----------|--------------------------|
| | | | | | Direct | Indirect | |
| Upnorth Investment Limited ("Upnorth") | China | BVI | - | Investment holding | - | 100 | Investment establishment |
| CMOC Mining Pty Limited ("CMOC Mining") | Australia | Australia | USD346,000,000.00 | Mining, processing and sales of metal products | - | 100 | Investment establishment |
| CMOC Mining USA LTD ("CMOC USA") | USA | USA | USD34,624,839.00 | Consulting | - | 100 | Investment establishment |
| CMOC DRC Limited ("CMOC DRC") | Hong Kong, China | Hong Kong, China | - | Mining services | - | 100 | Investment establishment |
| CMOC UK Limited ("CMOC UK") | UK | UK | USD1.30 | Mining services and sales | - | 100 | Investment establishment |
| CMOC Luxembourg S.A.R.L ("CMOC Luxembourg") | Luxembourg | Luxembourg | USD600,020,000.00 | Investment holding | - | 100 | Investment establishment |
| CMOC Capital Limited ("CMOC Capital") | BVI | BVI | - | Investment holding | - | 100 | Investment establishment |
| CMOC Congo | Congo (DRC) | Congo (DRC) | USD928.11 | Consulting services | - | 100 | Investment establishment |
| CMOC BHR Limited | Hong Kong, China | Hong Kong, China | - | Investment holding | - | 100 | Investment establishment |
| Shanghai Ruichao Investment Co., Ltd. ("Rui Chao") | China | Shanghai | RMB250,000,000.00 | Consulting, enterprise operating and management | - | 100 | Investment establishment |
| Tibet Schmocke Investment Co., Ltd. ("Tibet Schmocke") | China | Tibet | RMB10,000,000.00 | Consulting, asset management and sales | - | 100 | Investment establishment |
| Shanghai Donghe Trading Co., Ltd. ("Dong He") | China | Shanghai | - | Sales of metal materials, and mineral products | - | 100 | Investment establishment |
| Shanghai Hongmu Technology Services Co., Ltd. | China | Shanghai | - | Technology services | - | 100 | Investment establishment |
| CMOC Metals Holding Limited | Hong Kong, China | Hong Kong, China | - | Investment holding | - | 100 | Investment establishment |
| Natural Resource Elite Investment Limited ("NREIL") | Hong Kong, China | Hong Kong, China | USD212,400,000.00 | Investment holding | - | 100 | Investment establishment |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

| Name of the subsidiary | Main place of operation | Place of incorporation | Paid-in capital | Nature of business | Shareholding ratio (%) | | Acquisition method |
|--|-------------------------|------------------------|-------------------|---|------------------------|----------|--|
| | | | | | Direct | Indirect | |
| W-Source Holding Limited | Hong Kong, China | Hong Kong, China | USD1,125.87 | Investment holding | - | 100 | Business combinations not involving enterprises under common control |
| Ridgeway Commodities S.A. | Switzerland | Switzerland | USD99,108.42 | Metal trading | - | 100 | Investment establishment |
| IXM Holding SA | Switzerland | Switzerland | USD102,818.49 | Investment holding | - | 100 | Business combinations not involving enterprises under common control |
| IXM B.V. and its subsidiaries | Switzerland | Netherland | USD0.05 | Metal trading | - | 100 | Business combinations not involving enterprises under common control |
| Luoyang Dinghong Trading Co., Ltd. ("Dinghong") | China | Luoyang, Henan | RMB211,120,000.00 | Sales of metal materials, and mineral products etc. | - | 100 | Investment establishment |
| CMOC Singapore Pte. Ltd. | Singapore | Singapore | - | Metal trading | - | 100 | Investment establishment |
| KFM Holding Limited. | Hong Kong, China | Hong Kong, China | USD5,000.00 | Investment holding | - | 75 | Investment establishment |
| CMOC Mining Services Pty. Limited ("CMOC Mining Services") | Australia | Australia | - | Mining services | - | 100 | Investment establishment |
| Long March No.1 Investment Limited ("Long March") | China | BVI | USD1,020,000.00 | Investment holding | - | 100 | Investment establishment |
| Bandra Investment Limited ("Bandra") | China | BVI | - | Investment holding | - | 100 | Investment establishment |
| CMOC Brasil Mineração, Indústria e Participações Ltda. ("CMOC Brazil") | Brazil | Brazil | USD830,000,000.00 | Mining, processing and sales of mineral products | - | 100 | Investment establishment |
| Ningbo Baiya Investment Co., Ltd. ("Ningbo Baiya") | China | Ningbo, Zhejiang | RMB11,000,000.00 | Investment management | - | 100 | Investment establishment |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

| Name of the subsidiary | Main place of operation | Place of incorporation | Paid-in capital | Nature of business | Shareholding ratio (%) | | Acquisition method |
|---|------------------------------|------------------------------|-------------------|--|------------------------|----------|--|
| | | | | | Direct | Indirect | |
| Hainan Muxing Trading Co., Ltd. | China | Haikou, Hainan | - | Import and export trading | - | 100 | Investment establishment |
| Purveyors South Africa Mine Services CMOC ("CMOC South Africa") | The Republic of South Africa | The Republic of South Africa | - | Logistics transportation | - | 100 | Business combinations not involving enterprises under common control |
| CMOC International DRC Holdings Limited ("CIDHL") | Bermuda | Bermuda | - | Investment holding | - | 100 | Business combinations not involving enterprises under common control |
| BHR Newwood Investment Management Limited ("BHR") | BVI | BVI | USD470,000,000.00 | Investment holding | - | 100 | Business combinations not involving enterprises under common control |
| CMOC overseas recruitment Entity ("CMOC ORE") | USA | USA | USD2,900,000.00 | Consulting | - | 100 | Investment establishment |
| Kisanfu Africa Holding (Pty) Limited | The Republic of South Africa | The Republic of South Africa | - | Investment holding | - | 100 | Investment establishment |
| Congo Construction Company SARL | Congo (DRC) | Congo (DRC) | USD100,000.00 | Refining and sales of mineral products | - | 100 | Business combinations not involving enterprises under common control |
| TF Holdings Limited ("TFHL") | Bermuda | Bermuda | USD8,400.00 | Investment holding | - | 100 | Business combinations not involving enterprises under common control |
| Shanghai Aoyide Trading Co., Ltd. ("Shanghai Aoyide") | China | Shanghai | RMB60,000,000.00 | Domestic non-ferrous trading | - | 100 | Investment establishment |
| Shanghai Moju Engineering Consulting Co., Ltd. | China | Shanghai | RMB10,000,000.00 | Consulting | - | 100 | Investment establishment |
| Shanghai Fuyi Engineering Consulting Co., Ltd. | China | Shanghai | RMB10,000,000.00 | Consulting | - | 100 | Investment establishment |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Constitution of the Group (Continued)

| Name of the subsidiary | Main place of operation | Place of incorporation | Paid-in capital | Nature of business | Shareholding ratio (%) | | Acquisition method |
|--|-------------------------|------------------------|-------------------|-----------------------|------------------------|----------|--|
| | | | | | Direct | Indirect | |
| Jenny East Holding Ltd. | Bermuda | Bermuda | USD37,176.00 | Investment holding | - | 75 | Asset acquisition |
| Kisanfu Holding Ltd. | Bermuda | Bermuda | USD97,876,162.00 | Investment holding | - | 75 | Asset acquisition |
| Tenke Fungurume Mining S.A. | Congo (DRC) | Congo (DRC) | - | Mining and processing | - | 80 | Business combinations not involving enterprises under common control |
| CMOC Kisanfu Mining SARL. | Congo (DRC) | Congo (DRC) | USD102,132,800.00 | Mining and processing | - | 71.25 | Asset acquisition |
| CMOC Commodity | Hong Kong, China | Hong Kong, China | - | Investment holding | - | 100 | Investment establishment |
| Shanghai Muchao Enterprise Management Co., Ltd. (Note 1) | China | Shanghai | - | Consulting | - | 100 | Investment establishment |
| CMOC Alpha Limited (Note 1) | Hong Kong, China | Hong Kong, China | - | Investment holding | - | 100 | Investment establishment |
| CMOC Delta Limited (Note 1) | Hong Kong, China | Hong Kong, China | - | Investment holding | - | 100 | Investment establishment |
| Artemida Limited (Note 1) | Hong Kong, China | Hong Kong, China | - | Metal trading | - | 100 | Investment establishment |
| CMOC New Resources Limited (Note 1) | Hong Kong, China | Hong Kong, China | - | Investment holding | - | 100 | Investment establishment |

Note 1: These subsidiaries are newly established by the Group during the year.

Note 2: In July 2022, the Company absorbed and merged with the originally wholly-owned subsidiary Luanchuan Furun Mining Co., Ltd. ("Fu Run"), which was directly held by the Company.

In December 2022, the Company absorbed and merged with the originally wholly-owned subsidiaries Luoyang High Tech Molybdenum & Tungsten Materials Co., Ltd. ("High-tech") and Luanchuan Junlong Mining Co., Ltd. ("Junlong Mining"), which were directly held by the Company.

Note 3: The subsidiaries of the Group incorporated in China are all limited liability companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(2) Significant non-wholly-owned subsidiaries

RMB

| Name of the subsidiary | Minority shareholder's shareholding ratio | Profit or loss attributable to minority interests in the current period | Dividends distributed to minority shareholder in the current period | Closing balance of minority interests |
|------------------------|---|---|---|---------------------------------------|
| TFM | 20% | 425,834,491.13 | – | 6,906,997,222.61 |

RMB

| Name of the subsidiary | Minority shareholder's shareholding ratio | Profit or loss attributable to minority interests in the prior period | Dividends distributed to minority shareholder in the previous period | Closing balance of minority interests in the prior period |
|------------------------|---|---|--|---|
| TFM | 20% | 325,209,846.88 | (165,166,381.80) | 5,914,656,485.40 |

(3) Financial information of significant non-wholly-owned subsidiaries

RMB

| Name of the subsidiary | 31 December 2022 | | | | | |
|------------------------|-------------------|--------------------|-------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| TFM | 14,595,086,607.05 | 39,969,642,272.01 | 54,564,728,879.06 | 8,031,034,825.23 | 12,079,376,443.96 | 20,110,411,269.19 |

RMB

| Name of the subsidiary | 31 December 2021 | | | | | |
|------------------------|-------------------|--------------------|-------------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| TFM | 11,698,510,368.88 | 32,770,772,417.87 | 44,469,282,786.75 | 3,701,065,133.15 | 11,194,935,226.62 | 14,896,000,359.77 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Financial information of significant non-wholly-owned subsidiaries (Continued)

RMB

| Name of the subsidiary | 2022 | | | |
|------------------------|------------------|------------------|----------------------------|--------------------------------------|
| | Operating income | Net profit | Total comprehensive income | Cash flows from operating activities |
| TFM | 9,777,843,840.52 | 2,058,584,612.61 | 2,058,584,612.61 | 531,211,553.09 |

RMB

| Name of the subsidiary | 2021 | | | |
|------------------------|-------------------|------------------|----------------------------|--------------------------------------|
| | Operating income | Net profit | Total comprehensive income | Cash flows from operating activities |
| TFM | 16,584,080,087.55 | 5,267,027,982.67 | 5,021,616,770.26 | 5,243,805,429.68 |

2. Interests in joint ventures and associates

(1) Significant joint ventures and associates

| Name | Main place of operation | Place of incorporation | Nature of business | Shareholding ratio (%) | | Accounting treatments for investments in joint ventures and associates |
|----------------------|-------------------------|------------------------|--|------------------------|----------|--|
| | | | | Direct | Indirect | |
| Huan Yu | Xuzhou, Jiangsu | Xuzhou, Jiangsu | Investment | 50 | - | Equity method |
| Yulu Mining | Luoyang, Henan | Luoyang, Henan | Refining and sales of mineral products | 40 | - | Equity method |
| Huayue Nickel Cobalt | Indonesia | Indonesia | Refining and sales of mineral products | - | 30 | Equity method |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(2) Major financial information of significant joint ventures

RMB

| Joint ventures | 31 December 2022/2022 Huan Yu (Note1) | 31 December 2021/2021 Huan Yu (Note1) |
|--|--|--|
| Current assets | 426,635,906.90 | 314,146,541.57 |
| Including: Cash and cash equivalents | 19,768,940.39 | 21,401,191.35 |
| Non-current assets | 1,975,383,423.54 | 2,449,875,892.82 |
| Total assets | 2,402,019,330.44 | 2,764,022,434.39 |
| Current liabilities | 816,749,078.61 | 295,660,104.64 |
| Non-current liabilities | 574,970,732.21 | 1,152,248,231.78 |
| Total liabilities | 1,391,719,810.82 | 1,447,908,336.42 |
| Minority interests | (20,015,218.41) | (40,377,477.51) |
| Equity attributable to equity holders of the Company | 1,030,314,738.03 | 1,356,491,575.48 |
| Share of net assets calculated based on shareholding ratio | 515,157,369.02 | 678,245,787.74 |
| Adjusting events (Note 2) | (17,042,847.77) | (14,364,851.68) |
| Carrying amount of equity investments in joint ventures | 498,114,521.25 | 663,880,936.06 |
| Fair value of equity investments in joint ventures where there is quoted price | N/A | N/A |
| Operating income | 811,051,631.27 | 793,423,101.40 |
| Financial expenses | 51,255,942.51 | 50,865,019.08 |
| Income tax expenses | 71,127,098.30 | 6,459,931.49 |
| Net loss | (352,694,499.60) | (169,614,186.02) |
| Net profit from discontinued operations | - | - |
| Other comprehensive income | - | - |
| Total comprehensive income | (352,694,499.60) | (169,614,186.02) |
| Dividends received from joint ventures in the current period | - | - |

Note 1: The joint venture of the Group, Huan Yu, has 90% equity interest in Fu Chuan; meanwhile, the Company directly holds the remaining 10% interest in Fu Chuan.

