招金

ZHAOJIN

(Stock Code 股份代號 : 1818)

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*
招金礦業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(於中華人民共和國註冊成立的股份有限公司)

Annual Report 2012 年報

WE **EXPLORE** THE **WORLD** FOR **GOLD**

* For identification purposes only
* 僅供識別

Operate the Business in the Way of a High Standard
Manage Our Mines in the Way of Eco-protection

把企業當星級賓館經營
把礦山當生態景區管理

Build a Modern Mine with Four Distinctive Features,

Namely "Ecological and Environmental Protection, Efficient Development, Safety and Health, and Satisfaction from Staff, Shareholders, the Government and Community"

Contents

Corporate Information

Name of the Company
招金礦業股份有限公司

English Name of the Company
Zhaojin Mining Industry Company Limited

Legal Representative
Mr. Lu Dongshang

Executive Directors
Mr. Lu Dongshang *(Chairman)*
Mr. Weng Zhanbin *(President)*
Mr. Li Xiuchen

Non-executive Directors
Mr. Liang Xinjun *(Vice Chairman)*
Mr. Cong Jianmao
Mr. Ye Kai
Mr. Kong Fanhe

Independent Non-executive Directors
Mr. Xie Jiyuan
Mr. Ye Tianzhu
Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo

Members of the Supervisory Committee
Mr. Wang Xiaojie
(Chairman of the Supervisory Committee)
Ms. Jin Ting
Mr. Chu Yushan

Secretary to the Board
Mr. Wang Ligang

Company Secretary
Ms. Ma Sau Kuen

Qualified Accountant
Mr. Ma Ving Lung Nelson

Authorised Representatives
Mr. Lu Dongshang *(Chairman)*
Mr. Weng Zhanbin *(President)*

Audit Committee Members
Ms. Chen Jinrong
(Chairman of the Audit Committee)
Mr. Ye Kai
Mr. Choy Sze Chung Jojo

Strategic Committee Members
Mr. Lu Dongshang
(Chairman of the Strategic Committee)
Mr. Liang Xinjun
Mr. Weng Zhanbin

Nomination and Remuneration Committee Members
Mr. Choy Sze Chung Jojo
(Chairman of the Nomination and Remuneration Committee)
Mr. Liang Xinjun
Mr. Cong Jianmao
Mr. Ye Tianzhu
Ms. Chen Jinrong

Geological and Resources Management Committee Members
Mr. Ye Tianzhu
(Chairman of the Geological and Resources Management Committee)
Mr. Weng Zhanbin
Mr. Xie Jiyuan

Safety and Environmental Protection Committee Members

Mr. Li Xiuchen
(Chairman of the Safety and Environmental Protection Committee)
Mr. Cong Jianmao
Mr. Xie Jiyuan

Auditors

International Auditor:

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

PRC Auditor:

Shulun Pan Certified Public Accountants
4/F, New Whampoa Finance Building
No. 61 Nanjing Road East
Shanghai
PRC

Legal Advisers

PRC Law Adviser:

King & Wood PRC Lawyers
17th Floor, One ICC
Shanghai International Commerce Center
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Shanghai 200031
PRC

Hong Kong Law Advisers:

Eversheds
21/F
Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

Registered Office

No. 299 Jinhui Road
Zhaoyuan City
Shandong Province, PRC

Principal Place of Business in Hong Kong

8th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

Hong Kong H Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bank of China
78 Fuqian Road
Zhaoyuan City
Shandong
PRC

Agricultural Bank of China
298 Wenquan Road
Zhaoyuan City
Shandong
PRC

Company Website

www.zhaojin.com.cn

Stock Code

1818

Corporate Profile

Zhaojin Mining Industry Company Limited ("Zhaojin Mining" or the "Company") (stock code: 1818) and its subsidiaries (collectively the "Group") were jointly established by Shandong Zhaojin Group Company Limited (the "Zhaojin Group"), Shanghai Fosun Industrial Investment Co., Ltd. ("Shanghai Fosun"), Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan"), Shenzhen Guangxin Investments Co., Ltd.* ("Guangxin Investments") and Shanghai Laomiao Gold Co., Ltd. ("Laomiao Gold") with the approval of the People's Government of Shandong Province. The Company was incorporated as a joint stock limited company in the People's Republic of China (the "PRC") on 16 April 2004 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the"Stock Exchange") on 8 December 2006.

The Company is an integrated large-scale enterprise with exploration, mining, processing and smelting operations focusing on the gold production business. The Company is one of the leading gold producers and one of the largest enterprises of gold smelting in the PRC. Our principal products include standard Au9999 and Au9995 gold bullions. Our main production techniques and equipment are of advanced level domestically and internationally.

The Company is strategically based in the Zhaoyuan district in the Jiaodong peninsula of Shandong Province, the PRC, which has a long history of gold exploration and production. According to the China Gold Association, gold resources in Zhaoyuan district account for approximately 10% of the remaining gold resources in the PRC. Zhaoyuan district, which is named by China Gold Association as the "Gold Capital of the PRC", is the largest gold production base and the first gold production city in the PRC.

Recently, the Company has endeavored to focus on gold mining as well as technology and management innovation in order to strengthen our technologies and cost advantages in the industry. Thus, the Company has achieved remarkable results with increasing gold reserves, production volume and corporate efficiency. Meanwhile, the Company has proactively participated in the consolidation of gold resources and implemented strategies for expanding our resources in order to keep in line with the development of the industry. The Company has also endeavored to expand our operations into new areas, improve the overall development progress and further increase our resources. As at 31 December 2012, the Company owns 51 subsidiaries, joint ventures and associates nationwide, with their businesses covering major gold production regions in the PRC, amongst them we possess 8 operating mines within the Zhaoyuan district ("Inside Zhaoyuan"), namely Dayingezhuang Gold Mine, Jinchiling Gold Mine, Xiadian Gold Mine, Hedong Gold Mine, Jintingling Mining (金亭嶺礦業), Canzhuang Gold Mine, Daqinjia Mining (大秦家礦業) and Jishan Mining (紀山礦業). As at 31 December 2012, our gold ore resources reserve under the Code of the Joint Ore Reserves Committee in Australia (the "JORC") were approximately 22,190 kozs (as at 31 December 2011: approximately 17,940 kozs), and our minable gold reserves were approximately 11,439 kozs (as at 31 December 2011: approximately 9,551 kozs).

Looking ahead, the Company will continue to adhere to the strategy of "developing gold mining business in a righteous manner by leveraging on its long history". With favourable location, abundant resources, advanced techniques and technologies and innovative management model, the Company is committed to the pure gold production, continuously increasing gold reserves and gold production, proactively participating in the consolidation and development of domestic and overseas gold resources. The Company will strive to attain continuous growth in the profits and become one of the top and leading gold production enterprises in the PRC and the world with an aim to repay the shareholders and society with the best results.

* On 31 August 2009, Zhaoyuan City State-owned Assets Operation Ltd. has successfully acquired a total of 42,400,000 domestic shares of the Company held by Guangxin Investment, which constituted approximately 2.86% of the entire issued share capital of the Company.

Financial Summary

Summary of Operating Results

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,602,960**	5,741,105	4,097,800	2,796,991	2,152,731
Gross profit	**3,694,976**	3,063,743	2,310,842	1,449,287	1,079,917
Share of profit of associates	**10,166**	6,940	3,961	1,331	2,672
Profit before tax	**2,664,581**	2,286,519	1,651,898	1,044,632	710,339
Loss from discontinued operations	**–**	–	–	(29,264)	(1,483)
Profit attributable to equity holders of the Company	**1,923,521**	1,661,578	1,201,731	754,020	533,905
Earnings per share (RMB)	**0.66**	0.57	0.41	0.26	0.18

Summary of Assets

	As at 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**17,967,646**	13,291,087	9,414,933	8,581,632	5,930,985
Cash and cash equivalents	**1,350,650**	1,245,872	781,888	2,209,396	688,764
Cash and cash equivalents listed as assets of disposal groups held for sale	**–**	–	4,553	4,715	–
Total liabilities	**(8,720,021)**	(6,293,640)	(3,639,289)	(3,614,215)	(1,522,316)
Net assets	**9,247,625**	6,997,447	5,775,644	4,967,417	4,408,669
Net assets per share (RMB)	**3.17**	2.40	1.98	1.70	1.51

The above earnings per share and net assets per share for 2012 are based on the weighted average number of ordinary shares of 2,919,107,000 (2008, 2009, 2010 and 2011: 2,914,860,000) in issue during the year.

To Shareholders,

I am pleased to present the annual report of Zhaojin Mining Industry Company Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 (the "Year") on behalf of the board of directors (the "Board") of the Company. I would also like to express our kind regards to all shareholders of the Company (the "Shareholders") on behalf of the Board and all staff members.

2012 marked the slowdown of the global economy. Global economic recovery still drags on very slowly and economic growth remains in the doldrums. In the face of the severe global macro-economic situation, Zhaojin Mining has overcome difficulties and made remarkable achievements by capitalizing on the growth momentum of China and steadily taking a step forward towards our goal of becoming "China's top and the world's leading company solely focusing on gold mining".

Annual Review

Looking back to 2012, the gold market was under the alternate impacts of the slowdown of the global economy, the uncertainties of recovery, European debt crisis, geopolitics and liquidity factors. The gold prices in 2012 were still doing well, showing an M-shaped trend throughout the year. Gold price opened the year 2012 at US$1,560/oz and rebounded steadily all the way thereafter and plunged to the year low of US$1,527/oz on 16 May. The "QE3" unleashed by the Federal Reserve led to the second major rally of gold price for the year. Gold price reached the year high at US$1,795/oz on 5 October and ended the year at US$1,675/oz while the average price of the year was US$1,669/oz.

In the face of intense competition of the gold industry in China in 2012, leveraging on our philosophy of taking virtues from others, Zhaojin Mining adhered to the gold-production-only strategy. In response to both internal and external difficulties and challenges, we continuously accummulate driving forces for growth and enhanced the quality and efficiency of development, thereby our operating results reached a record high again. As of 31 December 2012, the Company's total output of gold amounted to 889,900 ozs (27,677.5 kg), representing an increase of 17.39% compared to the corresponding period of last year. Among which, 581,500 ozs (18,086 kg) of gold was mine-produced gold, representing a rise of 13.49% compared to the corresponding period of last year, and 308,400 ozs (9,591.5 kg) was smelted and processed gold, representing an increase of 25.53% compared to the corresponding period of last year. The Company's revenue amounted to RMB7,602,960,000, representing an increase of 32.43% compared to the corresponding period of last year and net profit amounted to RMB2,046,818,000, representing an increase of 18.81% compared to the corresponding period of last year.

Chairman's Statement

In 2012, Zhaojin Mining further explored the development in the field of operations of capital. The Company completed the purchase of the Hou Cang Exploration Right and the equity interest in Jin Han Zun by way of non-public issue of Domestic Shares; completed the issuance of corporate bonds in the amount of RMB1.2 billion. Through the support of our bankers, the Company had credit facilities of RMB10.9 billion, offering a strong capital backup for the development of the Company.

In 2012, Zhaojin Mining further promoted the development mindset and adopted scientific growth patterns. We were devoted to the construction of mines with four features, namely "ecological and environmental protection, efficient development, safety and health, and satisfaction from staff, shareholders, the government and community". As a result, we have laid a stronger foundation and created greater development potential.

In 2012, Zhaojin Mining was a forerunner among its peers as evidenced by its recognized status as one of the top 10 out of the 100 best Hong Kong listed enterprises in terms of integrated strength. The Company was also awarded "Corporate Awards 2012 – Gold Award for Investor Relations & Corporate Social Responsibility", "the Platinum Award for Best Corporate Governance" and "China's Enterprise with Greatest Potential" by The Asset in 2012, "National Workers' Pioneer" and was recognized as one of the "Top Ten Social Caring Partners of Xinjiang Hope Project".

Outlook

In 2013, there will remain plenty of uncertainties where opportunities intertwined with challenges. In particular, we are witnessing a new bout of severe currency war and the demand for gold for wealth preservation and investment purposes continued to grow under the accommodative monetary policies. Therefore, we expect that high gold prices will remain the key note of the market in the future.

In 2013, the Group will adhere to the philosophies of "operate the business in the way of a high standard, manage our mines in the way of eco-protection". The strategy to grow our resources will be carried out so that the three types of resources, namely mineral resource, human resource and IT resource will be further integrated and such resources can become driving forces for growth. Secondly, the three value chains of finance, investment and operation management will be further enhanced. The aim is to achieve proper deployment of resources and improve the capability and quality of operation and development. The Group will press on with its efforts in the four areas – intrinsic safety, green ecology, harmony and stability, and social responsibility, so as to be established into a leading company focusing on high level development in the industry. At the same time, the Group will strive to accomplish rapid development and evolve into a dedicated gold producer which is economically efficient and holds it responsibilities to the society.