Note 2: According to the agreement with local government, the local government shares 8% the dividend rights of Fu Chuan. Therefore, the Group actually shares 47% of the profit or loss of Fu Chuan under equity method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(3) Major financial information of significant associates

RMB

| Associates | 31 December 2022/2022 | | 31 December 2021/2021 | |
|--|-----------------------|--------------------------|-----------------------|-------------------------|
| | Yulu Mining (Note) | Huayue Nickel Cobalt | Yulu Mining (Note) | Huayue Nickel Cobalt |
| Current assets | 156,244,957.44 | 3,633,626,160.83 | 155,824,949.49 | 1,639,501,391.86 |
| Including: Cash and cash equivalents | 434,946.27 | 674,003,080.01 | 389,701.99 | 665,049,442.33 |
| Non-current assets | 52,959,692.21 | 8,972,281,515.59 | 50,493,193.01 | 7,161,026,706.72 |
| Total assets | 209,204,649.65 | 12,605,907,676.42 | 206,318,142.50 | 8,800,528,098.58 |
| Current liabilities | 45,041,962.45 | 1,410,493,814.67 | 33,156,141.84 | 3,325,315,875.97 |
| Non-current liabilities | – | 6,779,824,226.65 | – | 3,828,586,905.89 |
| Total liabilities | 45,041,962.45 | 8,190,318,041.32 | 33,156,141.84 | 7,153,902,781.86 |
| Minority interests | – | – | – | – |
| Equity attributable to equity holders of the Company | 164,162,687.20 | 4,415,589,635.10 | 173,162,000.66 | 1,646,625,316.72 |
| Share of net assets calculated based on shareholding ratio | 65,665,074.88 | 1,324,676,890.53 | 69,264,800.26 | 493,987,595.02 |
| Adjusting events | 3,254,257.45 | – | 5,269,121.06 | – |
| Carrying amount of equity investments in associates | 68,919,332.33 | 1,324,676,890.53 | 74,533,921.32 | 493,987,595.02 |
| Fair value of equity investments in associates where there is quoted price | N/A | N/A | N/A | N/A |
| Operating income | 322,057,239.48 | 6,572,850,933.99 | 317,670,979.55 | – |
| Financial expenses | 14,633.44 | (225,882,500.24) | 90,551.85 | (9,386,099.02) |
| Income tax expenses | (35,643,077.94) | (694.50) | (21,591,307.36) | – |
| Net profit (loss) | 146,270,822.01 | 2,506,235,245.59 | 168,267,873.74 | (30,595,383.97) |
| Net profit from discontinued operations | – | – | – | – |
| Other comprehensive income | – | 262,729,072.50 | – | (38,887,094.37) |
| Total comprehensive income | 146,270,822.01 | 2,768,964,318.09 | 168,267,873.74 | (69,482,478.34) |
| Dividends received from associates in the current period | 78,750,000.00 | – | 88,000,000.00 | – |

Note: Although the Group holds 40% equity interest in Yulu Mining, but shares 50% dividend rights. For details, refer to Note (V) 11.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VII). INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Significant joint operation

| Name of joint operation | Main place of operation | Place of incorporation | Nature of business | Shareholding ratio/shares (%) | |
|--|-------------------------|------------------------|--------------------|-------------------------------|----------|
| | | | | Direct | Indirect |
| Northparkes Joint Venture ("NJV") (Note) | Australia | Australia | Copper gold mining | - | 80 |

Note: On 1 December 2013, the Company had completed acquiring 80% joint control interests of unincorporated joint venture in Northparkes Copper gold mining and some relevant assets related to Copper gold mining business of NJV held by North Mining Limited. Afterwards, the unincorporated joint venture NJV became a joint operation of the Company.

Northparkes mines held by NJV is a quality Copper and gold mining with advanced mining method of block caving in Goonumbla, situated northwest of the town of Parkes in New South Wales, Australia. The Northparkes mines started operating from 1993 and the remaining useful life is more than 20 years. The headquarters of NJV is located in the town of Parkes in New South Wales, Australia. The 80% interest of NJV under joint control is held by CMOC Mining, a subsidiary of the Company. The remaining 20% interest is held by Sumitomo Metal Mining Oceania Pty Ltd ("SMM") and SC Mineral Resources Pty Ltd ("SCM").

Pursuant to the NJV Management Agreement, the Company, as the manager of the Northparkes mine, is responsible for the daily operations of Northparkes. The parties to the joint arrangement, as the joint controllers, share the rights to the assets or assume liabilities of the joint arrangement regarding Northparkes mine in proportion to their respective shareholding. The parties reached an agreement, specifying that to ensure the interests of all parties (including their respective share of production volume), the benefit of the counterparties of the joint arrangement shall be protected in the case that any party to the joint arrangement breaches the contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments are included in accounts such as cash and bank balances, held-for-trading financial assets, derivative financial assets, accounts receivable, financing with receivables, other receivables, non-current assets due within one year, other current assets, investments in other equity instruments, other non-current financial assets, other non-current assets, held-for-trading financial liabilities, derivative financial liabilities, notes payable, accounts payable, other payables, borrowings, other current liabilities, non-current derivative financial liabilities, non-current liabilities due within one year, bonds payable, etc. Details of these financial instruments are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored within a certain range.

RMB'000

| | 31 December 2022 | 31 December 2021 |
|--|------------------|------------------|
| Financial assets | | |
| At FVTPL | | |
| Held-for-trading financial assets | 4,236,793 | 7,117,298 |
| Derivative financial assets | 1,944,854 | 1,830,819 |
| Other non-current financial assets | 3,554,476 | 3,912,405 |
| At FVTOCI | | |
| Financing with receivables | 388,390 | 662,974 |
| Investments in other equity instruments | 14,828 | 67,773 |
| At amortized cost | | |
| Cash and bank balances | 32,647,565 | 24,318,025 |
| Accounts receivable | 800,256 | 745,903 |
| Other receivables | 2,401,261 | 2,158,422 |
| Other current assets | 3,676,924 | 4,475,288 |
| Non-current assets due within one year | 1,673,944 | 447,046 |
| Other non-current assets | 1,531,805 | 3,827,456 |
| Financial liabilities | | |
| At FVTPL | | |
| Held-for-trading financial liabilities | 3,651,811 | 4,402,514 |
| Derivative financial liabilities | 2,350,847 | 2,636,505 |
| Non-current derivative financial liabilities | 230,169 | 357,204 |
| At amortized cost | | |
| Short-term borrowings | 20,107,510 | 26,911,900 |
| Notes payable | 2,409,419 | 2,906,024 |
| Accounts payable | 1,547,305 | 1,260,248 |
| Other payables | 6,861,265 | 2,918,191 |
| Non-current liabilities due within one year | 6,818,774 | 4,811,503 |
| Other current liabilities | 2,093,211 | 191,303 |
| Long-term borrowings | 18,975,172 | 13,610,579 |
| Bonds payable | 2,150,000 | 1,150,000 |
| Other non-current liabilities | - | 32,259 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The Group adopts sensitivity analysis technique to analyze how the profit or loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and benefits, and minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk and practice risk management, and monitor these exposures regularly and effectively to ensure the risks are controlled within a certain range.

1.1. Market risk

1.1.1. Foreign exchange risk

Foreign exchange risk refers to the risk of loss due to exchange rate changes. The Group is subject to foreign exchange risk mainly related to USD, RMB and BRL. The principal business activities of the subsidiaries in the PRC are denominated and settled in RMB. The principal business activities of the subsidiaries in Australia are mainly denominated and settled in AUD or USD. The Group's Niobium and Phosphorus businesses in Brazil are principally denominated and settled in USD and BRL and the Group's Copper-Cobalt business in Congo (DRC) is principally denominated and settled in USD and CDF. Foreign currency transactions are mainly domestic financing activities settled in USD, operating activities of subsidiaries in Australia of which the functional currency is USD settled in AUD, operating activities of subsidiaries in Brazil of which the functional currency is USD settled in BRL, and operating activities of subsidiaries in Congo (DRC) of which the functional currency is USD settled in CDF. The Group pays close attention to the influence of exchange rate changes on the foreign exchange risk, and manages foreign exchange risk by purchasing forward exchange contracts and exchange rate option contracts. For details, refer to Note (V) 3, 14 & 25.

As at 31 December 2022, the Group's financial assets and financial liabilities denominated in foreign currencies are presented as follows. The foreign exchange risk arising from the assets and liabilities of such foreign currency balances may have an impact on the Group's operating results.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

RMB'000

| Item | 31 December 2022 | 31 December 2021 |
|---|------------------|------------------|
| USD | | |
| Cash and bank balances | 466,016 | 457,584 |
| Short-term borrowings | (102,360) | (1,083,872) |
| Sub-total | 363,656 | (626,288) |
| RMB | | |
| Cash and bank balances | 3,177 | 2,920 |
| Non-current liabilities due within one year | (700,000) | – |
| Long-term borrowings | – | (700,000) |
| Sub-total | (696,823) | (697,080) |
| BRL | | |
| Cash and bank balances | 1,570,460 | 1,268,631 |
| Sub-total | 1,570,460 | 1,268,631 |

The following table is a sensitivity analysis on exchange rate risk, which reflects that, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate of foreign currencies (USD, RMB, BRL, etc.) may have the following pre-tax effect on the profit or loss for the period and shareholders' equity. The Group does not consider the effect of current forward foreign exchange contracts and foreign exchange option contracts in the sensitivity analysis as below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.1. Foreign exchange risk (Continued)

RMB'000

| Item | Changes in exchange rates | 2022 | | 2021 | |
|--|--|------------------|--------------------------------|------------------|--------------------------------|
| | | Effect on profit | Effect on shareholders' equity | Effect on profit | Effect on shareholders' equity |
| Entities which are denominated in RMB | | | | | |
| Pre-tax profit and equity | Depreciation by 10% of USD against RMB | (36,366) | (36,366) | 64,286 | 64,286 |
| Entities which are denominated in USD | | | | | |
| Pre-tax profit and equity | Depreciation by 10% of RMB against USD | 69,682 | 69,682 | 69,796 | 69,796 |
| | Depreciation by 10% of BRL against USD | (157,046) | (157,046) | (126,863) | (126,863) |

The management of the Group believes that the year-end foreign currency risk cannot reflect the foreign currency risk of the year, and the sensitivity analysis cannot reflect the inherent foreign currency risk.

1.1.2. Interest rate risk

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. See Note (V) 23 and 34 for details of the Group's bank borrowings. The Group pays close attention to the effect on cash flow change risks from the changes in interest rate and also hedges part of the interest rate risk assumed by the Group through interest rate swap contracts (see Note (V) 65 for details).

Sensitivity analysis on interest rate risk assumes: Changes in market interest rates affect the interest income or expenses of floating-rate financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.2. Interest rate risk (Continued)

On the basis of the above assumption, where all other variables are held constantly, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the year and shareholders' equity:

RMB'000

| Item | Changes in interest rates | 2022 | | 2021 | |
|------------------------|--|------------------|--------------------------------|------------------|--------------------------------|
| | | Effect on profit | Effect on shareholders' equity | Effect on profit | Effect on shareholders' equity |
| Floating interest rate | Increase 50 base points of interest rate | (81,034) | (81,034) | (103,414) | (103,414) |
| Floating interest rate | Decrease 50 base points of interest rate | 81,034 | 81,034 | 103,414 | 103,414 |

1.1.3. Commodity price risk

International Copper prices and Cobalt prices have a significant impact on the operating results of the Group's subsidiaries in Australia and Congo (DRC). Copper and Cobalt prices fluctuated in the past and the factors causing the fluctuation were beyond the control of the Group. The Group does not hedge against the fluctuation risk of Copper and Cobalt prices. In addition, IXM engages in business related to metal trading platform, of which the operating result is significantly affected by the international price fluctuation of metals. IXM hedges the risk of the metal price fluctuation through commodity futures contract and commodity option contract. Details are set out in Note (V) 3, 14 and 25.

The table below shows the sensitivity analysis of the price of Copper and Cobalt on the balance sheet date, which reflects the pre-tax effect of unpricing accounts receivable of the Group's subsidiaries in Australia and Congo (DRC) at the end of the year on the total profit and shareholders' equity when the market price of Copper and Cobalt is changed reasonably and possibly under the assumption that other variables remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.1. Market risk (Continued)

1.1.3. Commodity price risk (Continued)

RMB'000

| Item | Increase/(Decrease) percentage | 2022 | | 2021 | |
|------------------------|-----------------------------------|---------------------|--------------------------------------|---------------------|--------------------------------------|
| | | Effect on profit | Effect on shareholders' equity | Effect on profit | Effect on shareholders' equity |
| Market price of copper | 5% | 10,408 | 10,408 | 6,205 | 6,205 |
| Market price of copper | (5%) | (10,408) | (10,408) | (6,205) | (6,205) |

RMB'000

| Item | Increase/(Decrease) percentage | 2022 | | 2021 | |
|------------------------|-----------------------------------|---------------------|--------------------------------------|---------------------|--------------------------------------|
| | | Effect on profit | Effect on shareholders' equity | Effect on profit | Effect on shareholders' equity |
| Market price of cobalt | 5% | - | - | 63,469 | 63,469 |
| Market price of cobalt | (5%) | - | - | (63,469) | (63,469) |

1.1.4. Other price risk

The equity instrument investments held by the Group, including other non-current financial assets measured at fair value, are measured at fair value at each balance sheet date. As at the end of the reporting period, the equity instrument investments held by the Group mainly comprise listed securities and assets management plans, therefore, the Group is directly or indirectly exposed to the risk of fluctuation of securities market price. If the equity price of the equity instrument investments held by the Group increases or decreases by 5% while other variables remain unchanged, the shareholders' equity and profit or loss of the Group will increase or decrease by RMB83,714,000 at the end of the year (excluding the impact of income tax) (2021: RMB103,771,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.2. Credit risk

As at 31 December 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to the failure of counterparties to fulfill an obligation, including the carrying amount of the financial assets recognized in the balance sheet of the Group.

In order to minimize the credit risk, the Group has specific personnel of the credit management department responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of financial assets at each balance sheet date to ensure that adequate expected credit losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group's policies on assessment of significant increase in credit risk since initial recognition, basis for determination of credit impairment on financial assets, classification of financial instruments on expected credit loss on a portfolio basis, and direct written-down of financial instruments are set out in Note (III) 10.2.1, Note (III) 10.2.2, Note (III) 10.2.3, and Note (III) 10.2.4.