Acknowledgement

Looking forward into 2013, we are fully confident of the Chinese economy and the future development of the enterprise. We will take a worldwide perspective to grasp any opportunities arising from the course of economic progress in China and the world. Asset deployment and mining operation strategies will be optimized whenever appropriate, so that we will be better positioned for sustainable development and achieving values for our shareholders and investors.

I hereby take this opportunity to express my sincere gratitude to the members of the Board, the staff of the Group and our partners for their unwavering support.

Lu Dongshang
Chairman

22 March 2013

Management Discussion and Analysis

The following discussions should be read in conjunction with the audited financial statements of the Group and the notes thereto contained in this annual report and other sections.

Results for the Year

Gold Output

For the year ended 31 December 2012, the Group's total output of gold amounted to 27,677.5 kg (approximately 889,851.62 ozs), representing an increase of 17.39% as compared to the previous year. Among which, 18,086 kg (approximately 581,476.96 ozs) of gold was mine-produced gold, representing a rise of approximately 13.49% as compared to the previous year, and 9,591.5 kg (approximately 308,374.66 ozs) was smelted and processed gold, representing an increase of approximately 25.53% as compared to the previous year.

Revenue

For the year ended 31 December 2012, the Group's revenue was approximately RMB7,602,960,000 (2011: RMB5,741,105,000), representing an increase of approximately 32.43 % as compared to the previous year.

Net Profit

For the year ended 31 December 2012, the Group's net profit was approximately RMB2,046,818,000 (2011: RMB1,722,735,000), representing an increase of approximately 18.81% as compared to the previous year.

Earnings Per Share

For the year ended 31 December 2012, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.66 (2011: RMB0.57), representing an increase of approximately 15.79% as compared to the previous year.

Analysis of Results

The substantial growth in profit was primarily attributable to the significant increase in gold output of the Group and relatively high selling price of gold during the Year.

Management Discussion and Analysis

Distribution Proposal

The Board proposed the payment of a cash dividend of RMB0.24 (tax included) per share (2011: RMB0.21 (tax included)) to all shareholders.

Regarding the distribution of cash dividend, dividends for shareholders of domestic shares will be declared and paid in RMB, whereas dividends for shareholders of H shares will be declared in RMB and paid in Hong Kong dollars.

The proposed distribution proposal for the Year is subject to the approval by the shareholders of the Company at the annual general meeting for the year ended 31 December 2012 ("2012 AGM"), which will be held on Monday, 27 May 2013.

If the distribution proposal is approved at the 2012 AGM, it is expected that the final dividend for the year ended 31 December 2012 will be paid on or before Sunday, 30 June 2013 to the shareholders whose names appear on the register of members of the Company on Tuesday, 4 June 2013.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (which shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company on Tuesday, 4 June 2013.

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual shareholders whose names appear on the H shares register of members of the Company on Tuesday, 4 June 2013. The individual H shareholders are entitled to certain tax preferential treatments according to the bilateral tax treaties between those countries where the individual H shareholders are residents and China and the provisions in respect of bilateral tax treaties between the mainland China and Hong Kong or Macau. The Company would withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual H shareholders who are Hong Kong residents, Macau residents or residents of those countries which have bilateral tax treaties with China for personal income tax rate in respect of dividend of 10%. For individual H shareholders who are residents of those countries entered into the agreements with China for personal income tax rates in respect of dividend of lower than 10%, the Company would make applications on their behalf for entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)). For individual H shareholders who are residents of those countries having bilateral tax treaties with China for personal income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the actual tax rate. For individual H shareholders who are residents of those countries without any bilateral tax treaties with China or having bilateral tax treaties with China for personal income tax in respect of dividend of 20% and other situations, the Company would withhold and pay the individual income tax at a tax rate of 20%.

In accordance with the PRC Tax Law, the Company has an obligation to withhold and to pay the corporate income tax and individual income tax for payment of the final dividend to non-resident enterprises and individual shareholders whose names appear on the H shares register of members of the Company on Tuesday, 4 June 2013. If the resident enterprises (which shall have the meaning as defined under the PRC Tax Law) and overseas resident individual shareholders whose names appear on the H shares register of members of the Company on Tuesday, 4 June 2013 do not wish to have the corporate income tax and individual income tax withheld and paid by the Company, they should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises or individual shareholders, on or before 4:30 p.m. on Thursday, 30 May 2013. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Company will withhold and pay the corporate income tax and individual income tax in strict compliance with the PRC Tax Law and the requirements of the relevant government authorities. The Company shall not be liable for any dispute relating to the withholding and payment of corporate income tax and individual income tax which arises from any failure of any non-resident enterprises and individual shareholders to lodge the relevant documents within the prescribed timeframe as mentioned above.

Market Overview

Under the backdrop of global quantitative easing, gold price still had satisfactory performance in 2012. However, under the influence of various factors, such as European debt crisis, the slow-down of global economic growth, the international gold price failed to re-gain the previous year's momentum during the year and did not make a new record high. The international gold price was not able to break the resistance of US$1,800/oz and showed an M-shaped trend throughout the year. Looking back at 2012, in the beginning gold price stayed at the lowest level since the down-run. Gold price opened the year at US$1,560/oz, then steadily rebounded and went up, reaching the first half year high of US$1,790/oz on 29 February 2012. After that it started to plunge and dropped below US$1,600/oz again during early and mid May, and dropped to US$1,527/oz on 16 May. Thereafter gold price was in a trading range between US$1,530/oz to US$1,640/oz for nearly three months. Benefited from QE3 of the US Federal Reserve in mid August, gold price began the second running-up in the year and rose to the year high of US$1,795/oz on 5 October. Afterwards the gold price replayed a downward trend similar to that of the first half year, and dropped to as low as US$1,625/oz, and ended the year at US$1,675/oz. The average gold price for the year was US$1,669/oz. The opening price of the "9995 gold" in the Shanghai Gold Exchange was RMB320.00 per gram and reached the highest at RMB362.50 per gram and the lowest at RMB228.88 per gram while the closing price was RMB334.30 per gram. The average gold price for the Year was approximately RMB339.81 per gram.

Management Discussion and Analysis

China's gold production continued to increase steadily in 2012 and made the nation remain the No. 1 gold production country in the world for six consecutive years. According to the statistics of the China Gold Association, gold production of China for 2012 reached 403.05 tonnes, representing an increase of approximately 11.66% as compared to the previous year.

The average price of gold sold by the Group in the Shanghai Gold Exchange during the year was approximately RMB344.48 per gram, representing an increase of approximately 3.523% as compared to RMB332.75 per gram in the previous year and was RMB4.67 per gram higher than the average price of gold of RMB339.81 per gram in the Shanghai Gold Exchange.

Business Review

Further Improvement on Safety and Environmental Protection and Constantly Stable Environment for Development

In 2012, in strong adherence to the safety production concept of "gold is precious but life is priceless" and the environmental protection concept of "building a harmonious relationship between gold/silver mining and the environment", the company initiated such activities as "Month of Implementation of Safety Responsibility", "Environmental Management Storm" and "Green Mines", the Company had a total investment of RMB112 million in safety and environmental protection, of which more than RMB80 million was used in safety and more than RMB32 million was used in environmental protection. Inside Zhaoyuan city, we built six systems on safety control and risk prevention for our mine, and the scope of mechanization and information technology applications have been expanding, which resulted in a further improvement of effective safety level. The Company successfully avoided significant industrial accidents and environmental pollution incidents throughout the year, for which the Company was recognized as an "Outstanding Safety Production Enterprise in Shandong Province".

Continuous Optimization of Production Organization and Steady Increase in Gold Output

In 2012, the gold output of the Company increased steadily as it successfully coped with the difficulties and challenges, i.e. production suspension, power and explosive supply restriction. The mines within Zhaoyuan, through strengthening production organization and continuously optimizing process system, achieved an output of mined gold of 13,646.7 kg (approximately 438,700 ozs), representing an increase of 9.54% compared to the corresponding period of last year. Pillar enterprises such as Xiadian Gold Mine, Dayingezhuang Gold Mine and Jinchiling Gold Mine were playing a more important role in inspiring and supporting their affiliates. Those mines located outside Zhaoyuan, which have stepped into a period of maturity and harvest, were continuously growing and expanding. They have been constantly accelerating the process of infrastructure construction and technology reform, and have aggressively implemented the project of management upgrading, which helped them achieve a total output of mined gold of 4,439.3 kg (approximately 142,700 ozs), representing an increase of 27.67% compared to the corresponding period of last year. The two mining industrial bases, i.e. Xinjiang and Gansu, have also been expanded, with Zaozigou Gold Mine and Zhaojin Beijiang becoming the main drivers for the development of the Company.

New Breakthroughs in Geological Exploration and New Driving Forces for the Company's Development

In 2012, under the principal of "Prioritizing Scientific Research", the Company implemented Results Projects and Hope Projects for overall geological explorations, made an investment of approximately RMB207 million in geological exploration, and completed 67,636 meters of tunnel explorations, 303,050 meters of drilling explorations, which led to a total of approximately 91.5 tonnes of newly explored gold resources. As a result, two resource bases with over 100 tonnes in reserves, namely Xiadian Gold Mine and Dayingezhuang Gold Mine in Zhaoyuan City, and three resource bases with over 30 tonnes in reserves, namely Zaozigou Gold Mine, Zhaojin Baiyun and Qinghe Mining outside Zhaoyuan City have been established.

As at 31 December 2012, when measured according to the Code of the Joint Ore Reserves Committee in Australia (the "JORC"), our gold ore resources reserve were approximately 690.18 tonnes (22,190 kozs), representing an increase of 23.69% compared to the corresponding period of last year, and our recoverable gold reserves were approximately 355.78 tonnes (11,439 kozs), representing an increase of 19.77% compared to the corresponding period of last year.

Steady Progress Made in Going-Out Strategy, Continuous Enhancement of Ability for Rapid Development

In 2012, Zhaojin Mining took initiative in competition. A breakthrough was made in integration of the peripheral resources of the mining cluster in Xinjiang and Gansu Province. The Company acquired the gold mine exploration rights in Hou Cang and Da Sha Gou by way of private placement of domestic shares, and acquired various projects in respect of Bojigou Gold Mine and Yingjushan Gold Mine in Gansu and Shanxi Liyuan Gold Mine (山西梨園金礦), Xinjiang Aokai Investing (新疆奧凱公司), Gansu Xinrui Mining and Shandong Qixia Wucailong (山東栖霞五彩龍公司) in cash, adding a new area of exploration rights of 159.55 km^2 and a new area of mining rights of 36.6988 km^2. The Company entered into 7 share transfer agreements and acquired 83.9 tonnes of gold resources and 268,000 tonnes of copper resources.

Swift Project Development and Further Expansion in Production Scale

2012 was a year of intensified infrastructure construction and technology reform for the Company. We fulfilled a total investment of RMB1.139 billion, completed mining infrastructure construction of 465,500 m^3 (with a gross floor area of 109,100 m^2), purchased 661 sets and installed 979 sets of equipments. 25 other projects, including Zaozigou Gold Mine, Zhaojin Baiyun and Xinhui Copper, were all well on schedule, expanding the scale of the Company, especially those production bases outside Zhaoyuan City, such as Xinjiang and Gansu, having demonstrated an even more remarkable momentum for rapid development.

Steady Advance on R&D and Innovation and Continuous Level-up in Technical Support

In 2012, the Company spent RMB96,040,000 on R&D, kicking off 60 scientific research projects, receiving 4 provincial or above-provincial awards for scientific research and innovation and 34 patents of utility model, among which, the "Development and Application of Technology of Multi-cycle Leaching with Slight Air Pressure Increase" by Jinchiling Gold Mine and the "Research and Application of Technology for Gold Extraction from Hard-to-process Complex Gold Concentrate with Circulated Fluidization" by Xinjiang Xingta Mining won the Prize of the Science and Technology Progress Award of Shandong Province and Xinjiang Uygur Autonomous Region, respectively. The "Comprehensive Utilization Technology of Tailings Cyanide Resources" by Zhaojin Guihe and the "Analysis on the Structure, Magma and Mineralization Network as well as Deposit Forecast" by Hedong Gold Mine were granted the First Prize of Science and Technology Progress Award by China Gold Association. The technology support for development was reinforced, laying a solid foundation for further advance of scientific innovation.