The credit risk on cash and bank balances is low because they are deposited with banks with high credit ratings.

The Group holds bank acceptances, of which most bank acceptances are issued by banks with higher credit rating, therefore, the management of the Group believes relevant credit risk on bank acceptances is low. Details are set out in Note (V) 5.

The Group only trades with recognized, creditworthy third parties. Total amount of top five entities with the largest balances of accounts receivable as at 31 December 2022 accounts for 33.20% of the amount of total accounts receivable (31 December 2021: 31.07%). Accounts receivable balances are monitored on an ongoing basis with the result that the Group's exposure to credit risk is controlled. Products are sold only to companies whose credit information is in an acceptable range. Credit limits have been set for most of the customers and they are monitored systematically. For overseas sales, letters of credit are generally used. Details of analysis on related credit risk are set out in Note (V) 4.

For credit risk arising from other receivables, other current assets and other non-current assets, the Group's exposure to credit risk arising from default of counterparties is limited as most of the counterparties are entities with good credit standing and the Group does not expect any significant loss for uncollected advances to these entities. Details of analysis on related credit risk are set out in Note (V) 7, 9 and 22.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.3. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

RMB'000

| 2022 | Within 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
|--|-------------------|-------------------|-------------------|----------------------|-------------------|
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | 20,710,735 | - | - | - | 20,710,735 |
| Long-term borrowings | 7,023,337 | 11,658,314 | 8,796,118 | - | 27,477,769 |
| Held-for-trading financial liabilities | 3,651,811 | - | - | - | 3,651,811 |
| Notes payable | 2,409,419 | - | - | - | 2,409,419 |
| Accounts payable | 1,547,305 | - | - | - | 1,547,305 |
| Other payables | 6,861,265 | - | - | - | 6,861,265 |
| Other current liabilities | 2,093,211 | - | - | - | 2,093,211 |
| Bonds payable | - | 159,149 | 2,184,672 | - | 2,343,821 |
| Lease liabilities | 89,886 | 71,834 | 112,478 | 58,742 | 332,940 |
| Derivative financial instruments | | | | | |
| Derivative financial liabilities | 2,350,847 | - | - | - | 2,350,847 |
| Non-current derivative financial liabilities | - | 230,169 | - | - | 230,169 |
| Total | 46,737,816 | 12,119,466 | 11,093,268 | 58,742 | 70,009,292 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII). FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

1. Risk management objectives and policies (Continued)

1.3. Liquidity risk (Continued)

RMB'000

| 2021 | Within 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
|--|-------------------|-------------------|------------------|----------------------|-------------------|
| Non-derivative financial liabilities | | | | | |
| Short-term borrowings | 27,719,257 | - | - | - | 27,719,257 |
| Long-term borrowings | 2,284,105 | 10,240,924 | 4,324,495 | - | 16,849,524 |
| Held-for-trading financial liabilities | 4,402,514 | - | - | - | 4,402,514 |
| Notes payable | 2,906,024 | - | - | - | 2,906,024 |
| Accounts payable | 1,260,248 | - | - | - | 1,260,248 |
| Other payables | 2,918,191 | - | - | - | 2,918,191 |
| Other current liabilities | 191,303 | - | - | - | 191,303 |
| Bonds payable | 2,641,041 | - | 1,310,213 | - | 3,951,254 |
| Lease liabilities | 148,880 | 57,718 | 142,860 | 64,257 | 413,715 |
| Other non-current liabilities | - | 32,259 | - | - | 32,259 |
| Derivative financial instruments | | | | | |
| Derivative financial liabilities | 2,636,505 | - | - | - | 2,636,505 |
| Non-current derivative financial liabilities | - | 357,204 | - | - | 357,204 |
| Total | 47,108,068 | 10,688,105 | 5,777,568 | 64,257 | 63,637,998 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IX). DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

RMB'000

| Item | Fair value at 31 December 2022 | | | Total |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------|
| | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | |
| 1. Continuous fair value measurement | | | | |
| (1) Held-for-trading financial assets: | | | | |
| – Accounts receivable | – | 4,105,797 | – | 4,105,797 |
| – Structured deposits | – | – | 100,000 | 100,000 |
| – Wealth management products | – | – | 10,232 | 10,232 |
| – Others | – | 20,764 | – | 20,764 |
| (2) Other equity instruments: | | | | |
| – Equity instrument investments | – | – | 14,828 | 14,828 |
| (3) Inventories: | | | | |
| – Trading inventories | – | 16,709,326 | – | 16,709,326 |
| – Consumable biological assets | – | – | 92,387 | 92,387 |
| (4) Financing with receivables: | – | – | 388,390 | 388,390 |
| (5) Other non-current financial assets: | | | | |
| – Wealth management products entrusted by banks | – | – | 90,956 | 90,956 |
| – Fund trust | – | – | 350,657 | 350,657 |
| – Share of partnership | – | – | 1,063,681 | 1,063,681 |
| – Share of funds | – | – | 824,298 | 824,298 |
| – Directional capital management plan | – | – | 1,071,214 | 1,071,214 |
| – Equity in unlisted companies | – | – | 150,533 | 150,533 |
| – Equity in listed companies | 3,138 | – | – | 3,138 |
| (6) Derivative financial assets: | | | | |
| – Commodity futures contract | 1,030,559 | – | – | 1,030,559 |
| – Forward exchange contract | – | 71,907 | – | 71,907 |
| – Forward commodity contract | – | 804,889 | – | 804,889 |
| – Commodity option contract | 37,498 | – | – | 37,498 |
| Total assets measured continuously at fair value | 1,071,195 | 21,712,683 | 4,157,176 | 26,941,054 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IX). DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Closing fair value of assets and liabilities measured at fair value (Continued)

| Item | Fair value at 31 December 2022 | | | Total |
|---|--------------------------------------|--------------------------------------|--------------------------------------|------------------|
| | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | |
| (7) Held-for-trading financial liabilities: | | | | |
| – Accounts payable | – | 2,975,299 | – | 2,975,299 |
| – Liabilities from forward commodity contract and gold lease measured at fair value | – | 676,513 | – | 676,513 |
| (8) Derivative financial liabilities: | | | | |
| – Commodity futures contract | 1,657,965 | – | – | 1,657,965 |
| – Forward exchange contract | – | 50,484 | – | 50,484 |
| – Forward commodity contract | – | 642,399 | – | 642,399 |
| (9) Non-current derivative financial liabilities: | – | 230,169 | – | 230,169 |
| Total liabilities measured continuously at fair value | 1,657,965 | 4,574,864 | – | 6,232,829 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IX). DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Closing fair value of assets and liabilities measured at fair value (Continued)

RMB'000

| Item | Fair value at 31 December 2021 | | | Total |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------|
| | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | |
| 1. Continuous fair value measurement | | | | |
| (1) Held-for-trading financial assets: | | | | |
| – Accounts receivable | – | 6,110,112 | – | 6,110,112 |
| – Structured deposits | – | – | 938,637 | 938,637 |
| – Wealth management products | – | – | 48,186 | 48,186 |
| – Others | – | 20,362 | – | 20,362 |
| (2) Other equity instruments: | | | | |
| – Equity instrument investments | – | – | 67,773 | 67,773 |
| (3) Inventories: | | | | |
| – Trading inventories | – | 17,921,751 | – | 17,921,751 |
| – Consumable biological assets | – | – | 45,644 | 45,644 |
| (4) Financing with receivables: | – | – | 662,974 | 662,974 |
| (5) Other non-current financial assets: | | | | |
| – Wealth management products entrusted by banks | – | – | 135,501 | 135,501 |
| – Fund trust | – | – | 350,657 | 350,657 |
| – Share of partnership | – | – | 1,525,402 | 1,525,402 |
| – Share of funds | – | – | 730,289 | 730,289 |
| – Directional capital management plan | – | – | 1,016,523 | 1,016,523 |
| – Equity in unlisted companies | – | – | 137,839 | 137,839 |
| – Equity in listed companies | 16,194 | – | – | 16,194 |
| (6) Derivative financial assets: | | | | |
| – Commodity futures contract | 436,958 | – | – | 436,958 |
| – Forward exchange contract | – | 58,414 | – | 58,414 |
| – Forward commodity contract | – | 1,335,447 | – | 1,335,447 |
| Total assets measured continuously at fair value | 453,152 | 25,446,086 | 5,659,425 | 31,558,663 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IX). DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Closing fair value of assets and liabilities measured at fair value (Continued)

| Item | Fair value at 31 December 2021 | | | Total |
|---|--------------------------------------|--------------------------------------|--------------------------------------|------------------|
| | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | |
| (7) Held-for-trading financial liabilities: | | | | |
| – Accounts payable | – | 3,618,367 | – | 3,618,367 |
| – Liabilities from forward commodity contract and gold lease measured at fair value | – | 784,147 | – | 784,147 |
| (8) Derivative financial liabilities: | | | | |
| – Commodity futures contract | 1,547,035 | – | – | 1,547,035 |
| – Forward exchange contract | – | 44,921 | – | 44,921 |
| – Forward commodity contract | – | 891,530 | – | 891,530 |
| – Interest rate swaps | – | 357,204 | – | 357,204 |
| – Commodity option contract | – | – | 153,019 | 153,019 |
| Total liabilities measured continuously at fair value | 1,547,035 | 5,696,169 | 153,019 | 7,396,223 |

2. Determination basis of market price for items that are continuously measured at Level 2 fair value

Items that are continuously measured at Level 2 fair value include accounts receivable, trading inventories, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities at FVTPL, and the related fair value is determined with reference to the quoted price of similar assets or liabilities in active market or other inputs other than the quoted price, the premium/discount prices in the place of origin or nearby regions in the industry research report, long-term offer and the yield rate of similar debt instruments in open market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IX). DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Determination basis of market price for items that are continuously measured at Level 3 fair value

Items that are continuously measured at Level 3 fair value include held-for-trading financial assets, financing with receivables, consumable biological assets, derivative financial assets, investments in other equity instruments, other non-current financial assets and derivative financial liabilities. The fair value of held-for-trading assets and wealth management products included in other non-current financial assets is measured based on the expected yield rate provided by the third party financial institution and discounting of the future cash flow. The fair value of consumable biological assets is measured based on the prices of the same kind of wood, the growth period of tree and the discounting of the subsequent input and maintenance fee. The fair value of financing with receivables is based on the note discount rate provided by the third-party financial institution and discounting of the future cash flow. The fair values of share of partnership, share of funds, directional capital management plan and equity in unlisted companies included in other equity instruments and other non-current financial assets are determined based on the comparable company analysis, the agreed price for transfer or the valuation report provided by third-party financial institutions, or the financial statements provided by the investee with appropriate adjustments.

RMB'000

| Assets/liabilities measured at fair value | Fair value at 31 December 2022 | Valuation techniques | Parameters | Significant input data that cannot be observed | Relationship between the input data that cannot be observed and the fair value |
|--|--------------------------------|--|---|---|--|
| Held-for-trading financial assets/other non-current financial assets | 551,845 | Discounted cash flow method | Expected cash flows of the products, yield of similar financial products in private market | Yield of similar financial products in private market | Higher yield of similar financial products in private market, lower fair value |
| Investments in other equity instruments/other non-current financial assets | 3,124,554 | Comparable companies analysis/Negotiating transfer price/Net asset adjustment method | Price-to-sales, recent transaction price, DLOM-discount of lack of marketability, lock-up period discount | DLOM-discount of lack of marketability, lock-up period discount | Higher discount rate, lower fair value |
| Consumable biological assets | 92,387 | Discounted cash flow method | Wood price, growth cycle, and follow-up estimated investment | Follow-up estimated investment | Higher follow-up estimated investment, lower fair value |
| Financing with receivables | 388,390 | Discounted cash flow method | Expected cash flow of notes, note discount rate in private market | Note discount rate in private market | Higher note discount rate in private market, lower fair value |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(IX). DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Financial instruments subsequently not measured at fair value

The management of the Group has assessed cash and bank balances, accounts receivable, other receivables, other current assets, short-term borrowings, notes payable, accounts payable, other payables, non-current liabilities due within one year, other current liabilities, etc. As the remaining term is not long, fair values are approximate to the carrying amounts.

The Group's financial assets and financial liabilities which are subsequently not measured at fair value include other non-current assets, and long-term borrowings and bonds payable respectively. The floating interest rate of the Group's long-term borrowings is linked to the market interest rate.

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

| Name of the parent | Place of registration | Nature of business | Registered capital | Proportion of the Company's ownership interest held by the parent | Proportion of the Company's voting power held by the parent |
|----------------------------|-----------------------|-----------------------|--------------------|---|---|
| Cathay Fortune Corporation | Shanghai | Investment management | RMB181,818,200 | 24.69% | 24.69% |

As at 31 December 2022, CFC actually holds 5,333,220,000.00 shares of the Company, accounting for 24.69% of the total share capital of the Company. CFC is the actual controller of the Company.

2. Subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to Note (VII) 1.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates of the Company

For details of joint ventures and associates of the Company, please refer to Note (VII) 2.