Management Discussion and Analysis

Continuously Optimized Internal Operation and Significantly Improved Corporate Performance

In 2012, while facing challenges of rigid rising of cost of raw materials and labour, etc., the Company strived for organic growth with well-planned and stringent management and control, meeting with remarkable achievements in economic operation quality and efficiency. For logistics management, we have innovated our management system for materials and equipment purchase, direct supply from factory as well as tendering and bidding management, established a modern logistic information management and control system, resulting in a saving on repairs and waste utilization of RMB26.85 million for the whole Company. For financial management, funds management was optimized, non-productive expenditure was reduced and greater efforts have been made in order to secure preferential policy and fund. During the year, we secured tax preference of RMB165 million and national supporting funds of RMB147 million. As for gold sales, we tightened risk control and made good use of sales opportunities, resulting in our sales price RMB4.67/gram higher than that on the Shanghai Gold Exchange. As for corporate governance, we achieved a full-range upgrade in comprehensive management and control and service ability, including risk control, legal affairs, human resources, relations between the Party and the people, equipment and energy management, administration and information technology construction. Highly efficient operation and management has secured the Company a core competitive advantage over the whole industry with low cost.

Enriched Corporate Culture and Significantly Strengthened Cohesive Force for Harmonious Development

In 2012, the Company advocated taking virtues from others, set free our thoughts for faster and further development. With a well-set target, the Company strived to build a modern mine with four distinctive features, namely "ecological and environmental protection, efficient development, safety and health, and satisfaction from staff, shareholders, the government and community". The guideline "Operate the Business the Same Way as a Star-Level Hotel; Manage Our Mine the Same Way as Eco-Landscape" was widely put into practice in our endeavour for safe, environmental friendly and scientific development. Through a series of activities, such as voting for exemplary employees, young people gatherings, art performances, staff trainings and team building of staff representatives union, the material, spiritual and cultural needs of our people were ensured and satisfied. Our brand promotion efforts were progressing smoothly, the fabulous debut at the Kashgar South and Central Asia Commodity Fair, China-Eurasia Expo and China Mining Conference further enhanced our reputation and influence among the resource-rich provinces and in the industry. In 2012, through co-operations between government and enterprise, village and enterprise, police and enterprise and programs to ally villages and households, our efforts to build a harmonious community resulted in substantial results. We made various fund donations totaling RMB12.36 million for the year. Our donations to Minxian mudslide-stricken area, donations and supports for Xinjiang and Gansu hope projects, and heroic undertaking of helping each other within the Company, have added great weight to the connotation of our motto "A responsible and moral Zhaojin".

Financial Analysis

Revenue

For the year ended 31 December 2012, the Group's revenue was approximately RMB7,602,960,000 (2011: RMB5,741,105,000), representing an increase of approximately 32.43% (2011: an increase of 40.10%) as compared to the previous year. Such increase was primarily attributable to a substantial increase in the output quantity and relatively high selling price of gold.

Cost of Sales

For the year ended 31 December 2012, the Group's cost of sales was approximately RMB3,907,984,000 (2011: RMB2,677,362,000), representing an increase of approximately 45.96% (2011: an increase of 49.83%) as compared to the previous year. Such increase was primarily attributable to the increase of sales quantity and unit cost of gold during the Year.

Gross Profit and Gross Profit Margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB3,694,976,000 (2011: RMB3,063,743,000) and approximately 48.60% (2011: 53.37%), respectively, representing an increase in gross profit of approximately 20.60% (2011: an increase of approximately 32.58%) and a decrease in gross profit margin of approximately 4.77% (2011: a decrease of 3.03%), respectively, as compared to the previous year. The increase in gross profit was primarily attributable to the increases in the sales quantity and the selling price of gold, while the decrease in the gross profit margin was due to the slight increase in the unit production cost of gold.

Other Revenue and Gains

During the Year, the Group's other revenue and gains were approximately RMB124,759,000 (2011: RMB122,213,000), representing an increase of approximately 2.08% (2011: a decrease of 0.76%) from the previous year and remaining stable compared with the amount of last year.

Selling and Distribution Costs

For the year ended 31 December 2012, the Group's selling and distribution costs were approximately RMB74,261,000 (2011: RMB55,805,000), representing an increase of approximately 33.07% (2011: an increase of 46.01%) as compared to the previous year. Such increase was mainly due to the incremental transportation expense during the Year.

Administrative and Other Expenses

The Group's administrative and other operating expenses were approximately RMB872,212,000 during the Year (2011: RMB752,556,000), representing an increase of approximately 15.90% (2011: an increase of 14.81%) from 2011. Such increase was mainly attributable to the increase in staff cost due to the business expansion and adjustment of individual salary level of staff.

Finance Costs

For the year ended 31 December 2012, the Group's finance costs were approximately RMB218,847,000 (2011: RMB98,016,000), representing an increase of approximately 123.28% (2011: an increase of 6.15%) from 2011. Such increase was mainly attributable to the increase in the Group's borrowings during the Year.

Income Tax Expenses

For the year ended 31 December 2012, the Group's income tax expenses increased by approximately RMB53,979,000 when compared with the previous year. It is attributable to the increase in profit before taxation of the Group. During the Year, income tax of corporate inside PRC has been provided at a rate of 25% (2011: 25%) on the taxable income (except for certain subsidiaries of the Group in Xinjiang, which are taxed at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year. The Group did not incur any Hong Kong profits tax during the Year. The effective tax rate of the Group is 23.18 % during the Year (2011: 24.66%).

Management Discussion and Analysis

Profit Attributable to Owners of the Parent

For the year ended 31 December 2012, the Group's profit attributable to the owners of the parent was approximately RMB1,923,521,000, representing an increase of approximately 15.76% (2011: an increase of 38.27%) from approximately RMB1,661,578,000 in 2011.

Liquidity and Capital Resources

The working capital funding of the Group mainly comes from its cash flows from operations and borrowings, while the Group's capital resources are mainly utilized to provide funding to the acquisition activities, capital expenditures, operations and repayment of borrowings of the Group.

Cash Flows and Working Capital

The Group's cash and cash equivalents have increased from approximately RMB1,245,872,000 as at 31 December 2011 to approximately RMB1,350,650,000 as at 31 December 2012. The increase was mainly attributable to the net cash inflows from operating activities, increase of borrowings and issuance of corporate bonds of the Group in 2012.

As at 31 December 2012, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB15,461,000 (2011: RMB16,495,000) and those denominated in United States dollars amounted to approximately RMB13,374,000 (2011: RMB50,026,000). All other cash and cash equivalents held by the Group are denominated in RMB.

Borrowings

As at 31 December 2012, the Group had outstanding bank and other borrowings of approximately RMB3,224,553,000 (2011: RMB1,668,269,000), of which approximately RMB3,167,645,000 (2011: RMB1,510,160,000) shall be repaid within one year, approximately RMB45,832,000 (2011: RMB151,735,000) shall be repaid within two to five years, inclusive and approximately RMB11,076,000 (2011: RMB6,374,000) shall be repaid after five years. As at 31 December 2012, the Group had outstanding corporate bond of approximately RMB2,682,886,000 (2011: RMB1,491,047,000). The bond should be repaid within two to five years, inclusive. The increase in the Group's borrowings during the Year was mainly attributable to the incremental demand of the resource acquisition activities, capital expenditure and working capital of the Group.

All bank borrowings and other borrowings held by the Group are denominated in RMB. As at 31 December 2012, approximately 77% of the interest bearing bank borrowings held by the Group were in fixed rates.

Gearing Ratio

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes interest-bearing bank and other borrowings and corporate bond, less cash and cash equivalents. As at 31 December 2012, the gearing ratio of the Group was 33.0%, which was 21.5% as at 31 December 2011. Following the business expansion of the Group, the gearing ratio recorded reasonable increase while the financing channels were continually broadened.

Market Risks

The Group is exposed to various types of market risks, including fluctuation in gold prices and other commodities prices, changes in interest rates and foreign exchange rates.

Gold Prices and Other Commodities Prices Risks

Commodity price risk

The Group's exposure to price risk relates principally to the market price fluctuations on gold, silver and copper which can affect the Group's results of operations.

During the Year, under certain circumstance, the Group entered into AU (T+D) arrangements, which substantially are forward commodity contracts on the Shanghai Gold Exchange ("SGE"), to hedge potential price fluctuations of gold. Under those arrangements, the Group can forward buy or sell gold at the current day's price by depositing 10% of the total transaction amount. Subsequently, it can close the deal by either physically delivering the gold or entering into an offsetting arrangement. There is no restriction imposed on the settlement period. During the Year, the Group had not entered into any long term arrangement under the AU (T+D) framework.

The price range of the forward commodity contracts is closely monitored by management. At 31 December 2012 and for the year the ended, substantially the entire forward commodity contracts of the Group were settled through physical delivery of gold and accordingly, any change in commodity prices would not have any impact on the Group's profit and equity for the year.

Interest Rate Risk

The Group's exposure to interest rate risk relates primarily to the Group's cash holdings and interest-bearing bank and other borrowings and corporate bond. The Group manages its interest rate risk exposure from its cash holdings through placing them into appropriate short term deposits with a mixture of fixed and floating rates and manages the exposure from all of its interest-bearing bank and other borrowings and corporate bond through the use of fixed or floating rates.

The Group had not used any interest rate swaps to hedge its exposure to interest rate risk during the Year.

Foreign Exchange Risk

All of the Group's transactions are carried out in RMB. The fluctuation of the RMB/USD exchange rate may affect the international and local gold price, which may therefore affect the Group's operating results. Fluctuations of foreign exchange rate may have an adverse effect on net assets, earnings and any dividend declared of the Group, which shall be converted or translated into Hong Kong dollars. Furthermore, the Group had not entered into any hedge activities during the Year due to fluctuations of foreign exchange rate.

Management Discussion and Analysis

Business Outlook

Insist on External Development, Resources in Store for Development

In 2013, we will further optimize the ways of mergers and acquisitions to make a breakthrough in external development. Total planned investment for the year amounts to RMB1.0 billion, which will be used to acquire 20 tonnes of gold reserves, and acquire 50 km^2 of exploration rights for good potential areas and 5 km^2 of mining rights. First of all, acquisitions of large mining groups will be made while large resources and big projects are our interest. We will adhere to high-level cooperations and do serious research on investment attraction policies of various regions. Secondly, mergers and acquisitions on regional basis shall be carried out. Xinjiang and Gansu industrial bases will act as the core from which outward expansions will be made. We will step up resource integration in the periphery of the industry clusters. Lastly, internationally mergers and acquisitions will be made. We will follow up with key projects, strengthen the investment and management team for international mining business, and speed up the construction of an overseas mining base of Zhaojin.

Work for Major Progress in Exploration

In 2013, to achieve the strategic target of adding new mines with mineral reserve over a thousand tonnes, we will move on with scientific exploration, focus on key areas and increase exploration efforts. Our planned investment in exploration amounts to RMB0.25 billion and we aim at adding at least 80 tonnes of new gold reserves. Within Zhaoyuan, with Zhaoping fault zone as our key target, we will carry out large scale explorations at Xiadian Gold Mine, Dayingezhuang Gold Mine and Canzhuang Gold Mine. Outside Zhaoyuan, taking the exploration projects of Zaozigou Gold Mine, Liangdang Zhaojin, Zhaojin Beijiang, Tonghui Copper Mining, Zhaojin Baiyun, etc. as the breakthrough, we plan to build up new bases of mineral reserves.

Powered by Innovation, Enhance Development Quality and Efficiency

In 2013, we will form an enterprise-based technology innovation system by combining the efforts from the industry, education and research institutes. We plan to implement 63 scientific research projects for the whole year, and make investment of RMB152 million for the year. On the one hand, we will pursue technological process innovations by seeking break-throughs in a number of industrial key technologies in exploration, mining, processing and metallergy by making use of the model base for comprehensive utilization of gold resources. As regards mining, we will strengthen mechanization and automation by introducing advanced equipment, such as multi-functional mining machines and robots. As to the processing of ores, by introducing new equipment, new grinding technologies, new flotation reagents, etc. we will facilitate the upgrades of processing equipment and techniques and improve the processing and metallurgy recovery rate in all respects. For the cyanide metallurgy, we will speed up the research of chloridizing roasting to make sure that the project of comprehensive resources utilization of Zhaojin Guihe would be conducted as planned. On the other hand, we will adopt advanced information technology. The focus is to build a collaborative office platform for different processes including production management, safety management, equipment and energy management, logistics management, human resources management and contract management. We will make full use of digitalization to further optimize and improve the traditional way of management, promote mobile office, simplify approval process and increase work efficiency.