Other joint ventures or associates which have transactions with the Group in the current year or in previous years are as follows:

| Joint ventures or associates | Relationship with the Company |
|-------------------------------------|--------------------------------------|
| Fu Chuan | Subsidiary of the joint venture |
| Fu Xing | Subsidiary of the joint venture |
| Yulu Mining | Associate |
| Luoyang Shenyu | Associate |
| Huayue Nickel Cobalt | Associate |

4. Other related parties

| Other related parties | Relationship with the Company |
|---|--------------------------------------|
| LMG | Shareholder of the Company |
| CFC | Shareholder of the Company |
| Shanghai Shangju Industrial Co., Ltd. ("Shangju") | Subsidiary of the shareholder |
| Shanghai Yunsheng International Trade Co., Ltd. ("Yunsheng") | Subsidiary of the shareholder |
| Contemporary Ampere Technology Co., Limited ("CATL") (Note) | Shareholder of the Company |
| Hu'nan Brunp Encycling Technology Co. Ltd. ("HBET") | Subsidiary of the shareholder |
| HK Brunp Resource Recycling Technology Co. Limited ("HKBRRT") | Subsidiary of the shareholder |
| Yichun Times New Energy Technology Co., LTD. ("Yichun Times") | Subsidiary of the shareholder |
| Brunp and CATL | Subsidiary of the shareholder |

Note: On 31 October 2022, Luoyang Guohong Investment Holding Group Co., Ltd. ("Luoyang Guohong"), shareholder of the Company, and Sichuan Times New Energy Technology Co., Ltd. ("Sichuan Times") signed an investment agreement with CATL, pursuant to which Luoyang Guohong increased its capital to Sichuan Times with its 100% equity of LMG. The above transaction was completed on 6 March 2023. Luoyang Guohong no longer held any shares of the Company directly or indirectly through the entities it controls. Sichuan Times, subsidiary of CATL, would indirectly hold 24.68% equity of the Company through LMG and become the second largest indirect shareholder of CMOG. The Company's management considers that CATL and its subsidiaries become related parties of the Company from the effective date of the investment agreement, i.e., from 31 October 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Sales and purchase of goods, rendering and receipt of services

RMB

| Related party | Details of related party transaction | 2022 | 2021 |
|---------------------------|--------------------------------------|------------------|----------------|
| Luoyang Shenyu | Sales of products | 39,020,349.31 | 51,082,296.03 |
| Luoyang Shenyu | Rendering of services | 976,666.64 | 952,380.95 |
| Luoyang Shenyu | Purchase of products | – | 5,063,154.83 |
| Luoyang Shenyu | Purchase of services | 479,174.11 | – |
| Yulu Mining | Rendering of services | 11,139,783.42 | 11,176,533.19 |
| Yulu Mining | Purchase of products | 125,197,849.38 | 93,219,354.85 |
| Fu Chuan | Purchase of products | 518,923,069.44 | 684,603,577.70 |
| Fu Chuan | Purchase of services | 7,791,173.81 | 6,811,677.73 |
| Fu Chuan | Sales of products | 44,023,424.59 | 31,483,343.81 |
| Fu Chuan | Rendering of services | 6,004,540.89 | 238,865,135.52 |
| Fu Chuan (Note VI) 1 (2)) | Disposal of equity | 26,757,200.00 | – |
| Huayue Nickel Cobalt | Purchase of products | 1,944,031,475.06 | – |
| Fu Xing | Purchase of products | 21,367,082.43 | – |
| Fu Xing | Sales of products | 84,492.65 | – |
| Fu Xing | Rendering of services | 485,820.41 | – |
| HBET | Sales of products | 29,866,476.62 | – |
| Brunp and CATL | Sales of products | 1,186,775.70 | – |
| Brunp and CATL | Purchase of products | 37,179,434.96 | – |
| Yichun Times | Rendering of services | 446,218.30 | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Related party leases

RMB

| Lessor | Category of leased asset | 2022 | | 2021 | |
|----------|--------------------------|---------------------------------|--|---------------------------------|--|
| | | Increase in right-of-use assets | Interest expenses of lease liabilities | Increase in right-of-use assets | Interest expenses of lease liabilities |
| Shangju | Buildings | - | 2,369,752.50 | 64,388,325.87 | 2,453,891.72 |
| Yunsheng | Buildings | - | 1,288,459.25 | 34,829,039.52 | 1,495,859.28 |

(3) Borrowings/loans with related parties

RMB

| Related party | Total amount of borrowings/loans | Total amount of repayments | Interest for the year | Interest rate | Inception date | Maturity date | Balance at 31 December 2022 |
|----------------------|----------------------------------|----------------------------|-----------------------|---------------|----------------|------------------|-----------------------------|
| Lent to | | | | | | | |
| Huayue Nickel Cobalt | - | 9,875,405.01 | 30,356,798.44 | 6% | September 2022 | 31 December 2029 | 397,916,144.92 |

(4) Compensation for key management personnel

RMB'000

| Item | 2022 | 2021 |
|---|--------|--------|
| Compensation for key management personnel | 74,869 | 64,266 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

RMB

| Item | Related party | 31 December 2022 | | 31 December 2021 | |
|-------------------------------|----------------------|-------------------|--------------------|------------------|--------------------|
| | | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision |
| Accounts receivable | Yulu Mining | 14,040,363.71 | 1,082,996.84 | 5,265,235.97 | 133,740.92 |
| Other receivables | Luoyang Shenyu | 583,333.33 | - | 583,333.33 | - |
| Contract liabilities | Luoyang Shenyu | 4,531,916.20 | - | - | - |
| Other receivables | Fu Chuan | 2,514,333.21 | - | - | - |
| Other receivables | Shangju | 4,716,599.37 | - | 4,716,599.37 | - |
| Other receivables | Yunsheng | 2,564,464.47 | - | 2,564,464.47 | - |
| Accounts receivable | Fu Chuan | 27,516,142.49 | 699,580.19 | - | - |
| Accounts receivable | Fu Xing | 64,755.40 | 4,994.11 | - | - |
| Interest receivable | Huayue Nickel Cobalt | 95,540,087.29 | - | 65,183,288.85 | - |
| Other non-current assets | Huayue Nickel Cobalt | 397,916,144.92 | - | - | - |
| Non-current assets due | | | | | |
| within one year | Huayue Nickel Cobalt | - | - | 407,791,549.93 | - |
| Prepayments | Huayue Nickel Cobalt | 41,063,174.21 | - | - | - |
| Accounts payable | Fu Chuan | 131,262,273.71 | - | 56,574,511.69 | - |
| Accounts payable | Yulu Mining | 11,421,620.43 | - | 10,349,439.19 | - |
| Accounts payable | Fu Xing | 26,636,947.19 | - | - | - |
| Other payables | Fu Chuan | 90,000.00 | - | - | - |
| Lease liabilities | Shangju | 30,159,534.30 | - | 46,425,665.17 | - |
| Lease liabilities | Yunsheng | 16,398,054.63 | - | 25,242,120.33 | - |
| Non-current liabilities | | | | | |
| due within one year | Shangju | 20,758,130.27 | - | 20,090,244.50 | - |
| Non-current liabilities | | | | | |
| due within one year | Yunsheng | 11,286,412.31 | - | 10,923,276.32 | - |
| Other non-current liabilities | HKBRRT | 13,689,283,467.91 | - | - | - |
| Contract liabilities | HKBRRT | 841,497,690.87 | - | - | - |
| Other payables | Brunp and CATL | 957,632,500.00 | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors

Emoluments of each director for the year 2022 are as follows:

RMB'000

| | Remuneration of directors | Salary and allowances | Bonus | Pension | Social insurance and housing funds other than pension | Share- based payments | Total |
|--|------------------------------|--------------------------|-----------------|---------------|---|-----------------------------|------------------|
| Executive directors: | | | | | | | |
| Li Chaochun (Note 1) | - | 3,106.53 | 1,980.00 | 57.95 | 64.64 | 11,698.75 | 16,907.87 |
| Sun Ruiwen (Note 1) | - | 2,431.55 | 4,240.00 | 94.82 | 109.35 | 28,077.00 | 34,952.72 |
| Non-executive directors: | | | | | | | |
| Yuan Honglin (Note 1) | - | 3,184.43 | 2,082.50 | 57.95 | 64.64 | 12,499.39 | 17,888.91 |
| Guo Yimin (Note 2) | - | - | - | - | - | - | - |
| Cheng Yunlei (Note 2) | - | - | - | - | - | - | - |
| Independent non- executive directors: | | | | | | | |
| Wang Yougui (Note 1) | 300.00 | - | - | - | - | - | 300.00 |
| Yan Ye (Note 1) | 300.00 | - | - | - | - | - | 300.00 |
| Li Shuhua (Note 1) | 300.00 | - | - | - | - | - | 300.00 |
| Total | 900.00 | 8,722.51 | 8,302.50 | 210.72 | 238.63 | 52,275.14 | 70,649.50 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

Emoluments of each director for the year 2021 are as follows:

RMB'000

| | Remuneration of directors | Salary and allowances | Bonus | Pension | Social insurance and housing funds other than pension | Share- based payments | Total |
|---|------------------------------|--------------------------|------------------|---------------|---|-----------------------------|------------------|
| Executive directors: | | | | | | | |
| Li Chaochun (Note 1) | - | 3,120.00 | 1,880.00 | 53.77 | 61.36 | 9,748.96 | 14,864.09 |
| Sun Ruiwen (Note 1) | - | 560.00 | 4,140.00 | 32.23 | 42.80 | 23,397.50 | 28,172.53 |
| Li Faben (Note 1) | - | 139.07 | 1,330.72 | 11.94 | 17.80 | - | 1,499.53 |
| Non-executive directors: | | | | | | | |
| Yuan Honglin (Note 1) | 7.50 | 1,264.58 | 3,532.50 | 43.22 | 49.32 | 10,416.16 | 15,313.28 |
| Guo Yimin (Note 2) | - | - | - | - | - | - | - |
| Cheng Yunlei (Note 2) | - | - | - | - | - | - | - |
| Independent non-executive directors: | | | | | | | |
| Wang Yougui (Note 1) | 300.00 | - | - | - | - | - | 300.00 |
| Yan Ye (Note 1) | 300.00 | - | - | - | - | - | 300.00 |
| Li Shuhua (Note 1) | 300.00 | - | - | - | - | - | 300.00 |
| Total | 907.50 | 5,083.65 | 10,883.22 | 141.16 | 171.28 | 43,562.62 | 60,749.43 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

Emoluments of each supervisor for the year 2022 are as follows:

RMB'000

| | Salary and allowances | Bonus | Pension | Social insurance and housing funds other than pension | Total |
|-------------------------|-----------------------|--------|---------|---|----------|
| Kou Youmin (Note 1 & 2) | - | - | - | - | - |
| Zhang Zhenhao (Note 1) | 90.00 | - | - | - | 90.00 |
| Xu Wenhui (Note 1) | 455.66 | 577.44 | 31.71 | 48.99 | 1,113.80 |
| Total | 545.66 | 577.44 | 31.71 | 48.99 | 1,203.80 |

Emoluments of each supervisor for the year 2021 are as follows:

RMB'000

| | Salary and allowances | Bonus | Pension | Social insurance and housing funds other than pension | Total |
|-------------------------|-----------------------|----------|---------|---|----------|
| Kou Youmin (Note 1 & 2) | - | - | - | - | - |
| Zhang Zhenhao (Note 1) | 90.00 | - | - | - | 90.00 |
| Xu Wenhui (Note 1) | 257.75 | 649.96 | 24.81 | 35.95 | 968.47 |
| Wang Zhengyan (Note 1) | 62.25 | 776.38 | 4.78 | 7.08 | 850.49 |
| Total | 410.00 | 1,426.34 | 29.59 | 43.03 | 1,908.96 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

Note 1: On 21 May 2021, the Company held the 2020 Annual General Meeting of Shareholders, and completed the election of the Board of Directors and Board of Supervisors. The sixth session of the Board of Directors of the Company includes Mr. Yuan Honglin, Mr. Guo Yimin, Mr. Li Chaochun, Mr. Sun Ruiwen, Mr. Cheng Yunlei, Mr. Wang Yougui, Ms. Yan Ye and Mr. Li Shuhua. The tenure of Mr. Li Faben as an executive director and executive vice president was ended in June 2021. The sixth session of the Board of Supervisors of the Company includes Ms. Kou Youmin, Mr. Zhang Zhenhao, and Mr. Xu Wenhui, the employee representative. The tenure of Ms. Wang Zhengyan as an employee representative supervisor was ended in June 2021. The tenure of relevant directors will be ended on the date of the Company's 2023 Annual General Meeting.

Note 2: The agreed remuneration of Mr. Guo Yimin, Mr. Cheng Yunlei and Ms. Kou Youmin as directors or supervisors of the Company is RMB90,000.00 in 2021 and 2022. As Mr. Guo Yimin, Mr. Cheng Yunlei and Ms. Kou Youmin are also directors or supervisors of LMG, Luoyang, shareholder of the Company, according to Regulations on Clean Leadership in State-owned Enterprise, leaders in the state-owned enterprises shall not "assume leadership positions in enterprise funded by their own state-owned enterprises or in other enterprises, institutions, social organizations and intermediary agencies without approval, or accept remuneration and other income without authorization (for those approved to assume positions)", Mr. Guo Yimin, Mr. Cheng Yunlei and Ms. Kou Youmin gave up position allowances during their staying in the office provided by the Company.

Three of the top five of 2022 remunerations are directors of the Company (2021: Three of the top five of 2022 remunerations are directors of the Company), and the emoluments of the top five staffs that are not directors or supervisors are as follows:

| | <i>RMB'000</i> | |
|--------------------------------|------------------|-----------|
| | 2022 | 2021 |
| Salaries, bonus and allowances | 39,298.52 | 39,366.37 |
| Pension | 1,149.57 | 38.37 |
| Share-based payments | – | 28,994.10 |
| Total | 40,448.09 | 68,398.84 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(X). RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

7. Emoluments of directors and supervisors (Continued)

The range of emoluments of the top five staffs that are not directors or supervisors is as follows:

| <u>Range of emoluments</u> | <u>Number of the current year</u> | <u>Number of the prior year</u> |
|--|---------------------------------------|-------------------------------------|
| HKD11,000,001 to HKD11,500,000 (equivalent to 9,410,000 to 9,838,000) | – | – |
| HKD12,500,001 to HKD13,000,000 (equivalent to 10,693,000 to 11,121,000) | – | – |
| HKD15,000,001 to HKD15,500,000 (equivalent to 12,832,000 to 13,259,000) | 1 | – |
| HKD19,000,001 to HKD19,500,000 (equivalent to 16,253,000 to 16,681,000) | – | 1 |
| HKD32,000,001 to HKD32,500,000 (equivalent to 27,374,000 to 27,802,000) | 1 | – |
| HKD63,000,001 to HKD63,500,000 (equivalent to 53,892,000 to 54,320,000) | – | 1 |

(XI). SHARE-BASED PAYMENTS

2021 Phase I Employee Stock Ownership Plan

As approved by the General Meeting of Shareholders of CMOC held on 21 May 2021, CMOC intends to grant the Employee Stock Ownership Plan to five incentive recipients (“Holders”). The grant date of the Employee Stock Ownership Plan is 21 May 2021, and the source of the shares is the A-share ordinary shares of CMOC repurchased by the Company’s dedicated repurchase account. The total number of shares granted to the incentive recipients is 48,513,287 shares, and the grant price is RMB2 per share.