Continue to Optimize Value Chain System, Gear up Corporate Development

In 2013, we will strengthen the ability of the three value chain system of financing, investment and operation management. Firstly, for the financing, we will enhance the ways of multi-channel and low-cost financing, further broaden sources of funds and maintain sufficient cash flows. Secondly, we need to enhance the ability to identify and capture investment opportunities. We will proceed on the construction of various projects at full speed with a planned investment of RMB1,501 million for the whole year, covering 41 construction projects. Within Zhaoyuan, our key task will be to continue the construction of a model base for comprehensive utilization of gold resources in Shandong Province; outside Zhaoyuan, we will focus on the mining extension projects of Zaozigou Gold Mine, Fengning Jinlong and Zhaojin Baiyun. Thirdly, for the operation and management, we will improve the corporate governance regime, carry out professional management upgrades and cost saving and efficiency boosting activities, and keep refining the performance appraisal system for the management team, invigorate corporate development and increase the quality and efficiency of our development in all respects.

Raise the Level and State of Development, Build a Beautiful and Happy Zhaojin

In 2013, we will create a beautiful and happy New Zhaojin with receptive mind and wisdom. Firstly, we will build New Zhaojin as a safe and healthy workplace, so as to create a safe environment which favors long-term development. Secondly, we will pursue a green and ecological New Zhaojin. In accordance with the principal strategy for the construction of mines with four features, namely "ecological and environmental protection, efficient development, safety and health, and satisfaction from staff, shareholders, the government and community", we will procure green and low-carbon development relying on a strict environmental monitoring system. Thirdly, we will have a harmonious and stable New Zhaojin to create a good domestic and external environment for corporate development. Fourthly, we will promote a socially responsible New Zhaojin by strengthening the staff's sense of responsibility and their contribution to community construction, and by nourishing a good corporate culture which provides power for the rapid development of the company.

Directors, Supervisors and Senior Management Profile

Details of personnel currently serving as directors (the "Directors"), supervisors (the "Supervisors"), secretary to the Board/company secretary and senior management of the Company during the Year and as of the date of this annual report are as follows:

Executive Directors

Mr. Lu Dongshang was born in July 1961. He is the chairman and an Executive Director of the Company, the Communist Party secretary of the Company, the chairman of and the secretary of the Communist Party of Zhaojin Group, the vice president of the China Gold Association, the chairman of presidium of the China Mining Association and a council member of the Shanghai Gold Exchange. Mr. Lu has more than 30 years of professional experience in the gold industry and has made outstanding contribution to the development of China's mining industry. Mr. Lu worked for and held senior positions at several gold mines and mining groups in Zhaoyuan. Mr. Lu has received numerous awards at the provincial, municipality and national levels, for his achievement in technological advancement. For instance, Mr. Lu was awarded the top award of Science and Technology in Yantai City, Middle-aged and Youth Expert with Outstanding Contributions in Shandong Province, the Second Award in National Scientific and Technological Advancement and Gold Medal for Outstanding Business Persons in the National Gold Industry, and granted a special allowance by the State Council. Mr. Lu graduated from the department of mining engineering of Shenyang Gold Institute, and qualified as an applied engineering technology researcher, graduated from the Cheung Kong Graduate School of Business with an EMBA degree in 2007. Mr. Lu has been the chairman and an Executive Director of the Company since April 2004. Presently Mr. Lu is the chairman (legal representative) of Xinjiang Ruoqiang County Changyun Sanfengshan Gold Mine Limited Liability Company.

Mr. Weng Zhanbin was born in March 1966. He is an Executive Director and the president of the Company. Mr. Weng has more than 20 years of experience in the gold industry. He had held positions of deputy section chief and mine supervisor of Zhaoyuan Xiadian Gold Mine; deputy general manager and deputy secretary of the Communist Party of Zhaoyuan Jinchiling Gold Mine; the deputy secretary of the Communist Party, vice chairman and deputy general manager of Jinchiling Mining & Metallurgy Co., Ltd. under Zhaojin Group and mine manager of Jinchiling Gold Mine of the Company; and the general manager of Zhaojin Group and a Non-executive Director of the Company. Mr. Weng has been granted numerous provincial and national awards, such as Science & Technology Pacesetter of National Gold Industry in the 10th Five-Year Plan Period, Science & Technology Outstanding Contribution Award of National Gold Industry in the 11th Five-Year Plan Period, Labour Model of National Gold Industry in the 11th Five-Year Plan Period, Shandong Provincial People-enrich and Lu-thriving Labour Medal, Shandong Provincial Excellent Entrepreneur and Excellent Entrepreneur of the State in recognition of his achievements in technological and business management. He has obtained national patents for five of his inventions. Mr. Weng graduated from Baotou Steel and Iron College in 1989 with a degree in mining engineering. He obtained a master degree in mining engineering from Northeastern University in 2002, qualified as an applied engineering technology researcher, and graduated from the Cheung Kong Graduate School of Business with an EMBA degree in 2008. Mr. Weng has been an Executive Director and the president of the Company since November 2010. Currently, Mr. Weng is the chairman (legal representative) of Fengning Jinlong Gold Industry Company Limited, the chairman (legal representative) of Sparky International Trade Company Limited, and the chairman (legal representative) of Shandong Zhaojin Zhengyuan Mining Company Limited.

Mr. Li Xiuchen was born in November 1963. He is an Executive Director and executive officer of the Company. Mr. Li served as a technician of the production office of Luoshan Gold Mine, the deputy supervisor, co-ordination officer and first deputy mine manager of Daiqinjia Gold Mine, the deputy mine manager and deputy general manager at Beijie Gold Mine and Zhongkuang Gold Industry, the deputy general manager, chairman and general manager of Xinyuan Gold Technology Development Co., Ltd, and the senior Vice President of Zhaojin Mining. Mr. Li graduated from Shenyang Institute of Gold Technology majoring in mine engineering with the qualification of a senior engineer, began to serve as the vice president of the Company since February 2007 and serve as the Executive Director of the Company since March 2012, and serve as the executive officer of the Company since February 2013. Currently, Mr. Li is an Executive Director (legal representative) of Xinjiang Zhaojin Mining Development Company Limited, the chairman (legal representative) of Qinghe County Jindu Mining Development Company Limited, an Executive Director (legal representative) of Altay City Zhaojin Kunhe Mining Company Limited, an Executive Director (legal representative) of Liaoning Zhaojin Baiyun Gold Mining Company Limited, and an Executive Director (legal representative) of Xinjiang Zhaojin Smelting Company Limited.

Directors, Supervisors and Senior Management Profile

Non-executive Directors

Mr. Liang Xinjun was born in October 1968. He is a Non-executive Director, vice chairman of the Company, an Executive Director and the vice chairman and chief executive officer of Fosun International Limited (a company listed on the Stock Exchange) and an independent director of Shanghai Oriental Pearl (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange) Mr. Liang is a member of the 11th and 12th Shanghai Committee of Chinese People's Political Consultative Conference; vice chairman of China Young Entrepreneurs Association; executive vice chairman of China Science and Technology Private Entrepreneurs Association; executive vice president of Chamber of Metallurgy Industry of All-China Federation of Industry and Commerce; chairman of Taizhou Chamber of Commerce in Shanghai and executive chairman of Shanghai Fudan University Alumni Association. In October 2002, Mr. Liang was awarded the "First Session of Innovation Award of Shanghai Science and Technology Entrepreneur". In 2002, 2003, 2004 and 2007, Mr. Liang was named an "Outstanding Entrepreneur of China's Science and Technology Private Entrepreneur". In April 2004, Mr. Liang was named "Shanghai Municipal Labour Model" of the years 2001 to 2003. In December 2005, Mr. Liang was awarded the "First Session of Innovation Management Award for Young Entrepreneur in China". In June 2006, Mr. Liang was named an "Outstanding Party Member of Shanghai New Economic and Social Organisations". In April 2007, Mr. Liang was named a "Shanghai Outstanding Builder of Socialism with Chinese Characteristics". In July 2008, Mr. Liang was named a "Ten Outstanding Young People in Shanghai". In December 2012, Mr. Liang was recognized as one of "Top 10 PE Capitalists in China" and "Top 10 Leaders in Finance Industry in Shanghai for 2012". Mr. Liang received a bachelor's degree in genetic engineering in 1991 from Fudan University and obtained an MBA degree in 2007 from Cheung Kong Graduate School of Business. Mr. Liang has been a Non-executive Director of the Company since April 2007.

Mr. Cong Jianmao was born in January 1963. He is a Non-executive Director of the Company and also the deputy director of Zhaoyuan Municipal Finance Bureau. Mr. Cong has been the section chief of the Planning and Finance Section of Zhaoyuan Municipal Commerce Bureau, the chairman of the supervisory committee of Zhaoyuan City State-owned Assets Operation Company Limited, and the chairman of the supervisory committee of Zhaojin Group. Mr. Cong graduated from Shandong TV University and Shandong Business Administration Institute. Mr. Cong has been a Non-executive Director of the Company since December 2005.

Mr. Ye Kai was born in December 1962. He is a Non-executive Director of the Company, the senior assistant to president of Shanghai Fosun Group and also the chairman of Shanghai Yuyuan (a company listed on the Shanghai Stock Exchange). Mr. Ye has held various positions, such as the vice general manager and secretary of the board of Shanghai Friendship Group Incorporated Company, the vice general manager of Shanghai Friendship Department Store Co., Ltd., the general manager and chairman of Shanghai Bailian Xijiao Shopping Mall, the assistant to general manager and vice general manager of Shanghai Bailian Group Company Limited, the general manager of the retail commercial real estate department of Shanghai Fosun Group and the vice chairman of Shanghai Yuyuan. Mr. Ye is an on-the-job postgraduate majoring in economics in Party School of Central Committee of Communist Party of China and has extensive experience in business operation and management. Mr. Ye has been a Non-executive Director of the Company since March 2012.

Mr. Kong Fanhe was born in November 1967. He is a Non-executive Director of the Company and also the vice president and chief investment officer of Shanghai Yuyuan. Mr. Kong has held various positions, such as the general manager of Shanghai Yinhong Investment Management Co., Ltd., the chief investment officer of Sanpower Group Co., Ltd., the vice general manager of Commercial Business of Fuxing Group. Mr. Kong graduated from Nanjing University of Science and Technology with a master's degree in economics and has extensive experience in investment. Mr. Kong has been a Non-executive Director of the Company since March 2012.

Independent Non-executive Directors

Mr. Ye Tianzhu was born in February 1941. He is an independent Non-executive Director of the Company, and the leader of an expert team of technical guidance of the Mineral Exploration Office under the Ministry of Land and Resources of the PRC, a director of the Chinese Association of Mining Rights Assessors and a deputy officer of the Third Committee for Land Layers. Mr. Ye has been the chief engineer of the Department of Land and Resources of Jilin Province, the deputy chief engineer of the Ministry of Geology and Mineral Resources of the PRC, the head of the Department of Reserves of the Ministry of Land and Resources of the PRC and the Director-General of the China Geological Survey and so on. Mr. Ye received National Awards for Technological Development for various achievements in scientific research and was awarded the 9th Li Siguang Awards for Geosciences. Mr. Ye graduated from Beijing College of Geosciences majoring in geological survey and mine exploration. Mr. Ye has been an independent Non-executive Director of the Company since April 2007.

Ms. Chen Jinrong was born in October 1959. She is an associate professor, an independent Non-executive Director of the Company, and a lecturer in School of Economics and Management of Tsinghua University and Beijing Union University. Ms. Chen is also an independent Non-executive Director of Meihua Holdings Group Co., Ltd. (a company listed on the Shanghai Stock Exchange) and an independent Non-executive Director of Shandong Zhongji Electrical Equipment Co., Ltd., Zhongxing Shenyang Commercial Building (Group) Co., Ltd. and BOSUN Tools Co., Ltd. (all being listed on the Shenzhen Stock Exchange). Ms. Chen is qualified as an accountant in China and an independent director. Ms. Chen mainly focuses on research into, teaching of and counseling on corporate financial management, analysis of financial report for listed companies and operations of corporate capital, corporate organization and risk control, comprehensive corporate budget management etc. Ms. Chen had served as the deputy head of the finance department of China Information Industry Research Institute under the Ministry of Information Industry, the deputy general manager of Beijing Hua Tsing Cai Zhi Corporate Management Counseling Company, etc. Ms. Chen has solid experience in aspects such as corporate restructuring, comprehensive corporate budget management, capital operations and corporate internal control. Ms. Chen has gained the reputation as the outstanding elementary personnel in Beijing City and an outstanding teacher of Economic Committee of Beijing Municipal Government. Ms. Chen graduated from Renmin University of China. Ms. Chen has been an independent Non-executive Director of the Company since April 2007.

Directors, Supervisors and Senior Management Profile

Mr. Choy Sze Chung Jojo was born in April 1959. He is an independent Non-executive Director of the Company, and also the vice chairman of National Resources Securities Limited. Mr. Choy is also an independent Non-executive Director of Chengdu PUTIAN Telecommunications Cable Limited., Sparkle Roll Group Limited and Wison Engineering Services Co. Ltd. (all being listed on the Main Board of the Stock Exchange). Mr. Choy is also the permanent honorary president of The Institute of Securities Dealers Limited, a fellow member of The Hong Kong Institute of Directors, a fellow member of Institute of Financial Accountants, a fellow member of the Institute of Compliance Officer, a member of Society of Registered Financial Planner Ltd., a member of the fourth session of the Election Committee of Hong Kong Special Administrative Region, a member of the Election Committee of the 12th National People's Congress of Hong Kong Special Administrative Region, a member of CPPCC Shantou, a honorary president of Shantou Overseas Friendship Association, an honorary president of Shantou Overseas Exchanges Association, an honorary principal of the school of Chen Po Sum and a council member of Rotary Club Kowloon West. Mr. Choy has extensive experience in the securities industry and business management. Mr. Choy obtained his Master of Business Administration Degree from University of Wales, Newport and his Master of Business Law Degree form Monash University, Australia. Mr. Choy has been an independent Non-executive Director of the Company since May 2007.

Mr. Xie Jiyuan was born in November 1934. He is currently an independent Non-executive Director of the Company. He graduated from Jilin University majoring in organic chemistry in July 1953, and is a professor-level senior engineer. Mr. Xie has more than 30 years' experience in the gold and non-ferrous metals industry. He participated in reviewing the major technology projects organized by the Ministry of Science and Technology as a representative of the gold industry for many times. Given his outstanding achievements in the bio-oxidation pre-treatment for intractable gold ores, he has won many awards, such as the State Science and Technology Award, the National Science Conference Award, the Silver Award for National Excellent Designs, the National Science and Technology Progress Award granted by the Gold Bureau and the First Prize for Excellent Designs. He has enjoyed the perpetual special government allowances of the State Council since 1992. In 1996, he was granted by the Gold Bureau the title of advanced individuals making outstanding contributions to the improvement of gold-related technologies during the 8th Five-year Plan Period. He was granted the utility novelty patent certificate in respect of the bio-oxidation pre-treatment devices for the intractable gold ores with the contents of arsenic and carbon (first place) by the State Intellectual Property Office in 2007 and was included in the Gold chapter of the "Metallurgical Figures" in 2008. Mr. Xie used to hold various positions, such as chief engineer and chief designer of Beijing Non-ferrous Metal Design Company, vice president and professor-level senior engineer of Beijing Non-ferrous Metallurgy Design and Research Institute (Gold Branch), senior technical advisor of Changchun Gold Research Institute, a member and consultant of the Standardized Technology Committee of the PRC Gold Industry. He used to serve as a technical adviser of various well-known large gold mining enterprises at home and abroad and the chief designer in a number of national key projects. He has been a member of the Evaluation Committee of Scientific and Technological Achievements of China Gold Association over the years. Mr. Xie has been an independent Non-executive Director of the company since February 2013.

Supervisors

Mr. Wang Xiaojie was born in April 1973. He is currently the chairman of the Supervisory Committee of the Company, the deputy secretary of the Party Committee and the secretary of Commission for Disciplinary Inspection of Zhaojin Group and the chairman of the Labour Union. He has served as the deputy manager of Zhaoyuan City Gold Software Science and Technology Co., Ltd., and then the deputy manager and manager of Information Centre of Zhaojin Group. Mr. Wang graduated with a degree in applied electronic technology from Institute of Information Engineering of Shandong, a degree in computer application from Qingdao Chemical & Engineer College and a degree in economics and management from the Party School of the Shandong Provincial Committee of the Communist Party of China. Mr. Wang has been a Supervisor of the Supervisory Committee of the Company since April 2007.

Ms. Jin Ting was born in October 1963. She is currently a Supervisor of the Supervisory Committee of the Company, and the vice president of Shanghai Yuyuan. Ms. Jin used to serve as deputy general manager of finance department, manager of finance department, manager of fund management department and assistant to president of Shanghai Yuyuan. She is currently the vice president of Shanghai Yuyuan. Ms. Jin graduated from Shanghai Light Industry Bureau Vocational University majoring in finance and accounting. She has extensive experience in finance, audit and human resources. Ms. Jin has been a Supervisor of the Supervisory Committee of the Company since February 2010.

Mr. Chu Yushan was born in April 1966. He is currently the supervisor of the company and served in Security & Environment Department of the company. Mr. Chu has served in the Xiadian Gold Mine, Dayingezhuang Gold Mine, and served as the deputy general manager of Hebei Fengning Jinlong Gold Industry Co., Ltd., the deputy general manager of Zhaojin Beijiang Mining Company Limited and the deputy general manager of Xinjiang Xingta Mining Co. Ltd..Mr. Chu graduated from Shandong Institute of Business and Technology majoring in mining. Mr. Chu has been a supervisor of the Company since April 2004.

Secretary to the Board

Mr. Wang Ligang was born in July 1972, the Secretary to the Board of the Company. Mr. Wang has served as various managerial positions for Zhaoyuan Beijie Gold Mine and Zhaojin Group. Since 2004, he served as a director of the general manager's office and director of the Board office of the Company, assistant to Board secretary of the Company and general manager of Sparky International Trade Co., Ltd. Mr. Wang graduated from Shandong Economic University with majoring in labour economy management. He has the qualification of senior political officer and affiliated person of The Hong Kong Institute of Chartered Secretaries and obtained an EMBA degree from Tsinghua University. Mr. Wang has been the Secretary to the Board since December 2007 and has served as the vice president of the company since February 2013.

Directors, Supervisors and Senior Management Profile

Senior Management

Mr. Weng Zhanbin, his biographical details are set out on page 21 of this annual report.

Mr. Li Xiuchen, his biographical details are set out on page 21 of this annual report.

Mr. Wang Ligang, his biographical details are set out on page 25 of this annual report.

Mr. Sun Xiduan was born in September 1965, the Vice President of the Company. He has served as the accountant, engineering technician, deputy mine manager of No. 1 Branch Mine, technical supervisor, chief controller, department head of the department of production, mine zone officer, department head of the department of planning of Zhaoyuan Luoshan Gold Mine, the deputy manager and manager of Mining Company of Shandong Zhaojin Shareholding Company Limited (山東招金股份有限公司採礦公司), the person-in-charge of mines, processing plants, cyanidation plants, production department for Zhongkuang Gold Industry Company Limited (中礦金業股份有限公司), the general manager of Zhaojin Mining Industry Company Limited in Wuhe County, Anhui Province (安徽省五河縣招金礦業有限公司), the general manager and chairman of Min county Tianhao Gold Co., Ltd (岷縣天昊黃金有限責任公司), the chairman of Zaozigou Gold Mine, the general manager of Gansu Zhaojin Mining Company Limited (甘肅省招金礦業有限公司). Mr. Sun graduated from China University of Geosciences, majoring in geology, and qualified as an engineer. Mr. Sun has been the Vice President of the Company since February 2010.

Mr. Cong Peizhang was born in March 1963, the Vice President of the Company. He has served as a technician, the geology head and the director of the general labour office of Zhaoyuan Gold Geological Brigade, the manager of the resources department, the vice director of the technology center, the manager of the planning and development department, the manager of the department outside of Shandong province of Zhaojin Group, the general manager of Hainan Dongfang Zhaojin Mining Industry Company Limited, the manager of the planning and development department, the deputy chief engineer and the manager of geological exploration department and the assistant to president of the Company. Mr. Cong graduated from Shandong Mining Institute (currently known as Shandong University of Science and Technology) majoring in geology exploration. He has the qualification of senior engineer. Mr. Cong has been the Vice President of the Company since March 2012.

Mr. Dong Xin was born in February 1966. He is currently the vice president of the company and the chairman of Gold Association of Xinjiang Uygur Autonomous Region. Mr. Dong served as a technician, vice director, director, Deputy Chief Mining Officer and Chief Mining Officer of Xiadian Gold Mine, general manager of Tuoli Zhaojin Beijiang Mining Company Limited, general manager and production director of Xinjiang Xingta Mining Company Limited. Mr. Dong graduated from Shenyang Gold Institute majoring in mining, acquired an EMBA degree from Dalian University of Technology, and qualified as an applied engineering technology researcher. Mr. Dong has served as the vice president of the company since February 2013.

Report of the Directors

The Board hereby presents its report, together with the audited consolidated financial statements for the year ended 31 December 2012.

Corporate Reorganisation

The Company was incorporated as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 16 April 2004. The Company is mainly engaged in the mining, processing, smelting and sale of gold and silver products (the "Relevant Business"). Prior to the incorporation of the Company, the Relevant Business was operated by wholly-owned subsidiaries of Shandong Zhaojin Group Company Limited ("Zhaojin Group") (a PRC state-owned corporation). Upon the incorporation of the Company, the Relevant Business together with related assets and liabilities were transferred to the Company from Zhaojin Group.

The Group successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") in December 2006.

Principal Operations

The principal activities of the Company are investment holding and exploration, mining, ore processing, smelting and sale of gold and other metallic products. The Group is mainly engaged in exploration, mining, ore processing, smelting and sale of gold and other metallic products, being a large integrated mining enterprise specializing in the production of gold. The Group principally produces two kinds of gold products, which are Au9999 and Au9995 gold bullions under the brand of "Zhaojin". Details of the principal activities of the subsidiaries are set in note 17 to the financial statements on pages 153 to 158 in this annual report.

During the Year, there was no material change in the principal operations of the Group.

Results

The Group's results for the year ended 31 December 2012 are set out on pages 92 to 93 of the consolidated income statement in this annual report.

Profit Distribution

As of the date of this annual report, the final dividend for the financial year ended 31 December 2011 paid by the Company was approximately RMB612,120,600 (2010: RMB437,229,000).

The Board proposes the payment of a final cash dividend to all shareholders for 2012 of RMB0.24 (tax included) (2011: RMB0.21 (tax included)) per share.

The cash dividend for shareholders of domestic shares will be distributed and paid in Renminbi and the cash dividend for shareholders of H shares will be declared in Renminbi and paid in Hong Kong dollars (at the average exchange rate of the medium rate of converting Renminbi into Hong Kong dollars as quoted by the People's Bank of China for five business days immediately prior to 27 May 2013).

The proposed distributions are subject to the approval by the Shareholders at the 2012 AGM of the Company to be held on 27 May 2013.

Major Customers and Suppliers

The sales of the gold products of the Group are conducted through trading and settlement on the SGE, while the number and identity of ultimate customers are unknown.

During the Year, approximately 92.15% (2011: 77.51%) of the total sales was conducted on the SGE. Similar to a stock exchange, the SGE is a trading platform for gold transactions. Under the circumstances where purchasers and sellers are unknown to each other, all transactions are conducted under the coordination and supervision of the SGE. Therefore, the SGE is deemed to be the Group's sole major customer.

Transactions between the Group and its suppliers are conducted on normal commercial terms. The total amount of purchases from the five largest suppliers did not exceed 30% (2011: 30%) of the Group's total amount of purchases.

So far as the Directors are aware, none of the Directors and Supervisors or any of their connected persons or any Shareholders holding 5% or more of the Company's share capital and their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange, the "Listing Rules") have had any direct or indirect interests in the sole major customer and the five largest suppliers of the Company for the Year.

Reserves

Details of changes in reserves of the Group for the year ended 31 December 2012 are set out on page 96 of this annual report.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2012 are set out in note 38 to the financial statements on pages 184 to 185 of this annual report.

According to the articles of association of the Company (the "Articles of Association"), distributable reserves are based on the profits of the Company prepared according to the PRC Accounting Standards and HKFRS, whichever is the lower.

According to the PRC Company Law, after transferring appropriate amounts into the statutory surplus reserve fund and statutory public welfare fund, profit after tax can be distributed as dividend.

As at 31 December 2012, in accordance with the PRC Accounting Standards, the relevant Laws of the PRC and the Articles of Association, the distributable reserves of the Company amounted to approximately RMB3,165,548,465.97 (2011: RMB2,008,180,584.55), of which approximately RMB711,799,000 are proposed to be the final cash dividend of the Year (2011: dividend of RMB612,121,000).