According to the Employee Stock Ownership Plan, the term of the plan shall not exceed 48 months and the lock-up period of the underlying shares acquired shall be 12 months, which is calculated from the date when the Employee Stock Ownership Plan is approved by the General Meeting of Shareholders of the Company and the Company announces the last transfer of the underlying shares into the dedicated repurchase account (17 June 2021). After the expiration of the lock-up period of the underlying shares, the interests of the Employee Stock Ownership Plan shall be allocated to the holders in three installments based on the results of the performance assessment, with the allocation ratio of 30%, 30% and 40% respectively. If the performance assessment criteria are not met in any of the assessment periods, the interests corresponding to the allocation period shall not be allocated, and the relevant interests shall be mandatorily withdrawn by the Management Committee at the grant price and transferred to other eligible employees of the Employee Stock Ownership Plan at the price decided by the Management Committee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XI). SHARE-BASED PAYMENTS (CONTINUED)

2021 Phase I Employee Stock Ownership Plan (Continued)

On 10 June 2022, the second holders' meeting of the 2021 Phase I Employee Stock Ownership Plan, the fifth extraordinary meeting of the sixth session of board of directors and the ninth meeting of the sixth session of board of supervisors reviewed and approved the Proposal on Adjusting the 2021 Phase I Employee Stock Ownership Plan of CMOC Group Limited, the Proposal on Amending the 2021 Phase I Employee Stock Ownership Plan of CMOC Group Limited and the Proposal on Amending the Management Measures for the 2021 Phase I Employee Stock Ownership Plan of CMOC Group Limited. Since an employee who participated in the Company's employee stock ownership plan resigned, the Company recovered the unvested shares of the employee stock ownership plan held by the resigned employee and awarded it to a new employee determined by the Company, who meets the requirement of the Company's employee stock ownership plan. The new employee received the relevant shares held by the resigned employee, totaling 7,500,000 shares.

The equity-settled share-based payments of the Group are subsequently measured.

1. Summary of share-based payments

RMB

2022

| | |
|--|-----------------|
| Total number of the Company's equity instruments granted during the period | 27,600,000.00 |
| Total number of the Company's equity instruments vested during the period | 47,001,226.90 |
| Total number of the Company's equity instruments lapsed during the period | 28,650,000.00 |
| Range of exercise prices of the Company's share options outstanding at the end of the period | RMB2 |
| Remaining contractual life of the Company's share options outstanding at the end of the period | About 1.5 years |
| Range of exercise prices and remaining contractual life of the Company's other equity instruments outstanding at the end of the period | N/A |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XI). SHARE-BASED PAYMENTS (CONTINUED)

2. Equity-settled share-based payments

RMB

2021 Phase I Employee Stock
Ownership Plan

| | |
|--|---|
| The method of determining the fair value of equity instruments at the grant date | Based on the closing price of A shares of the Company at the grant date |
| The basis of determining the number of equity instruments expected to be vested | If the holders meet the requirements stipulated in the “Disposal of the holders’ interests” of the stock ownership plan and satisfies the assessment criteria for the Company’s performance and personal performance, the corresponding equity instruments are exercisable. |
| Reasons for the significant difference between the estimate in the current period and that in the prior period | N/A |
| Amounts of equity-settled share-based payments accumulated in capital reserve | 79,675,908.83 |
| Total expenses recognized arising from equity-settled share-based payments | 63,616,600.57 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XII). COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

RMB'000

| | 2022 | 2021 |
|---|-----------|-----------|
| Contracted but not recognized in the financial statements: | | |
| – Commitment for acquisition and construction of long-term assets | 1,767,465 | 1,723,508 |
| – Commitment for investment (Note) | 257,721 | 359,940 |
| Total | 2,025,186 | 2,083,448 |

Note: The above commitment for investment represents the Group's investment in an other non-current financial asset.

As at 31 December 2022, the Group has no other commitments that need to be disclosed.

2. Contingencies

(1) Pending litigation

Copper-Cobalt business of the Group in Congo (DRC)

The Group's Copper-Cobalt business in Congo (DRC) may be involved in some lawsuits, claims and liability claims in the daily operation. The management considers that the results of such contingencies will not have a material adverse effect on the financial position, operating performance or cash flows of the business based on the information currently available.

The Group's Niobium-Phosphorus business in Brazil

The Group's Niobium-Phosphorus business in Brazil may be involved in various litigations and disputes in its daily operation. The management determines the possibility of losing the litigations and consequent economic benefits outflow in accordance with the information available and the professional advice of external legal experts. If the possibility of economic benefits outflow is low, the management would determine them as contingencies. The results of such contingencies will not have a material adverse effect on the financial position, operating performance or cash flows of the business based on the information currently available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XII). COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(2) *Guarantees*

As at 31 December 2022, the Group provides guarantees to Southwest Welsh government agencies of Australia for the Australian Northparkes copper and gold mine business, with guaranteed amount of AUD46,940,000 (equivalent to RMB221,270,000). As at 31 December 2022, no material guarantee responsibility has been assumed.

(3) *Matters relating to the additional royalty for additional reserves of copper metal of TFM copper and cobalt business in the DRC*

The Group has always been calculating and paying the additional royalty for additional reserves of copper metal (hereinafter referred to as the “additional royalty”) to minority shareholder, Gecamines, in accordance with the Amended and Restated Mining Convention signed on 28 September 2005 and the Addendum No.1 to the Amended and Restated Mining Convention signed on 11 December 2010 by and between the DRC government, Gecamines, Lundin Holdings Limited (subsequently renamed as TF Holdings Limited) and TFM (hereinafter referred to as the “Mining Convention”), and the Amended and Restated Shareholders Agreement signed on 28 September 2005 and the Addendum No.1 to the Amended and Restated Shareholders Agreement signed on 11 December 2010 by and between TFM, Lundin Holdings Limited (subsequently renamed as TF Holdings Limited), Chui LTD, Faru LTD, Mboko LTD, Mofia LTD, Tembo LTD and Gecamines (together referred to as the “Shareholders Agreement”). Since the third quarter of 2021, the management teams of the Group and its TFM copper and cobalt business have been conducting continuous meetings and communications with relevant Congolese parties to discuss the intended increase of mineral reserves for the TFM Mixed Ore Development Project under implementation belonging to the TFM copper and cobalt business in the DRC, as well as the corresponding additional royalty payable to the minority shareholder, Gecamines, based on such reserves.

This communication process has been complex and dynamic. Gecamines pursued its claims through various means including legal approaches, and the Group has also been defending persistently its interests in the TFM copper and cobalt business in the DRC through various means including multi-level communications with the DRC government and Gecamines. By 31 December 2022 and the date of the announcement of these financial statements, the parties have not been able to completely resolve the divergence in respect of the additional royalty, and since the third quarter of 2022, TFM’s exportation has been disrupted thus affecting its sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XII). COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

- (3) *Matters relating to the additional royalty for additional reserves of copper metal of TFM copper and cobalt business in the DRC (Continued)*

The Mining Convention and the Shareholders Agreement clearly stipulate the basis for calculating the additional reserves of copper metal of TFM and the payment standard of additional royalty to Gecamines. The management of the Group considers that the Group's previous operations and payments of additional royalty comply with the provisions of the Mining Convention and the Shareholder Agreement as well as the local laws and regulations. By December 31, 2022, and the date of the announcement of these financial statements, this matter gives rise to no additional significant present obligations for the Group, apart from the relevant additional royalty that have been accrued or paid by the end of the year.

By 31 December 2022, the feasibility study of the TFM Mixed Ore Development Project has been completed and approved by the DRC Ministry of Mines. In addition, TFM plans to engage an international independent third party to verify the reserve increase. Upon reaching a conclusion recognized by all the relevant parties, the Group will negotiate the additional royalty with Gecamines based on such verified additional copper metal reserves. Given the current market practice in the DRC and the negotiations between the parties, the Group anticipates that the additional royalty may be significantly higher than those agreed in the Mining Convention and the Shareholders Agreement.

The Group has been keeping constant communications with relevant Congolese parties to defend its legitimate and reasonable interests and to seek a consensus as soon as possible. However, at present, the Group is unable to accurately predict or estimate the timing and payment arrangement on which a final agreement would be concluded with Gecamines in respect of the additional royalty. Nevertheless, the Group expects that the settlement of the matters will not have a significant impact on the financial position and the ability of going concern of the Group.

(XIII). EVENTS AFTER THE BALANCE SHEET DATE

1. Dividend distribution plan of 2022

According to the proposal of the board of directors, the Company will distribute a cash dividend of RMB0.8508 (2021: RMB0.7125 per 10 shares) per 10 shares to all shareholders based on the issued 21,394,310,176 shares (net of the number of shares in the Company's dedicated repurchase account) (par value of RMB0.2 per share) for the year of 2022.

2. Please refer to respective notes for other events after the balance sheet date other than those disclosed above

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV). OTHER SIGNIFICANT EVENTS

1. Segment reporting

(1) *Reporting segment's determination basis and accounting policies*

The management divided the Group's business into six (2021: Six) operating segments, namely Molybdenum Tungsten related products, Copper and gold-related products, Niobium and Phosphorus related products, Copper and Cobalt related products, metal trading and others on the basis of the Group's internal organization structure, management requirements and internal reporting system. The Group's management evaluates the operating results of these segments regularly in order to determine the allocation of resources and assess their performance.

These reporting segments are determined on the basis of internal management and reporting system. Information of segment reporting is disclosed according to segment accounting policies and measurement standards, which should be consistent with those adopted in the preparation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV). OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(2) Reporting segment's financial information

RMB'000

| 2022 | Molybdenum & tungsten related products | Copper & gold related products | Niobium & Phosphorus related products | Copper & cobalt related products | Metal trading | Unallocated Others | Intersegment item eliminations | Total |
|---|---|--------------------------------------|--|---|--------------------|-----------------------|--------------------------------------|--------------------|
| Operating income | | | | | | | | |
| External income | 6,965,368 | 1,292,786 | 7,368,147 | 9,748,225 | 147,308,075 | 308,256 | - | 172,990,857 |
| Inter-segment income | - | - | - | - | - | - | - | - |
| Total segment operating income | 6,965,368 | 1,292,786 | 7,368,147 | 9,748,225 | 147,308,075 | 308,256 | - | 172,990,857 |
| Total operating income in the financial statements | 6,965,368 | 1,292,786 | 7,368,147 | 9,748,225 | 147,308,075 | 308,256 | - | 172,990,857 |
| Operating costs | 4,020,611 | 1,042,988 | 4,566,124 | 5,183,856 | 141,820,271 | 292,398 | - | 156,926,248 |
| Taxes and levies | | | | | | | 1,235,111 | 1,235,111 |
| Selling expenses | | | | | | | 97,171 | 97,171 |
| Administrative expenses | | | | | | | 1,790,812 | 1,790,812 |
| Research and development expenses | | | | | | | 388,610 | 388,610 |
| Financial expenses | | | | | | | 1,808,465 | 1,808,465 |
| Add: Gains or losses from changes in fair value | | | | | | | (1,610,830) | (1,610,830) |
| Investment income | | | | | | | 725,919 | 725,919 |
| Income from disposal of assets | | | | | | | 29,128 | 29,128 |
| Other income | | | | | | | 85,350 | 85,350 |
| Losses from assets impairment | | | | | | | (65,273) | (65,273) |
| Losses from credit impairment | | | | | | | (19,678) | (19,678) |
| Segment operating profit | | | | | | | 9,889,056 | 9,889,056 |
| Operating profit in the financial statements | | | | | | | 9,889,056 | 9,889,056 |
| Add: Non-operating income | | | | | | | 19,666 | 19,666 |
| Less: Non-operating expenses | | | | | | | 104,255 | 104,255 |
| Total profit | | | | | | | 9,804,467 | 9,804,467 |
| Less: Income tax expenses | | | | | | | 2,612,766 | 2,612,766 |
| Net profit | | | | | | | 7,191,701 | 7,191,701 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV). OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(2) Reporting segment's financial information (Continued)

RMB'000

| 2021 | Molybdenum & tungsten related products | Copper & gold related products | Niobium & Phosphorus related products | Copper & cobalt related products | Metal trading | Others | Unallocated item | Intersegment eliminations | Total |
|---|---|--------------------------------------|--|--|---------------|---------|---------------------|------------------------------|-------------|
| Operating income | | | | | | | | | |
| External income | 5,350,414 | 1,652,688 | 5,086,842 | 13,268,257 | 147,993,096 | 511,289 | - | - | 173,862,586 |
| Inter-segment income | - | - | - | - | - | - | - | - | - |
| Total segment operating income | 5,350,414 | 1,652,688 | 5,086,842 | 13,268,257 | 147,993,096 | 511,289 | - | - | 173,862,586 |
| Total operating income in the financial statements | 5,350,414 | 1,652,688 | 5,086,842 | 13,268,257 | 147,993,096 | 511,289 | - | - | 173,862,586 |
| Operating costs | | | | | | | | | |
| Taxes and levies | | | | | | | 1,256,078 | - | 1,256,078 |
| Selling expenses | | | | | | | 89,750 | - | 89,750 |
| Administrative expenses | | | | | | | 1,556,010 | - | 1,556,010 |
| Research and development expenses | | | | | | | 272,385 | - | 272,385 |
| Financial expenses | | | | | | | 1,095,057 | - | 1,095,057 |
| Add: Gains or losses from changes in fair value | | | | | | | (3,367,749) | - | (3,367,749) |
| Investment income | | | | | | | 110,296 | - | 110,296 |
| Losses from disposal of assets | | | | | | | (5,275) | - | (5,275) |
| Other income | | | | | | | 58,215 | - | 58,215 |
| Losses from assets impairment | | | | | | | (60,725) | - | (60,725) |
| Gains from credit impairment | | | | | | | 148 | - | 148 |
| Segment operating profit | | | | | | | 8,788,674 | - | 8,788,674 |
| Operating profit in the financial statements | | | | | | | | | |
| | | | | | | | 8,788,674 | - | 8,788,674 |
| Add: Non-operating income | | | | | | | 19,162 | - | 19,162 |
| Less: Non-operating expenses | | | | | | | 52,522 | - | 52,522 |
| Total profit | | | | | | | | | |
| | | | | | | | 8,755,314 | - | 8,755,314 |
| Less: Income tax expenses | | | | | | | 3,327,701 | - | 3,327,701 |
| Net profit | | | | | | | | | |
| | | | | | | | 5,427,613 | - | 5,427,613 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV). OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(2) Reporting segment's financial information (Continued)

- (a) The Group mainly operates in China, Australia, Brazil and Congo (DRC) and Switzerland, and sells its products to the customers in China and other countries. The geographic disclosure of revenue and results of segments are classified by the destination of the products to deliver.