Property, Plant, Equipment and Property Investment

Details of changes in property, plant and equipment of the Group during the Year are set out in note 13 to the financial statements on pages 141 to 144 of this annual report.

The Group did not hold any investment property.

Share Capital

During the Year, details of changes in share capital of the Company are set out in note 37 to the financial statements on page 183 of this annual report.

On 29 May 2012, the 2011 annual general meeting, the domestic shares class meeting and the H shares class meeting of the Company considered and approved, respectively, that the Company would issue 50,967,195 domestic shares to Zhaojin Non-Ferrous at the price of RMB11.73 (equivalent to approximately HK$14.46) per share for the acquisiton of 100% equity interest of Jin Han Zun Mining, a subsidiary of Zhaojin Non-Ferrous, and the gold mine exploration right in Hou Cang District, Zhaoyuan City, Shandong Province; On 10 December 2012, the registration of the issue of new domestic shares relating to the non-foreign listing shareholders at the China Securities Depository and Clearing Corporation Limited was completed and the total share capital of the company was 2,965,827,195 shares.

Apart from the above, during the Year, there was no arrangement for issue of bonus shares, placing and issue of shares of the Company. In addition, the share capital structure of the Company had no changes during the period from 31 December 2012 to the date of this annual report.

Report of the Directors

Use of Proceeds from the Initial Public Offering

The net proceeds raised from the Company's newly issued and listed H shares on the Stock Exchange in December 2006 (after deduction of related issuance expenses) amounted to approximately HK$2,360,000,000. On 10 July 2009, the resolution regarding the use of the remaining proceeds received by the Group from the global offering in the sum of approximately HK$526,000,000 for acquisition of domestic and overseas gold mines by the Company in the future has been approved and authorised by the second extraordinary general meeting of the Company in 2009. As of 31 December 2012, the net proceeds from the initial offering and listing of the H shares of the Company on the Stock Exchange in December 2006 have been fully utilized.

Details of the use of the proceeds raised are set out as follows:

- as to approximately HK$318,000,000 for expanding and improving Dayingezhuang Gold Mine and Xiadian Gold Mine, and enhancing the mines' existing ore processing capacity, with a view to enhancing the ore processing capacity of each of these two mines by approximately 1,000 tonnes per day;

- as to approximately HK$324,000,000 for expanding the exploration activities, particularly in the Zhaoping fault-line area and other major gold deposits in China with a view to enhancing our gold reserves;

- as to approximately HK$1,132,509,000 for the acquisitions of operating gold mines with a view to expanding our scale and competitiveness and to enhancing our continuing development capacity;

- as to approximately HK$324,000,000 for the acquisition of advanced exploration projects with a view to expanding our exploration areas and to enhancing our future gold reserves;

- as to approximately HK$220,000,000 for repayment of bank borrowings with a view to lowering the gearing ratio of the Group and improving the financial position of the Company; and

- as to approximately HK$41,491,000 for revamping the cyanidation systems of Jinchiling Gold Mine.

Charity Donation

During the Year, the Group made charitable donation totaling RMB12,360,000 (2011: RMB22,100,000). Details of the donation were set out in the section headed "Corporate Social Responsibility" on page 85 of this annual report.

Bank Borrowings

Details of bank borrowings of the Company and the Group are set out in note 32 to the financial statements on pages 176 to 178 of this annual report.

Taxation

During the Year, the Company and its subsidiaries were subject to the PRC enterprise income tax at a rate of 25% of taxable profits according to the requirements under the PRC Enterprise Income Tax Law which became effective on 1 January 2008. The relevant details are set out in note 9 to the consolidated financial statements on pages 138 to 139 of this annual report.

Pre-emptive Rights

There is no provision or regulation for pre-emptive rights under the Company's Articles of Association or the PRC Laws which requires the Company to issue new shares to the existing shareholders according to their respective proportions of shareholding.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Convertible Securities, Share Options, Warrants or Similar Rights

During the year ended 31 December 2012, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the year ended 31 December 2012 and up to the date of this annual report, the Group has no share option scheme.

Directors and Supervisors

During the Year and as at the date of this annual report, the Company's Directors and Supervisors are listed as follows:

Executive Directors

Mr. Lu Dongshang *(Chairman)*
Mr. Weng Zhanbin *(President)*
Mr. Li Xiuchen (appointed as an Executive Director of the Company with effect from 23 March 2012)

Non-executive Directors

Mr. Liang Xinjun *(Vice Chairman)*
Mr. Cong Jianmao
Mr. Wang Peifu (resigned as a Non-executive Director of the Company with effect from 23 March 2012)
Mr. Ye Kai (appointed as a Non-executive Director of the Company with effect from 23 March 2012)
Mr. Chen Guoping (resigned as a Non-executive Director of the Company with effect from 23 March 2012)
Mr. Kong Fanhe (appointed as a Non-executive Director of the Company with effect from 23 March 2012)
Mr. Wu Zhongqing (resigned as a Non-executive Director of the Company with effect from 23 March 2012)

Report of the Directors

Independent Non-executive Directors

Mr. Yan Hongbo
(retired as an independent Non-executive Director of the Company with effect from 26 February 2013)
Mr. Ye Tianzhu
Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Xie Jiyuan
(appointed as an independent Non-executive Director of the Company with effect from 26 February 2013)

Supervisors

Mr. Wang Xiaojie *(Chairman of the Supervisory Committee)*
Ms. Jin Ting
Mr. Chu Yushan

Profiles of the Directors, Supervisors and Senior Management Personnel

Details of the profiles of the Directors, Supervisors and Senior Management are set out on pages 20 to 26 of this annual report.

Terms of Service of the Directors and the Supervisors

According to the requirements of the Articles of Association, the terms of service of the Directors and the Supervisors of the Company are for three years as from their respective dates of appointment or re-appointment, and the Directors and the Supervisors are subject to re-appointment or re-election upon the expiry of their term.

Remuneration of the Directors and Supervisors

The remuneration of each Director and Supervisor is approved at general meetings. Other emoluments will be determined by the Board of the Company with reference to the duties, responsibilities, performance of the Directors and Supervisors and the operating results of the Group.

Details of the remuneration of the Directors and Supervisors are set out in note 8 to the financial statements on pages 133 to 137 of this annual report.

Service Contracts of the Directors and the Supervisors

Each of the Executive Directors, Non-executive Directors, independent Non-executive Directors and Supervisors has entered into a service contract with the Company, with a term of three years.

Neither the Directors nor the Supervisors have a service contract with the Company with a term specifying that if the Company terminate the contract within one year, the Company has to make compensation apart from statutory compensation.

Material Contracts in Which Directors and Supervisors Have Substantial Interests

None of the Directors and Supervisors had a material interest, either directly or indirectly, in any other contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party during the Year.

Directors' and Supervisors' interests and short positions in shares, underlying shares or debentures of the Company and its associated corporations

As at 31 December 2012, none of the Directors, Supervisors, senior management of the Company and their respective associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in the Part XV of the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the laws of Hong Kong ("SFO")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO or which they were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") (for such purposes, the relevant regulations in the SFO were also interpreted as applicable to the Supervisors).

Rights to Purchase Shares or Debentures of Directors and Supervisors

At no time during the Year did any of the Directors or Supervisors hold any shares of the Company. None of the Directors and Supervisors had any interests in the share capital or debt securities of the Company or any of its associated corporations (as defined in the SFO). None of the Directors, Supervisors and their spouses and children below 18 years old was granted rights to subscribe for the share capital or debt securities of the Company or any of its associated corporations and there was no exercise of such rights by any of such persons.

At no time during the Year had the Company or any of its subsidiaries, holding companies or any fellow subsidiaries entered into any arrangement which enables the Directors and Supervisors to have the right to acquire benefits by means of acquisition of shares or debentures in the Company or any other legal entities.

Five Highest-Paid Personnel

The five highest-paid individuals in the Group during the Year include two Directors. Full details of the five highest-paid personnel's remuneration are set out in note 8 to the financial statements on pages 136 to 137 of this annual report.

Remuneration Policy of the Group and Number of Employees

It is the Company's policy that remuneration is linked to the Company's results and performance of employees. The Company's human resources department formulates appraisal benchmarks for different businesses and professions and assesses an employee's remuneration according to his/her performance. Studies are being made to the scale of management positions and technical positions in the salary distribution system to enhance the salary increment and promotion ladder. We encourage professional and technical personnel to be dedicated to their own jobs and improve professional and technical skills, so as to create integration between job value and distribution of remuneration. The Company also presents to its staff diversified development paths in order to induce the initiative and creativity of employees.

As of 31 December 2012, the Company had a total of 6,691 employees. The Company attached great importance to the long-term occupational planning and development of its employees, formulated programs for occupation and qualification training for the development of both the employees and the Company, bore training cost for its employees and created an agreeable environment for occupational development, aiming at providing multi-level occupational training with persistent policy, organizational and financial support. The Company held various trainings during the Year, including induction training for new employees, management training for middle and senior management, professional training on geological exploration and safety training. The training costs amounted to RMB1.90 million during the Year.

Share Capital and Shareholders' Information

1. Number of Shareholders

Details of the number of shareholders of the Company recorded in the register of members as at 31 December 2012 are as follows:

Classification	Number of Shareholders
Domestic shares	6
Overseas-listed foreign shares – H shares	1,992
Total number of shareholders	1,998

2. Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the public float of the Company has reached the requirement of the Listing Rules as at the date of this annual report.

Substantial Shareholders

To the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2012, the interest and short positions of the substantial shareholders in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

	Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
1	Shandong Zhaojin Group Company Limited	Domestic shares	Beneficial owner	*1,086,514,000 (Note 1)*	36.63	51.95	–	Long position
		Domestic shares	Interest of controlled corporation	50,967,195 *(Note 7)*	1.72	2.44	–	Long position
		H shares	Beneficial owner	16,510,000 *(Note 1)*	0.56	–	1.89	Long position
2	Shanghai Yuyuan Tourist Mart Co., Ltd.	Domestic shares	Beneficial owner	742,000,000	25.02	35.48	–	Long position
		Domestic Shares	Interest of controlled corporation	21,200,000 *(Note 1&2)*	0.71	1.01	–	Long position
3	Shanghai Fosun Industrial Investment Co., Ltd.	Domestic shares	Beneficial owner	106,000,000 *(Note 1 & 3)*	3.57	5.07	–	Long position
4	Shanghai Fosun High Technology (Group) Company Limited	Domestic shares	Beneficial owner	106,000,000 *(Note 1 & 3)*	3.57	5.07	–	Long position
5	Fosun International Limited	Domestic shares	Beneficial owner	106,000,000 *(Note 1 & 3)*	3.57	5.07	–	Long position
6	Fosun Holdings Limited	Domestic shares	Beneficial owner	106,000,000 *(Note 1 & 3)*	3.57	5.07	–	Long position

	Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
7	Fosun International Holdings Ltd.	Domestic shares	Beneficial owner	106,000,000 *(Note 1 & 3)*	3.57	5.07	–	Long position
8	Guo Guangchang	Domestic shares	Interest of controlled corporation	106,000,000 *(Note 1 & 3)*	3.57	5.07	–	Long position
9	Atlantis Capital Holdings Limited	H shares	Interest of controlled corporation	69,600,000 *(Note 4)*	2.35	–	7.96	Long position
10	Liu Yang	H shares	Interest of controlled corporation	69,600,000 *(Note 4)*	2.35	–	7.96	Long position
11	JPMorgan Chase & Co.	H shares	Beneficial owner	3,102,000 *(Note 5)*	0.10	–	0.35	Long position
		H shares	Beneficial owner	8,181,214 *(Note 5)*	0.28	–	0.94	Short position
		H shares	Investment Manager	200,000 *(Note 5)*	0.01	–	0.02	Long position
		H shares	Custodian-corporation/ approved lending agent	90,762,148 *(Note 5)*	3.06	–	10.38	Lending pool
12	BlackRock, Inc.	H shares	Interest of controlled corporation	52,505,777 *(Note 6)*	1.77	–	6.01	Long position
				5,007,629 *(Note 6)*	0.17	–	0.57	Short position
13	Norges Bank	H shares	Beneficial owner	69,184,000	2.33	–	7.91	Long position

Notes:

(1) Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled and the full details of the requirements are available on SFO's official website. When a shareholder's shareholding in the Company changes, it is not necessary for the Shareholder to notify the Company and the Stock Exchange unless certain criteria are fulfilled, therefore substantial shareholders' latest shareholding in the Company may be different to the shareholding filed with the Company and the Stock Exchange.

(2) Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan") holds 95% equity interests in Shanghai Laomiao Gold Co., Ltd. ("Laomiao Gold"), therefore the 21,200,000 domestic shares held by Laomiao Gold in the Company is shown as long position of Shanghai Yuyuan.

(3) The 106,000,000 shares represent the same block of shares.

(4) The 69,600,000 shares represent the same block of shares.

(5) JPMorgan Chase & Co holds equity interest in shares of the Company through companies controlled or indirectly controlled by it.

(6) BlackRock, Inc. holds equity interest in shares of the Company through companies controlled or indirectly controlled by it.

(7) Shandong Zhaojin Group Company Limited ("Shandong Zhaojin") holds 100% equity interests in Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous"), therefore the 50,967,195 domestic shares held by Zhaojin Non-Ferrous in the Company is shown as long position of Shandong Zhaojin.

As at 31 December 2012, save as disclosed above and to the best knowledge of the Directors, Supervisors and senior management of the Company, no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company.

Connected Transactions and Continuing Connected Transactions

During the Year, the Company and the Group had the following connected transactions and continuing connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

1. Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirements

(1) On 26 July 2011, the Company entered into the Exploration Services Agreement with Shandong Zhaojin Geological Prospecting Co., Ltd ("Shandong Zhaojin Geological", a wholly-owned subsidiary of Zhaojin Group) in relation to the provision of exploration services by Shandong Zhaojin Geological to the Group for the period from 26 July 2011 to 31 December 2013, in which the annual caps of the Group in respect of the transactions contemplated thereunder for the three years ending 31 December 2011, 31 December 2012 and 31 December 2013 were determined to be RMB65,000,000, RMB100,000,000 and RMB110,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company and Shandong Zhaojin Geological is a wholly-owned subsidiary of Zhaojin Group. Shandong Zhaojin Geological is therefore a connected person of the Company and the transactions contemplated under the Exploration Services Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Exploration Services Agreement is more than 0.1% but less than 5%, the Exploration Services Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcements of the Company dated 26 July 2011 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

(2) On 28 December 2011, the Company entered into the Land Lease Agreement with Zhaojin Group ("Zhaojin Group", being the controlling Shareholder of the Company) in relation to the lease of land use rights by Zhaojin Group to the Company for the term of three years commencing from 1 January 2012. According to the Land Lease Agreement, the annual rental caps for the land use rights for the three years ending 31 December 2012, 31 December 2013 and 31 December 2014 will be approximately RMB4,590,000, RMB4,520,000 and RMB4,440,000, respectively.

(3) On 28 December 2011, the Company entered into the Gold Refinery Agreement with Zhaojin Gold and Silver Refinery Company Limited ("Zhaojin Refinery", a 80.5% owned subsidiary of Zhaojin Group) in relation to the provision of gold refining services by Zhaojin Refinery to the Company for the term of three years commencing from 1 January 2012. According to the Gold Refinery Agreement, the annual caps for the provision of gold refinery services for the three years ending 31 December 2012, 31 December 2013 and 31 December 2014 will be RMB7,300,000, RMB8,400,000 and RMB9,700,000, respectively.

(4) On 28 December 2011, the Company entered into the Digital Mine Construction Technology Services Agreement with Shandong Goldsoft Technology Company Limited ("Goldsoft Technology", a 77.04% owned subsidiary of Zhaojin Group) in relation to the provision of Digital Mine Construction Technology Services by Goldsoft Technology to the Group for the term of three years commencing from 1 January 2012. According to the Digital Mine Construction Technology Services Agreement, the annual caps for the provision of Digital Mine Construction Technology Services for the three years ending 31 December 2012, 31 December 2013 and 31 December 2014 will be RMB37,700,000, RMB43,100,000 and RMB38,500,000, respectively.

(5) On 28 December 2011, the Company entered into the Framework Agreement for Sale of Silver with Shandong Zhaojin Import and Export Company Limited ("Zhaojin Import and Export", a 62.05% owned subsidiary of Zhaojin Group) in relation to the sale of silver by the Group to Zhaojin Import and Export for the term of three years commencing from 1 January 2012. According to the Framework Agreement for Sale of Silver, the annual caps for the sale of silver for each of the three years ending 31 December 2012, 31 December 2013 and 31 December 2014 will be RMB160,000,000, RMB180,000,000 and RMB200,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company, Zhaojin Refinery, Goldsoft Technology and Zhaojin Import and Export are Associates of Zhaojin Group and are therefore connected persons of the Company and the transactions contemplated under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sale of Silver constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sale of Silver are less than 5%, the transactions under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sale of Silver are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcements of the Company dated 28 December 2011 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

2. Other Connected Transactions

(1) On 2 May 2011, the Company entered into the Equity Transfer Agreement with Yantai Jingtai Investment Consulting Co., Ltd. (煙台景泰投資諮詢有限公司), pursuant to which the Company agreed to acquire 15% equity interests in Hezheng Xinyuan Mining Co., Ltd. at a consideration of RMB9,000,000, upon completion of the equity transfer, the Company would hold an aggregate of 95% equity interests in Hezheng Xinyuan Mining Co., Ltd..

Yantai Jingtai Investment Consulting Co., Ltd. is a connected person of the Company by virtue of being a Shareholder of Hezheng Xinyuan Mining Co., Ltd.. Accordingly, the acquisition constitutes a connected transaction for the Company. The aggregate percentage ratios in respect of the acquisition is less than that required for announcement and reporting, and the acquisition is exempt from the independent shareholders' approval requirements.

As at 10 January 2012, the registration procedures associated with the equity transfer with relevant local industry and commerce authority were completed, resulting in the completion of this transaction.

Report of the Directors

(2) On 21 December 2011, Zhaoyuan Jintingling Mining Industry Company Limited ("Jintingling", a wholly-owned subsidiary of the Company), entered into an asset transfer agreement with Zhaoyuan Gold Smelting Company Limited to acquire the Zaoyangshan Exploration Right and its ancillary assets at a consideration of RMB28,000,000 by bidding at Yantai Joint Property Right Exchange Center. The mine covered by the Zaoyangshan Exploration Right occupies an area of 16.20 km^2, and possesses good ore-forming conditions and development prospects as well as good fundamental infrastructure and facilities. Based on previous exploration works conducted in the mine, the indicated and inferred ore resources are approximately 379,881 tonnes, gold metal resources are approximately 1,267 kg and average grade is approximately 3.34 gram per ton.

As at 24 August 2012, the registration of change of exploration rights and assets of this project was completed.

The acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Relevant details were set out in the announcement of the Company dated 21 December 2011 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(3) As at 13 December 2012, the Company entered into the Equity Transfer Agreement with Shenzhen Histan Investment Group Limited* (深圳市海仕通投資集團有限公司) ("Histan") and The Third Institute of Geological and Mineral Exploration of Gansu Provincial Bureau of Geology and Mineral Resources* (甘肅省地質礦產勘查開發局第三地質礦產勘查院) ("No.3 Exploration Institute"), pursuant to which the Company agreed to acquire 51% equity interests in Gansu Xinrui Mining Industry Company Limited ("Xinrui Mining") at a consideration of RMB255,000,000. Upon the completion of the equity transfer, Xinrui Mining becomes the non-wholly owned subsidiary of the Company.

Histan is the Shareholder of Zhaojin Precious Metal Smelting (Gansu) Co., Ltd (甘肅招金貴金屬冶煉有限公司) and No.3 Exploration Institute is the Shareholder of Zhaojin Precious Metal Smelting (Gansu) Co., Ltd and Gansu Hezuo Zaozigou Gold Mine Company Limited. Accordingly, they are the connected persons of the Company. The transaction constitutes a connected transaction of the Company, but is exempt from the reporting, announcement and independent shareholders' approval requirements.

Relevant details were set out in the announcement of the Company dated 13 December 2012 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

Further details of the continuing connected transactions and other connected transactions above are included in note 43 to the financial statements on pages 192 to 193 in this annual report.

Our independent Non-executive Directors have reviewed the continuing connected transactions and other connected transactions set out in note 43 to financial statements in this annual report, and are of the view that the continuing connected transactions have been entered into under the following circumstances:

(1) in the ordinary and usual course of business;

(2) on normal commercial terms or on terms no less favorable to the Group than terms offered to/by independent third parties; and

(3) in accordance with the relevant agreements governing those transactions on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Report of the Directors

Undertakings and Statements under the Non-competition Agreement

The Company and Zhaojin Group entered into a non-competition agreement on 17 November 2006, pursuant to which the independent Non-executive Directors of the Company are required to review, at least once a year, Zhaojin Group's compliance with their undertakings under the Non-competition agreement. In addition, Zhaojin Group has also undertaken to the Company to provide an annual compliance statement for incorporation in the annual report of the Company.

The independent Non-executive Directors have reviewed Zhaojin Group's compliance with their undertakings under the Non-competition agreement in respect of its existing or future competing businesses. The independent Non-executive Directors are of the view that Zhaojin Group has complied with those undertakings.

The Company has also received a statement under the Non-competition agreement from Zhaojin Group on 2 January 2013, which stated that Zhaojin Group, as the controlling Shareholder of the Company, has complied with their undertakings under the Non-competition agreement dated 17 November 2006 for the year ended 31 December 2012.

Directors' Interests in Competing Businesses

Save as disclosed in this report, as at 31 December 2012, none of the Directors or any of their respective associates was engaged or had any interests in a business that competes or may compete with the business of the Group.

Acquisitions

(1) On 2 May 2011, the Company entered into the equity transfer agreement with Yantai Jingtai Investment Consulting Co., Ltd. (煙台景泰投資諮詢有限公司), pursuant to which the Company acquired 15% equity interests in Hezheng Xinyuan Mining Co., Ltd. at a consideration of RMB9,000,000, upon completion of the equity transfer, the Company held an aggregate of 95% equity interests in Hezheng Xinyuan Mining Co., Ltd..

Yantai Jingtai Investment Consulting Co., Ltd. is a connected person of the Company by virtue of being a substantial Shareholder of Hezheng Xinyuan Mining Co., Ltd.. Accordingly, the acquisition constitutes a connected transaction for the Company. As each of the applicable percentage ratios in respect of the acquisition is below the de minimis threshold and is exempt from the announcement, reporting, and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at 10 January 2012, the registration procedures associated with the equity transfer with relevant local industry and commerce authority were completed, resulting in the completion of this transaction.

(2) On 1 December 2011, the Company entered into the Jishan JV Agreement with Zhaoyuan Zhangxing Town People's Government (招遠市張星鎮人民政府). Pursuant to the Jishan JV Agreement, the parties have agreed to establish the Jishan JV which will be principally engaged in the exploration and exploitation of gold in Zhaoyuan, Shandong Province, the PRC. The registered capital of the Jishan JV will be owned as to 95% and 5% by the Company and Zhaoyuan Zhangxing Town People's Government respectively. It is estimated by the geological experts that the gold content of Jishan JV is approximately 1,510 kg, the ore quantity is approximately 368,867 tonnes and the average grade is 4.09 gram per ton.

As at 26 October 2012, the registration of change of this joint venture with relevant local industry and commerce authority was completed.

The acquisition did not constitute a connected transaction for the Company under Chapter 14A of the Listing Rules, nor does it constitute any notifiable transaction for the Company under Chapter 14 of the Listing Rules. Relevant details were set out in the announcement of the Company dated 7 December 2011 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(3) On 21 December 2011, Zhaoyuan Jintingling Mining Industry Company Limited ("Jintingling", a wholly-owned subsidiary of the Company), entered into the asset transfer agreement with Zhaoyuan Gold Smelting Company Limited to acquire the Zaoyangshan Exploration Right and its ancillary assets at a consideration of RMB28,000,000 by bidding at Yantai Joint Property Right Exchange Center. The mine involved in the Zaoyangshan Exploration Right occupies an area of 16.20 km^2, and possesses good ore-forming conditions and development prospects as well as good infrastructure and facilities. Based on previous exploration works conducted in the mine, the indicated and inferred ore resources are approximately 379,881 tonnes, gold metal resources are approximately 1,267 kg and average grade is approximately 3.34 gram per ton.

As at 24 August 2012, the registration of change of property rights of this project was completed.

The acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Relevant details were set out in the announcement of the Company dated 21 December 2011 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(4) On 30 December 2011, the Company entered into the equity transfer agreement with five natural persons being Fu Xiaoliang, Shi Chengyong, Zhou Jian, Ni Peiai and Han Xiaosong. The Company acquired 79% equity interest in Baicheng Xian Di Shui Copper Mine Development Company (拜城縣滴水銅礦開發有限責任公司) at a cash consideration of RMB600,000,000. Dishui Gold-Copper Mine is a gold-copper mine project, where the gold grade is 0.41 gram per ton, with a gold content of 2,757 kg; the silver grade is 9.39 gram per ton, with a silver content of 235,312 kg; the copper grade is 1.06%, with a copper content of 265,600 tonnes.