RMB'000

| | 2022 | 2021 |
|--------------|--------------------|-------------|
| Revenue | | |
| China | 79,622,218 | 85,770,993 |
| India | 294,221 | 257,385 |
| Netherland | 1,008,199 | 2,830,587 |
| Korea | 10,919,663 | 13,607,460 |
| Taiwan | 1,136,383 | 629,732 |
| Belgium | 7,323,137 | 4,603,679 |
| Bulgaria | 287,233 | 305,663 |
| Finland | 1,036,428 | 662,421 |
| France | 164,670 | 183,056 |
| Germany | 3,381,500 | 3,270,876 |
| Italy | 162,383 | 200,245 |
| Spain | 349,449 | 1,061,629 |
| Sweden | 825,031 | 1,829,331 |
| Switzerland | 4,934,772 | 3,400,728 |
| Turkey | 2,448,170 | 1,561,001 |
| UAE | 3,701,211 | 3,815,705 |
| US | 6,193,292 | 4,051,677 |
| Canada | 140,367 | 576,939 |
| Brazil | 6,862,127 | 6,755,217 |
| Mexico | 5,040,988 | 4,607,390 |
| South Africa | 38,521 | 34,285 |
| Zambia | – | 25,328 |
| Australia | 245,717 | 402,948 |
| Japan | 3,404,420 | 3,914,842 |
| UK | 15,845,507 | 12,738,151 |
| Singapore | 10,598,684 | 9,171,915 |
| Russia | – | 180,067 |
| Chile | 367,485 | 1,376,580 |
| Malaysia | 494,195 | 667,531 |
| Thailand | 2,202,655 | 1,720,529 |
| Slovenia | – | 64,002 |
| Ireland | 48,237 | – |
| Others | 3,913,994 | 3,584,694 |
| Total | 172,990,857 | 173,862,586 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XIV). OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment reporting (Continued)

(3) External revenue by location of resources or business and non-current assets by location

RMB'000

| Item | 2022 | 2021 |
|--|-------------|-------------|
| External revenue from Chinese business | 11,425,144 | 8,452,251 |
| External revenue from Australian business | 1,292,786 | 1,652,688 |
| External revenue from Brazil business | 7,586,832 | 5,086,842 |
| External revenue from Congo (DRC) business | 9,748,225 | 13,268,257 |
| External revenue from Switzerland business | 142,937,870 | 145,402,548 |
| Sub-total | 172,990,857 | 173,862,586 |

RMB'000

| Item | 31 December 2022 | 31 December 2021 |
|---|------------------|------------------|
| Non-current assets located in China | 9,281,073 | 9,154,551 |
| Non-current assets located in Australia | 4,358,651 | 4,300,990 |
| Non-current assets located in Brazil | 9,410,277 | 8,638,509 |
| Non-current assets located in Congo (DRC) | 49,410,406 | 36,414,552 |
| Non-current assets located in Switzerland | 423,144 | 373,165 |
| Sub-total | 72,883,551 | 58,881,767 |

Note: The above non-current assets do not include deferred tax assets, investments in other equity instruments and other non-current financial assets.

(4) Reliance on major customers

In 2022 and 2021, there are no major customers of the Group with revenue accounting for over 10% of operating income of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

| Item | 31 December 2022 | | | 31 December 2021 | | |
|-------------------------------|--------------------------------|------------------|------------------|--------------------------------|------------------|------------------|
| | Amount in original currency | Exchange rate | Amount in RMB | Amount in original currency | Exchange rate | Amount in RMB |
| Cash: | | | - | | | - |
| RMB | - | - | - | - | - | - |
| Bank balances: | | | 8,901,293,066.14 | | | 4,208,336,354.31 |
| RMB | - | - | 8,898,451,155.17 | - | - | 4,046,538,081.41 |
| USD | 408,048.09 | 6.9646 | 2,841,891.74 | 25,377,334.71 | 6.3757 | 161,798,272.90 |
| EUR | 2.59 | 7.4229 | 19.23 | - | - | - |
| Other cash and bank balances: | | | 56,948,929.41 | | | 261,457,517.91 |
| RMB | - | - | 56,948,929.41 | - | - | 261,457,517.91 |
| Total | | | 8,958,241,995.55 | | | 4,469,793,872.22 |

Note: At 31 December 2022, the other cash and bank balances which are restricted for use mainly include deposits for mines, certificates of deposit pledged for obtaining short-term borrowings, deposits for derivative financial instruments, which were restricted, amounting to RMB53,906,105.21, RMB0.00 and RMB73.65 (31 December 2021: RMB41,278,357.82, RMB125,600,000.00 and RMB73.31) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Accounts receivable

RMB

| Category | 31 December 2022 | 31 December 2021 |
|---------------------|-----------------------|------------------|
| Accounts receivable | 846,728,976.47 | 1,070,044,033.56 |
| Total | 846,728,976.47 | 1,070,044,033.56 |

Credit risk of accounts receivable:

The accounts receivable for which the loss allowance is recognized based on expected credit loss are as follows:

RMB

| | 31 December 2022 | | | 31 December 2021 | | |
|--|-----------------------|----------------------|-----------------------|------------------|----------------|------------------|
| | Book balance | Loss allowance | Carrying amount | Book balance | Loss allowance | Carrying amount |
| Accounts receivable for which the loss allowance is recognized based on expected credit loss | 862,978,081.85 | 16,249,105.38 | 846,728,976.47 | 1,080,889,782.87 | 10,845,749.31 | 1,070,044,033.56 |

3. Other receivables

RMB

| Item | 31 December 2022 | 31 December 2021 |
|----------------------|-------------------------|------------------|
| Interest receivable | 582,664,067.06 | 381,051,625.43 |
| Dividends receivable | 244,006,084.08 | 584,906,084.08 |
| Other receivables | 5,696,764,081.35 | 2,954,015,971.56 |
| Total | 6,523,434,232.49 | 3,919,973,681.07 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables (Continued)

Credit risk of other receivables:

The other receivables for which the loss allowance is recognized based on expected credit loss are as follows

RMB

| | 31 December 2022 | | | 31 December 2021 | | |
|--|------------------|----------------|------------------|------------------|----------------|------------------|
| | Book balance | Loss allowance | Carrying amount | Book balance | Loss allowance | Carrying amount |
| Other receivables for which the loss allowance is recognized based on expected credit loss | 5,724,469,918.71 | 27,705,837.36 | 5,696,764,081.35 | 2,981,753,444.61 | 27,737,473.05 | 2,954,015,971.56 |

At 31 December 2022, the management of the Company believes that there's no significant ECL on the remaining receivables, except for the receivables of RMB27,705,837.36 (31 December 2021: RMB27,737,473.05) that have become credit-impaired and for which impairment has been provided fully.

4. Non-current assets due within one year

RMB

| Item | 31 December 2022 | 31 December 2021 |
|-----------------------------------|------------------|------------------|
| Term deposits due within one year | 1,485,000,000.00 | – |
| Total | 1,485,000,000.00 | – |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Long-term equity investments

Details of long-term equity investments are as follows:

RMB

| Investee | Initial investment cost | 31 December 2022 | 31 December 2021 |
|-------------------------------------|-------------------------|--------------------------|-------------------|
| Under equity method | | | |
| Yulu Mining | 20,000,000.00 | 68,919,332.33 | 74,533,921.32 |
| Huan Yu | 973,335,000.00 | 245,281,662.35 | 432,362,938.25 |
| Fuchuan Mining | – | 24,478,357.01 | 3,163,495.92 |
| Luoyang Shenyu | 1,500,000.00 | 3,657,842.51 | 2,901,884.19 |
| Sub-total | 994,835,000.00 | 342,337,194.20 | 512,962,239.68 |
| Under cost method – subsidiaries | | | |
| Ye Lian | 5,638,250.27 | 305,638,250.27 | 5,638,250.27 |
| Da Dong Po | 33,483,749.86 | 33,483,749.86 | 33,483,749.86 |
| Jiu Yang | 17,028,900.00 | 17,028,900.00 | 17,028,900.00 |
| San Qiang | 28,294,800.00 | 33,397,038.41 | 33,397,038.41 |
| International Hotel | 210,000,000.00 | 290,000,000.00 | 290,000,000.00 |
| Wu Ye | 100,000,000.00 | 100,000,000.00 | 100,000,000.00 |
| CMOC HK | 1,869,455,300.96 | 1,869,455,300.96 | 1,869,455,300.96 |
| Metal Material | 650,000,000.00 | 170,000,000.00 | 650,000,000.00 |
| Fu Run (Note 4) | 8,803,190.84 | – | 8,803,190.84 |
| Xin Jiang Luo Mu | 980,000,000.00 | 980,000,000.00 | 980,000,000.00 |
| Fu Kai | 261,520,000.00 | 261,520,000.00 | 261,520,000.00 |
| Sales Company (Note 1) | 50,000,000.00 | 50,700,000.00 | 50,700,000.00 |
| Qi Xing | 46,963,636.00 | – | 46,963,636.00 |
| CMOC Limited (Note 1) | 575,797,299.48 | 25,889,849,209.48 | 25,889,849,209.48 |
| Schmocke | 500,000,000.00 | 660,000,000.00 | 660,000,000.00 |
| Beijing Yongbo (Note 3) | 10,000,000.00 | 277,191,666.69 | 267,800,000.00 |
| CMOC Mining Pty (Note 1) | – | 39,000,000.00 | 39,000,000.00 |
| High-tech (Note 4) | 189,394,789.58 | – | 189,394,789.58 |
| Shanghai Donghe Trading Co., Ltd. | – | – | 63,060,535.16 |
| Luoyang Xin Chu | 47,036,000.00 | – | 47,036,000.00 |
| Junlong Mining (Note 4) | 26,000,000.00 | – | 26,000,000.00 |
| Shanghai Muchao (Note 3) | – | 117,285,469.04 | – |
| Sub-total | 5,609,415,916.99 | 31,094,549,584.71 | 31,529,130,600.56 |
| Total | 6,604,250,916.99 | 31,436,886,778.91 | 32,042,092,840.24 |
| Less: Impairment provision (Note 2) | | 53,451,524.66 | 62,254,715.50 |
| Net long-term equity investments | | 31,383,435,254.25 | 31,979,838,124.74 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Long-term equity investments (Continued)

Note 1: The Company provides guarantee for the subsidiaries' USD borrowings and recognizes relevant investment cost on the basis of the fair value of the guarantee.

Note 2: Impairment provision made by the Company's subsidiaries Jiu Yang, San Qiang and Da Dong Po.

Note 3: Investment cost recognized by the Company for settlement of employee stock ownership plan of subsidiaries.

Note 4: In 2022, the Company absorbed and merged with its wholly-owned subsidiaries, Furun, High-tech and Junlong Mining, which were directly held by the Company. Under the merger, the above subsidiaries transferred to the Company's capital reserve of RMB65,605,210.41, special reserve of RMB222,285.23 and retained profits of RMB-158,446,714.17 on the merger date.

6. Operating income, operating costs

RMB

| Item | 2022 | 2021 |
|----------------------------|-------------------------|------------------|
| Principal operating income | 5,255,978,801.34 | 4,061,543,078.89 |
| Other operating income | 295,332,601.72 | 296,973,641.75 |
| Total | 5,551,311,403.06 | 4,358,516,720.64 |
| Principal operating costs | 2,823,935,875.39 | 1,968,187,736.11 |
| Other operating costs | 288,316,875.11 | 220,439,733.20 |
| Total | 3,112,252,750.50 | 2,188,627,469.31 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

7. Investment income

RMB

| Item | 2022 | 2021 |
|--|------------------------|----------------|
| Loss from long-term equity investments under equity method | (91,275,045.47) | (9,030,179.52) |
| Investment income from other non-current financial assets during the holding period (Note(V) 13) | – | 22,855,150.00 |
| Investment income from held-for-trading financial assets during the holding period | – | 13,562,354.97 |
| Dividends income from subsidiaries | 809,141,584.21 | 977,000,000.00 |
| Investment loss from disposal of subsidiaries | (20,300,706.15) | (4,911,143.16) |
| Others | (1,242,118.06) | (4,401,355.54) |
| Total | 696,323,714.53 | 995,074,826.75 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

8. Supplementary information to the cash flow statement

RMB

| Supplementary information | 2022 | 2021 |
|--|------------------|------------------|
| 1. Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 2,210,175,710.40 | 1,677,719,051.12 |
| Add: Provision for impairment on assets | 8,908,424.44 | 16,471,764.09 |
| Provision for credit impairment | 1,584,511.41 | 84,410.88 |
| Depreciation of fixed assets | 296,679,296.15 | 174,001,637.24 |
| Amortization of intangible asset | 12,136,768.65 | 35,650,999.62 |
| Amortization of long-term prepaid expenses | 20,377,381.93 | 41,455,006.65 |
| Income on disposal of fixed assets, intangible assets and other long-term assets | (13,907,723.17) | (11,742,662.34) |
| Losses from changes in fair value (Gains are indicated with "-") | (164,008,127.71) | 915,212,185.40 |
| Financial expenses | 473,812,464.38 | 336,921,997.43 |
| Investment income | (696,323,714.53) | (995,074,826.75) |
| Changes in deferred tax assets/liabilities | (8,414,548.13) | 59,558,432.12 |
| Decrease in inventories | 1,520,255.64 | 16,288,287.80 |
| Decrease in operating receivables (increase is indicated with "-") | 474,516,573.08 | (650,836,859.57) |
| Increase in operating payable | 85,539,934.67 | 114,946,919.14 |
| Amortization of deferred income | (385,585.80) | (385,585.80) |
| Increase in special reserve | 20,517,220.03 | 142,660.59 |
| Net cash flow from operating activities | 2,722,728,841.44 | 1,730,413,417.62 |
| 2. Net changes in cash and cash equivalents: | | |
| Closing balance of cash | 8,901,293,066.14 | 4,208,336,354.31 |
| Less: Opening balance of cash | 4,208,336,354.31 | 4,948,637,106.52 |
| Add: Closing balance of cash equivalents | - | - |
| Less: Opening balance of cash equivalents | - | - |
| Net increase (decrease) in cash and cash equivalents | 4,692,956,711.83 | (740,300,752.21) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Related party relationships and transactions

Please refer to Note (VII) 1 for details of the subsidiaries of the Company and Note (V) 11 for associates and joint ventures of the Company.

(1) Details of related party transactions

(1.1) Sales and purchase of goods, provision and receipt of services

RMB

| Related party | Type of transaction | Content of the transaction | Pricing method and decision-making process | 2022 Amount | 2021 Amount |
|---------------------|---------------------|--|--|-------------------------|-------------------------|
| Sales Company | Goods | Sales of goods | Contract price | 86,181,842.56 | 307,818,316.55 |
| Ye Lian | Goods | Sales of goods | Contract price | 3,489,963,767.94 | 2,025,395,208.17 |
| Da Dong Po | Goods | Sales of goods/provision of services related to tailing processing | Contract price | 63,337,262.35 | 86,893,324.24 |
| Jiu Yang | Goods | Sales of goods | Contract price | 321,498.71 | 89,435.90 |
| San Qiang | Goods | Sales of goods | Contract price | 57,413,395.40 | 95,433,820.70 |
| Wu Ye | Goods | Sales of goods | Contract price | 1,160,901,867.26 | 722,169,118.13 |
| Metal Material | Goods | Sales of goods | Contract price | - | 159,032.92 |
| Xin Jiang Luo Mu | Service | Rendering of services | Contract price | 3,046.97 | 3,394.80 |
| Beijing Yongbo | Service | Rendering of services | Contract price | - | 61,715,028.93 |
| High-tech | Goods | Sales of goods | Contract price | 374,744.56 | 739,800.72 |
| International Hotel | Goods | Sales of goods | Contract price | 180,000.00 | 180,000.00 |
| Schmoeke | Service | Rendering of services | Contract price | 728.47 | 32,619.47 |
| IXM | Goods | Sales of goods | Contract price | 213,045,886.64 | 85,789,066.28 |
| Dinghong | Goods | Sales of goods | Contract price | 251,180,369.25 | 458,435,621.05 |
| Total | | | | 5,322,904,410.11 | 3,844,853,787.86 |
| Jiu Yang | Goods | Purchase of goods and materials | Contract price | 31,685,408.42 | 17,894,742.90 |
| Ye Lian | Service | Receipt of service | Contract price | 1,344,911.92 | 7,904.00 |
| International Hotel | Service | Receipt of service | Contract price | 3,509.43 | - |
| Da Dong Po | Service/Goods | Receipt of service/purchase of goods and materials | Contract price | 146,705,354.18 | 71,329,394.98 |
| Wu Ye | Goods | Receipt of service/purchase of goods and materials | Contract price | 63,537.70 | 49,447.43 |
| San Qiang | Goods | Purchase of goods and materials | Contract price | 86,409,855.30 | 2,053,089.24 |
| High-tech | Goods | Purchase of goods and materials | Contract price | - | 92,168.97 |
| Total | | | | 266,212,576.95 | 91,426,747.52 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Related party relationships and transactions (Continued)

(1) Details of related party transactions (Continued)

(1.2) Loans and borrowings with the related parties

Except for the related party financing disclosures in Note (X) 6, the financing transactions between the Company and other related parties are as follows:

RMB

| | Lending in the current year | Recovery in the current year | Closing balance of current year | Lending in the prior year | Recovery in the prior year | Closing balance of prior year |
|---------------------|--------------------------------|---------------------------------|------------------------------------|------------------------------|-------------------------------|----------------------------------|
| Lent to: | | | | | | |
| Sales Company | 5,770,071,183.23 | 6,223,000,000.00 | 72,199,115.72 | 3,480,342,382.49 | 3,870,622,300.00 | 525,127,932.49 |
| Ye Lian | 2,790,000,000.00 | 2,970,799,060.39 | 46,000,000.00 | 1,454,272,391.61 | 1,326,965,603.34 | 226,799,060.39 |
| International Hotel | 215,000,000.00 | 215,000,000.00 | - | - | 82,489,065.18 | - |
| Jiu Yang | 16,460,247.59 | 32,987,868.44 | 104,379,606.33 | 120,907,227.18 | - | 120,907,227.18 |
| Metal Material | - | - | - | 60,000.00 | 60,000.00 | - |
| CMOC HK | 1,924,901,230.96 | 1,924,901,230.96 | - | - | 652,490,000.00 | - |
| CMOC Limited | 1,001,807,123.29 | 989,678,904.11 | 47,860,821.92 | 35,732,602.74 | 287,917,351.00 | 35,732,602.74 |
| Qi Xing | 5,304,259.26 | 73,377,254.12 | - | 345,547.82 | - | 68,072,994.86 |
| Schmoeke | 3,701,747,465.21 | 690,660,000.00 | 4,078,109,875.21 | 2,003,922,420.00 | 1,422,944,375.38 | 1,067,022,410.00 |
| Fu Run | 325,636.99 | 11,903,832.24 | - | 828.37 | - | 11,578,195.25 |
| Yuehe Properties | - | - | - | 68,654.32 | 144,337.74 | - |
| Wu Ye | 600,000,000.00 | 600,000,000.00 | - | 150,000,000.00 | 150,000,000.00 | - |
| Beijing Yongbo | 22,400,000.00 | 22,400,000.00 | - | 1,494,000,000.00 | 1,684,772,630.01 | - |
| Dinghong | 1,888,050,773.74 | 2,076,050,000.00 | 615,885,071.41 | 1,454,085,200.61 | 900,200,953.34 | 803,884,297.67 |
| IXM | 6,922,459,528.34 | 6,995,387,012.05 | - | 1,978,054,901.52 | 1,905,127,417.81 | 72,927,483.71 |
| Junlong Mining | 7,837,775.25 | 7,837,775.25 | - | - | - | - |
| Total | 24,866,365,223.86 | 22,833,982,937.56 | 4,964,434,490.59 | 12,171,792,156.66 | 12,283,734,033.80 | 2,932,052,204.29 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Related party relationships and transactions (Continued)

(1) Details of related party transactions (Continued)

(1.2) Loans and borrowings with the related parties (Continued)

RMB

| | Borrowing in the current year | Repayment in the current year | Closing balance of current year | Borrowing in the prior year | Repayment in the prior year | Closing balance of prior year |
|---------------------|-------------------------------|-------------------------------|---------------------------------|-----------------------------|-----------------------------|-------------------------------|
| Borrowed from: | | | | | | |
| Sales Company | 7,840,865,024.61 | 7,369,204,062.15 | 938,825,506.86 | 3,869,137,716.56 | 3,401,973,172.16 | 467,164,544.40 |
| Xiao Shou Mao Yi | - | - | - | 150,647.13 | 19,538,169.17 | - |
| Wu Ye | 2,348,915,252.09 | 2,353,774,611.63 | 577,665.28 | 1,780,393,652.90 | 1,775,262,815.33 | 5,437,024.82 |
| Metal Material | 27,948,573.04 | 10,276,873.71 | 21,979,748.15 | 52,861,945.51 | 48,877,386.44 | 4,308,048.82 |
| San Qiang | 17,470,232.00 | 17,639,702.61 | 247,972.27 | 133,068,272.84 | 133,047,620.66 | 417,442.88 |
| Da Dong Po | 137,444,132.55 | 137,956,202.99 | - | 188,569,816.95 | 188,718,472.75 | 512,070.44 |
| Xin Jiang Luo Mu | 1,374,572.74 | 23,584,461.42 | 144,032,923.73 | 31,981,464.74 | 45,043,475.22 | 166,242,812.41 |
| Fu Kai | - | - | 1,295,366.25 | - | 10,000,000.00 | 1,295,366.25 |
| Hu Qi | - | - | - | - | 9,895,366.25 | - |
| Ye Lian | 6,028,027,111.63 | 6,027,521,608.99 | 505,502.64 | 4,338,883,399.16 | 4,338,883,399.16 | - |
| Schmoeke | 2,103,757,413.58 | 2,468,927,938.23 | 226,077,558.35 | 997,975,206.20 | 524,367,393.73 | 591,248,083.00 |
| Beijing Yongbo | 108,883,802.79 | 359,670,004.98 | 74,014,207.28 | 801,044,708.50 | 534,770,252.29 | 324,800,409.47 |
| CMOC Limited | 917,368,971.64 | 1,125,126,919.11 | 1,452,017,496.53 | 1,229,847,918.68 | 575,134,828.07 | 1,659,775,444.00 |
| Dinghong | 3,821,326,344.65 | 3,828,818,794.72 | 58,458,292.42 | 1,896,730,304.73 | 2,136,082,156.94 | 65,950,742.49 |
| IXM | - | 35.66 | - | 834,273.82 | 51,074,800.58 | 35.66 |
| Jiu Yang | 18,295,666.28 | 27,363,614.94 | 706,162.14 | 18,662,745.37 | 8,888,634.57 | 9,774,110.80 |
| International Hotel | 55,682,635.67 | 75,710,438.60 | - | 52,451,174.66 | 32,423,371.73 | 20,027,802.93 |
| CMOC HK | 2,038,865.90 | 540,253.66 | 17,723,271.92 | 16,224,659.68 | - | 16,224,659.68 |
| High-tech | 41,507,618.80 | 47,925,865.05 | - | 34,773,860.81 | 28,355,614.56 | 6,418,246.25 |
| Total | 23,470,906,217.97 | 23,874,041,388.45 | 2,936,461,673.82 | 15,443,591,768.24 | 13,862,336,929.61 | 3,339,596,844.30 |

(1.3) Interest on related party borrowings/loans

The interest on the Company's borrowings from/loans to related parties is as follows:

RMB

| | 2022 | 2021 |
|---|---------------|---------------|
| Net interest received from subsidiaries | 32,130,481.26 | 31,202,201.68 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Related party relationships and transactions (Continued)

(1) Details of related party transactions (Continued)

(1.4) Guarantees with related parties

| Guarantor | Guaranteed party | Guaranteed amount | Inception date of guarantee | Expiration date of guarantee | Whether execution of guarantee has been completed |
|--------------------|---------------------------------------|-------------------|-----------------------------|------------------------------|---|
| CMOC Group Limited | CMOC DRC | USD1,590,000,000 | 15 November 2016 | 15 November 2023 | No |
| CMOC Group Limited | CMOC DRC | USD2,350,000,000 | 4 November 2022 | 25 May 2031 | No |
| CMOC Group Limited | CMOC Limited | USD600,000,000 | 2 August 2019 | 2 February 2025 | No |
| CMOC Group Limited | CMOC Limited | RMB700,000,000 | 2 June 2020 | 2 June 2025 | No |
| CMOC Group Limited | CMOC Limited | USD100,000,000 | 3 August 2020 | 3 August 2023 | No |
| CMOC Group Limited | CMOC Limited | RMB1500,000,000 | 26 May 2021 | 26 May 2024 | No |
| CMOC Group Limited | CMOC Limited | USD51,080,000 | 18 April 2022 | 17 April 2025 | No |
| CMOC Group Limited | CMOC Limited | USD17,440,000 | 21 April 2022 | 18 April 2025 | No |
| CMOC Group Limited | CMOC Limited | USD35,270,000 | 27 April 2022 | 25 April 2025 | No |
| CMOC Group Limited | CMOC Limited | USD95,960,000 | 27 April 2022 | 25 April 2025 | No |
| CMOC Group Limited | CMOC Limited | USD50,000,000 | 22 February 2022 | 31 August 2025 | No |
| CMOC Group Limited | Shanghai Aoyide | USD25,000,000 | 12 June 2022 | 12 June 2023 | No |
| CMOC Group Limited | Shanghai Aoyide | USD4,000,000 | 14 July 2020 | 14 July 2026 | No |
| CMOC Group Limited | Shanghai Aoyide | USD20,000,000 | 12 June 2022 | 12 June 2023 | No |
| CMOC Group Limited | Shanghai Aoyide | RMB50,000,000 | 19 January 2022 | 18 January 2026 | No |
| CMOC Group Limited | Shanghai Aoyide | USD25,000,000 | 12 June 2022 | 12 June 2023 | No |
| CMOC Group Limited | Dinghong, Dong He, Shanghai Aoyide | USD100,000,000 | 23 November 2021 | 23 November 2024 | No |
| CMOC Group Limited | Dinghong Trading | RMB100,000,000 | 20 July 2022 | 16 January 2023 | No |
| CMOC Group Limited | Dinghong Trading | RMB200,000,000 | 29 July 2022 | 29 July 2024 | No |
| CMOC Group Limited | Dinghong Trading | RMB277,000,000 | 13 October 2022 | 13 October 2023 | No |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Related party relationships and transactions (Continued)

(1) Details of related party transactions (Continued)

(1.4) Guarantees with related parties (Continued)

| Guarantor | Guaranteed party | Guaranteed amount | Inception date of guarantee | Expiration date of guarantee | Whether execution of guarantee has been completed |
|--------------------|--|-------------------|-----------------------------|------------------------------|---|
| CMOC Group Limited | Dinghong Trading, Shanghai Dong He | RMB400,000,000 | 27 June 2022 | 26 June 2024 | No |
| CMOC Group Limited | Dinghong Trading, Shanghai Dong He | USD20,000,000 | 1 July 2022 | 30 June 2027 | No |
| CMOC Group Limited | Fu Chuan | RMB400,000,000 | 7 December 2021 | 18 June 2023 | No |
| CMOC Group Limited | Fu Chuan | RMB200,000,000 | 7 December 2022 | 29 November 2026 | No |
| CMOC Group Limited | Fu Chuan | RMB200,000,000 | 2 December 2022 | 1 December 2027 | No |
| CMOC Group Limited | Wu Ye | RMB355,000,000 | 22 December 2021 | 22 December 2023 | No |
| CMOC Group Limited | Xiao Shou | RMB190,000,000 | 23 September 2022 | 23 September 2025 | No |
| CMOC Group Limited | Xiao Shou | RMB300,000,000 | 31 December 2022 | 31 December 2023 | No |
| CMOC Group Limited | Huayue Nickel Cobalt | USD235,600,000 | 30 September 2021 | 21 March 2032 | No |
| CMOC Group Limited | BHR Newwood Investment Management Limited (Note) | USD690,000,000 | 5 April 2017 | 5 April 2024 | No |
| CMOC Group Limited | CMOC Brazil | USD700,000,000 | 31 December 2021 | 18 May 2029 | No |
| CMOC Group Limited | Artemida Limited | USD830,000,000 | 9 December 2022 | 12 August 2025 | No |
| CMOC Group Limited | Shanghai Dong He | USD50,000,000 | 20 January 2022 | 19 January 2030 | No |
| CMOC Group Limited | Shanghai Dong He | USD60,000,000 | 13 October 2022 | 13 October 2023 | No |
| CMOC Group Limited | CMOC Australia | AUD35,000,000 | 30 September 2022 | 12 August 2025 | No |

Note: The Company provides guarantee for the borrowings denominated in USD of BHR, subsidiary of CMOC Limited, from 2017 to 2024 and recognizes relevant investment cost based on the fair value of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Related party relationships and transactions (Continued)

(2) Amount due from/to related parties

RMB

| Account | Related party | 31 December 2022 | 31 December 2021 |
|----------------------|---------------------|-------------------------|-----------------------|
| Accounts receivable | Ye Lian | 500,766,358.78 | 855,927,219.91 |
| | San Qiang | 151,398,807.52 | 86,521,670.72 |
| | Da Dong Po | 91,343,699.85 | 56,556,574.99 |
| | Sales Company | 17,966,580.55 | – |
| | Dinghong | 17,937,823.25 | – |
| | High-tech | 908,767.57 | 485,306.13 |
| | Jiu Yang | 181,445.48 | – |
| | Schmocke | 823.17 | – |
| | Beijing Yongbo | – | 65,417,930.64 |
| | Xin Jiang Luo Mu | – | 3,836.12 |
| Dividends receivable | Schmocke | 200,000,000.00 | – |
| | Jiu Yang | 26,993,751.76 | 26,993,751.76 |
| | San Qiang | 10,118,892.09 | 10,118,892.09 |
| | Da Dong Po | 6,893,440.23 | 6,893,440.23 |
| | Sales Company | – | 290,000,000.00 |
| | Ye Lian | – | 134,000,000.00 |
| | Wu Ye | – | 116,000,000.00 |
| Other receivables | Schmocke | 4,078,109,875.21 | 1,067,022,410.00 |
| | Dinghong | 615,885,071.41 | 803,884,297.67 |
| | Jiu Yang | 104,379,606.33 | 120,907,227.18 |
| | Sales Company | 72,199,115.72 | 525,127,932.49 |
| | CMOC Limited | 47,860,821.92 | 35,732,602.74 |
| | Ye Lian | 46,000,000.00 | 226,799,060.39 |
| | Qi Xing | – | 68,072,994.86 |
| | Fu Run | – | 11,578,195.25 |
| | IXM | – | 72,927,483.71 |
| | Interest receivable | CMOC HK | 115,009,867.15 |
| Schmocke | | 86,325,291.01 | 24,943,640.14 |
| Sales Company | | 39,129,031.51 | 32,273,030.35 |
| Dinghong | | 25,974,026.27 | 9,650,454.76 |
| Ye Lian | | 14,139,180.98 | 5,631,411.12 |
| Jiu Yang | | 13,594,299.97 | 3,690,794.50 |
| Metal Material | | – | 1,610,572.68 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Related party relationships and transactions (Continued)

(2) Amount due from/to related parties (Continued)

RMB

| Account | Related party | 31 December 2022 | 31 December 2021 | |
|------------------|---------------------|------------------|------------------|------------------|
| Interest payable | CMOC Limited | 82,291,819.47 | 41,393,961.14 | |
| | Schmoeke | 11,757,866.94 | – | |
| | Xin Jiang Luo Mu | 2,882,452.25 | 486,050.06 | |
| | Ye Lian | 2,725,560.96 | 1,799,401.49 | |
| | Sales Company | 2,579,977.04 | 2,371,505.80 | |
| | Wu Ye | 923,749.74 | 1,870,981.40 | |
| | Jiu Yang | 838,535.84 | 22,730.42 | |
| | Metal Material | 373,206.73 | – | |
| | Dinghong | 252,590.55 | 53,243.09 | |
| | International Hotel | 227,755.22 | 54,862.36 | |
| | Da Dong Po | 74,920.14 | 10,270.65 | |
| | Beijing Yongbo | 65,288.63 | 215,425.69 | |
| | San Qiang | – | 14,714.44 | |
| | Other payables | CMOC Limited | 1,452,017,496.53 | 1,659,775,444.00 |
| Sales Company | | 938,825,506.86 | 467,164,544.40 | |
| Schmoeke | | 226,077,558.35 | 591,248,083.00 | |
| Xin Jiang Luo Mu | | 144,032,923.73 | 166,242,812.41 | |
| Beijing Yongbo | | 74,014,207.28 | 324,800,409.47 | |
| Dinghong | | 58,458,292.42 | 65,950,742.49 | |
| Metal Material | | 21,979,748.15 | 4,308,048.82 | |
| CMOC HK | | 17,723,271.92 | 16,224,659.68 | |
| Fu Kai | | 1,295,366.25 | 1,295,366.25 | |
| Jiu Yang | | 706,162.14 | 9,774,110.80 | |
| Wu Ye | | 577,665.28 | 5,437,024.82 | |
| Ye Lian | | 505,502.64 | – | |
| San Qiang | | 247,972.27 | 417,442.88 | |
| IXM | | – | 35.66 | |
| Accounts payable | Da Dong Po | 94,400,381.93 | 37,830,681.44 | |
| | San Qiang | 45,089,181.31 | – | |
| | Sales Company | 20,279,340.00 | – | |
| | Ye Lian | 1,519,750.46 | – | |
| | Wu Ye | 71,797.60 | – | |
| | Mudu Trading | – | – | |
| | Jiu Yang | – | 4,355,162.30 | |
| | Qi Xing | – | 1,540.52 | |
| | | | | |
| | | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XV). NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Related party relationships and transactions (Continued)

(2) Amount due from/to related parties (Continued)

RMB

| Account | Related party | 31 December 2022 | 31 December 2021 |
|-----------------------------------|---------------------|----------------------|------------------|
| Contract liabilities | Wu Ye | 29,519,165.07 | 37,833,950.59 |
| | Metal Material | 6,255,260.02 | 17,740,558.33 |
| | Sales Company | – | 15,944,593.62 |
| | Dinghong | – | 33,926,193.82 |
| | IXM | – | 17,729,574.00 |
| Prepayments | Jiu Yang | 706,162.14 | – |
| | International Hotel | 602,878.09 | – |
| | Beijing Yongbo | 73,586.68 | 73,586.68 |
| Held-for-trading financial assets | IXM | 54,772,758.42 | 46,755,873.65 |
| Financing with receivables | Ye Lian | – | 150,000,000.00 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XVI). SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

RMB

| Item | 2022 |
|--|--------------------|
| Net profit | 7,191,700,827.37 |
| Add (less): Non-recurring profit or loss items | |
| – Loss on disposal of non-current assets | (29,128,043.33) |
| – Government grants included in profit or loss for the period | (85,350,604.54) |
| – Capital occupation fee charged to non-financial enterprises included in profit or loss for the period | (23,307,175.31) |
| – Fair value changes arising from held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other non-current financial assets besides the transactions under effective hedging relationship relating to the Company's normal course of operation, as well as investment income from disposal of the above financial assets/liabilities | 1,684,640,006.66 |
| – Other fair value change losses | (43,386,848.12) |
| – Other net non-operating income or expenses other than the above items | 84,589,768.19 |
| – Other profit or loss that meets the definition of non-recurring profit or loss (<i>note</i>) | (52,011,903.43) |
| – Profit or loss relating to metal trading business other than above items | (1,602,151,181.69) |
| Sub-total | (66,105,981.57) |
| Income tax effects from non-recurring profit or loss items | 66,688,586.86 |
| Net profit after deducting non-recurring profit or loss items | 7,192,283,432.66 |
| Including: Net profit attributable to shareholders of the Company | 6,066,908,349.50 |
| Net profit attributable to minority interests | 1,125,375,083.16 |

Note: This represents the investment income from disposal of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(XVI). SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share (“EPS”)

The calculation of net assets and EPS is prepared by CMOC Group Limited in accordance with Information Disclosure and Presentation Rules for Entities with Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Amended in 2010) issued by China Securities Regulatory Commission.

RMB

| Profit for the reporting period | Weighted average return on net assets (%) | EPS | |
|--|--|-----------|-------------|
| | | Basic EPS | Diluted EPS |
| Net profit attributable to ordinary shareholders of the Company | 13.41 | 0.28 | 0.28 |
| Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | 13.41 | 0.28 | 0.28 |

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Sun Ruiwen (*CEO*)
Li Chaochun (*Vice Chairman*)

Non-Executive Directors

Yuan Honglin (*Chairman*)
Guo Yimin (*Vice Chairman*)
Cheng Yunlei

Independent Non-Executive Directors

Wang Gerry Yougui
Yan Ye
Li Shuhua

SUPERVISORS

Kou Youmin (*Chairperson of the Supervisory Committee*)
Zhang Zhenhao
Xu Wenhui

BOARD COMMITTEES

Remuneration Committee

Wang Gerry Yougui (*Chairman*)
Li Shuhua
Yuan Honglin

Audit and Risk Committee

Li Shuhua (*Chairman*)
Yan Ye
Yuan Honglin

Strategic and Sustainability Committee

Yuan Honglin (*Chairman*)
Sun Ruiwen
Li Chaochun
Wang Gerry Yougui

Nomination and Governance Committee

Wang Gerry Yougui (*Chairman*)
Yuan Honglin (*Vice Chairman*)
Yan Ye
Li Shuhua

BOARD SECRETARY

Xu Hui (*appointed on 8 October 2022*)

JOINT COMPANY SECRETARIES

Xu Hui (*appointed on 12 October 2022*)
Ng Sau Mei (*FCG, HKFCG*)

REGISTERED OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

LEGAL REPRESENTATIVE

Yuan Honglin

AUTHORIZED REPRESENTATIVES

Yuan Honglin
Ng Sau Mei

ENQUIRY DEPARTMENT OF THE COMPANY

The Board Office

CORPORATE INFORMATION

INFORMATION ENQUIRY TELEPHONE NO. OF THE COMPANY

(+86) 379 6860 3993

SHANGHAI A SHARE REGISTRAR

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

HONG KONG H SHARE REGISTRAR

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

PLACES OF LISTING

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

NAME OF THE STOCK

CMOC Group Limited (CMOC)

STOCK CODE

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

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

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP

LEGAL ADVISORS

As to Hong Kong law:

Freshfields Bruckhaus Deringer
55/F, One Island East, Taikoo Place
Quarry Bay, Hong Kong

As to PRC law:

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

WEBSITE

www.cmoc.com

DEFINITION OF COMMON TERMS

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| “APT” | ammonium paratungstate |
| “CATL” | Contemporary Amperex Technology Co., Limited |
| “CFC” | Cathay Fortune Corporation, a controlling shareholder of the Company |
| “CMOC Brasil” | CMOC Brasil Mineração Indústria e Participações Ltda |
| “CMOC Limited” | CMOC Limited |
| “CMOC”, the “Company” | 洛陽樂川鋁業集團股份有限公司(CMOC Group Limited*) |
| “Donggebi Molybdenum Mine in Hami” | a large-scale molybdenum mine located in Donggebi, Hami, China, which is owned by a controlled subsidiary of the Company |
| “Fuchuan Mining” | Luoyang Fu Chuan Mining Co., Ltd., a holding subsidiary of Xuzhou Huanyu Molybdenum Co.,Ltd. |
| “Group” | the Company and its subsidiaries |
| “Huayue Nickel Cobalt” | PT. Huayue Nickel Cobalt, a non wholly-owned subsidiary of the Company |
| “IXM” | generally refers to IXM Holding S.A., its subsidiaries and affiliates |
| “KFM” | CMOC KISANFU MINING SARL |
| “KFM Copper and Cobalt Mine” | Kisanfu Copper/Cobalt Mine Area located in Congo (DRC) |
| “LMG” | Luoyang Mining Group Co., Ltd., the second largest shareholder of the Company |
| “Niobium Mine in Brazil” | located in the Boa Vista niobium mine in the Catalão mining area in Brazil, which is owned by CMOC Brasil |
| “NPM”, “Northparkes Copper and Gold Mine” | copper/gold mine in Northparkes, situated at northwest of the town of Parkes in New South Wales, Australia, 80% equity of which was held by a wholly-owned subsidiary of the Company registered as the manager |

DEFINITION OF COMMON TERMS

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| “Phosphate Mine in Brazil” | located in the Chapadão phosphate mine in the Catalão mining area in Brazil, which is owned by CMOC Brasil |
| “Sandaozhuang Molybdenum/ Tungsten Mine” | located in Luanchuan County, Henan Province, China, the mine where the Company is carrying out major mining work of molybdenum/tungsten at present |
| “Shangfanggou Molybdenum Mine” | located in Luanchuan County, Henan Province, China, which is owned by a controlled subsidiary of Xuzhou Huanyu Molybdenum Co., Ltd, a joint venture of the Company |
| “Sichuan CATL” | Sichuan Contemporary Amperex Technology Limited |
| “TFM Copper and Cobalt Mine” | Tenke Fungurume Copper/Cobalt Mine Area located in Congo (DRC) |
| “TFM” | Tenke Fungurume Mining S.A. (DRC) |
| “Yulu Mining” | Luoyang Yulu Mining Co., Ltd., a non wholly-owned subsidiary of the Company |



洛陽樂川鉬業集團股份有限公司
CMOC Group Limited*



WeChat Official
Account of CMOC