As at 5 January 2012, the registration procedures associated with the equity interest transfer with relevant local industry and commerce authority was completed, resulting in the completion of this transaction.

The acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Relevant details were set out in the announcement of the Company dated 30 December 2011 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(5) On 23 March 2012, the Company entered into the transfer agreement with Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous"), a wholly-owned subsidiary of Zhaojin Group, pursuant to which Zhaojin Non-Ferrous conditionally agreed to sell and the Company has conditionally agreed to purchase the Hou Cang Exploration Right and the entire equity interest in Xinjiang Jin Han Zun Mining Investment Company Limited ("Jin Han Zun Mining"). The aggregate consideration of RMB597,845,200 for acquisition of the gold resources (with total reserves of 26,199.82 kg) will be satisfied in full by the issue of 50,967,195 new domestic Shares at the issue price of HK$14.46 (equivalent to approximately RMB11.73) per share by the Company.

As at the date of this report, the acquisition has been approved by the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government, the Company's annual general meeting, the H shareholders class meeting and the domestic shareholders class meeting. As at 6 July 2012, the relevant registration procedures associated with the Jin Han Zun Mining with relevant local industry and commerce authority were completed. As at 31 December 2012, the change of registration of the Company at the relevant government authority of industry and commerce in the PRC in respect of the issue has been completed.

The acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Relevant details were set out in the announcement dated 23 March 2012 and the circular dated 13 April 2012 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn respectively.

(6) On 2 November 2011, Qinghe Jindu Mining Company Limited ("Qinghe Mining", a subsidiary of the Company) entered into the Framework Agreement on Mining Rights Transfer and Acquisition of Assets ("Framework Agreement") with Xinjiang Hangjun Mining Company Limited ("Hangjun Mining"). On 15 April 2012, Qinghe Mining entered into a supplemental agreement to the Framework Agreement with Hangjun Mining, to acquire the 49% interest held by Hangjun Mining in the gold mine exploration right in North Kubusu, Qinghe County. The remaining 51% interest of such gold mine exploration right was held by the Eighth Gold Detachment of Chinese People's Armed Police Force. This exploration right covers an area of 74.5 km^2, with a reserve of 2.51 million tonnes of gold ores of 333 grade and a gold content of 11,679.48 kg. The consideration for the 49% interest in the exploration right and the underlying assets is RMB200,000,000. The completion of property right transfer will provide surrounding exploration and a certain level of resource assurance for the geological exploration of Qinghe Mining and its production capacity of 2,000 tonnes per day.

As at the date of this report, the procedures of change of property rights of this project is still in progress.

The acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor does it constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

(7) On 17 May 2012, Ruoqiang County Changyun Sanfengshan Gold Mine Limited Liability Company (one of the subsidiaries of the Company) entered into the Contract on Transfer of Property Right and Acquisition of Assets with Ruoqiang Aokai Mine Development Company Limited for the acquisition of the exploration rights of Daqingshan Gold Mine and Luotuofeng Gold Mine in Ruoqiang County, covering an area of 45.63 km^2 for an aggregate consideration of RMB60,000,000. There are 268,400 tonnes of copper ores above 333 grade under these exploration rights, with a copper content of 3,181 tonnes and the copper grade is 1.19%. This acquisition provides potential for Ruoqiang County Changyun Sanfengshan Gold Mine Limited Liability Company to develop its surrounding areas.

As at 19 October 2012, the procedures of change of property rights of this project was completed.

The acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor does it constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

(8) On 28 June 2012, the Company entered into the Agreement of Merger and Reorganization and the supplemental agreement in connection with the Exploitation Right Project of Luerba Gold Mine Bojigou Section in Minxian, Gansu Province, which is adjacent to Minxian Tianhao Gold Company Limited ("Minxian Tianhao") with the Second Geological and Mineral Exploration Institute (the "Second Institute") under the Geology and Mineral Resources Reconnaissance and Development Bureau of Gansu Province. Pursuant to these agreements, Minxian Tianhao underwent a reorganization process by consolidating the Luerba Gold Mine Bojigou Section in Minxian, Gansu Province, which was owned by Minxian Shengyuan Mining Company Limited (a wholly-owned subsidiary of the Second Institute). Upon completion of the reorganization, Minxian Tianhao will be held as to 74% by the Company and 26% by the Second Institute. The exploitation right acquired upon this reorganization covers an area of 6.06 km^2. Based on the Report of General Survey, the estimated resource reserve of ores amounted to 1.92 million tonnes, with a gold content of 4,827 kg and the average gold grade is 2.51 gram per ton.

As at the date of this report, the procedures of the merger and reorganization of this project is still in progress.

The acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor does it constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

Report of the Directors

(9) On 22 September 2012, the Company entered into the Equity Transfer Agreement with 克什克騰旗盛烨礦業有限公司, pursuant to which the Company agreed to acquire 51% equity interests in 梨園金礦有限責任公司 ("梨園金礦") in Lingqiu County at a consideration of RMB142,800,000. It contains a mining area of 2.0021 km^2. The gold content is 6,276.45 kg, with an average grade of 5.20 gram per ton and the silver content is 73.18 tonnes, with an average grade of 60.61 gram per ton.

As at 10 December 2012, the registration procedures associated with the equity transfer with relevant industry and commerce authority were completed, resulting in the completion of this transaction.

The acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor does it constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

(10) On 13 December 2012, the Company entered into the Equity Transfer Agreement with Shenzhen Histan Investment Group Limited (深圳市海仕通投資集團有限公司) ("Histan") and The Third Institute of Geological and Mineral Exploration of Gansu Provincial Bureau of Geology and Mineral Resources (甘肅省地質礦產勘查開發局第三地質礦產勘查院) ("No.3 Exploration Institute"), pursuant to which the Company agreed to acquire 51% equity interests in 甘肅鑫瑞礦業有限公司 (Gansu Xinrui Mining Industry Company Limited*) ("Xinrui Mining") at a consideration of RMB255,000,000. Xinrui Mining owns the Ge Lou Ang Exploration Right covering an explorable area of 19.13 km^2. There are 11,187,300 tonnes of ore reserve and 27,381.00 kg of gold in the Explored Area with an average gold grade of 2.45 gram per tonne. Upon the completion of the equity transfer, Xinrui Mining became the non-wholly owned subsidiary of the Company.

As at the date of this report, the procedures of the equity transfer of the project is still in progress.

Histan is the shareholder of Zhaojin Precious Metal Smelting (Gansu) Co., Ltd (甘肅招金貴金屬冶煉有限公司) and No.3 Exploration Institute is the shareholder of Zhaojin Precious Metal Smelting (Gansu) Co., Ltd and Gansu Hezuo Zaozigou Gold Mine Company Limited. Accordingly, they are the connected persons of the Company. The transaction constitutes a connected transaction of the Company, but is exempt from the reporting, announcement and independent Shareholders' approval requirements. Relevant details were set out in the announcement of the Company dated 13 December 2012 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

(11) On 17 December 2012, the Company entered into the Equity Transfer Agreement with CITIC Mining Technology Development Co., Ltd. (中信礦業科技發展有限公司) ("CITIC Mining"), pursuant to which the Company agreed to acquire 51% equity interests in 金鷹黃金有限責任公司 in Subei County held by CITIC Mining at a consideration of RMB91,800,000. The mining right and exploration right covers an area of 0.432 km^2 and 23.02km^2 respectively. There are 1,084,200 tonnes of ore reserves, the gold content is 7,564.23 kg with a grade of 6.98 gram per ton and the associated silver content is 33,285 kg.

As at the date of this report, the procedures of the equity transfer of the project is still in progress.

CITIC Mining is the shareholder of Ruoqiang County Changyun Sanfengshan Gold Mine Limited Liability Company, and therefore, it is a connected person of the Company. The transaction constitutes a connected transaction of the Company, but is exempt from reporting, announcement and independent shareholder's approval requirements.

(12) On 26 December 2012, the Company entered into the Equity Transfer Agreement with two natural persons being Gao Yanlin and Li Jining, pursuant to which the Company agreed to acquire 34.85% equity interests in 山東五彩龍投資有限公司 and 38.13% equity interests in 新疆鑫寶來礦業有限公司 at a consideration of RMB223,341,800. The acquired interests involved 2,467,000 tonnes of ore reserves, with the gold content of 6,574.4 kg and the associated silver content of 10,748.15kg. The exploration right covers an area of 29.33 km^2.

As at the date of this report, the procedures of the equity transfer of the project is still in progress.

The acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor does it constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules.

(13) On 28 August 2012, the Company announced that it would subscribe for 100,000,000 shares at the price of AD$0.04 per share, which is a part of the 625 million shares placement recently announced and approved by shareholders of Norseman Gold PLC in Australia, which accounted for approximately 8.95% equity interests in the share capital of Norseman Gold PLC, through its wholly owned subsidiary Gold Vein International Investment Limited.

The Norseman gold mine owned by Norseman Gold PLC is an operating gold mine with a longest history of gold production in Australia. In accordance with the JORC Code, the Norseman gold mine has an ore reserve of 22,000,000 tonnes with a grade of 4.7 gram per ton, i.e. 3,400,000 ounces of gold resources.

As at the date of this report, the procedures of the transaction is still in progress.

The acquisition does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, nor does it constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules. Relevant details were set out in the announcement of the Company dated 28 August 2012 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

Report of the Directors

Significant Events

1. On 29 May 2012, the 2011 annual general meeting considered and passed, among other things, the following resolutions:

   (1) the Company's profit distribution proposal for the year ended 31 December 2011 to distribute a cash dividend of RMB0.21 (tax included) per share to all shareholders. On 29 June 2012, the Company distributed the 2011 cash dividend of RMB0.21 (tax included) per share to all shareholders;

   (2) electing Mr. Li Xiuchen as an Executive Director of the Company, and Messrs. Ye Kai and Kong Fanhe as Non-executive Directors of the Company, respectively;

   (3) considering and approving the proposed connected transaction in respect of the issue of the consideration shares, and approving the acquisition by the Company of 100% equity interest in Jin Han Zun Mining, a subsidiary of Zhaojin Non-Ferrous, and the exploration right in the gold mine in Hou Cang District, Zhaoyuan City, Shandong Province, which will be satisfied by the issue of 50,967,195 domestic shares at a price of RMB11.73 (equivalent to approximately HKD14.46) per share to Zhaojin Non-Ferrous. The gold reserve resulting from such acquisition totalled 26,199.82 kg;

   (4) authorising the Board to allot, issue and deal with H shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution.

   (5) authorising the Board to repurchase up to a maximum of 10% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution.

   (6) authorizing the Board to issue corporate bonds in the PRC with an aggregate principal amount of no more than RMB1.4 billion to replace the banking borrowings, replenish liquidity, adjust and optimize the financial structure of the Company. On 27 December 2012, the Company issued an announcement relating to the results of its 2012 corporate bonds issuance. The final actual online issue amount is RMB1,780,000 and the actual offline issue amount is RMB1,198,220,000; and

   (7) amending Article 3.5 and Article 3.8 of the Articles of Association, such amendments involve share capital structure and registered capital.

   Relevant details were set out in the announcement of the Company dated 29 May 2012 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. On 29 May 2012, the following proposals were reviewed at the domestic shares class meeting and H shares class meeting respectively:

   (1) considering and approving the proposed connected transaction in respect of the issue of the consideration shares, and approving the acquisition by the Company of 100% equity interest in Jin Han Zun Mining, a subsidiary of Zhaojin Non-Ferrous, and the exploration right in the gold mine in Hou Cang District, Zhaoyuan City, Shandong Province, which will be satisfied by the issue of 50,967,195 domestic shares at a price of RMB11.73 (equivalent to approximately HKD14.46) per share to Zhaojin Non-Ferrous. The gold reserve resulting from such acquisition totalled 26,199.82 kg;

   (2) authorising the Board to allot, issue and deal with H shares of up to a maximum of 20% of the aggregate nominal value of the issued H shares of the Company at the date of passing such resolution;

   (3) authorising the Board to repurchase up to a maximum of 10% of the aggregate nominal value of the issued H shares of the Company as at the date of passing such resolution.

   All the three proposals were approved at the domestic shares class meeting. The proposals set out in 2.(1) and 2.(3) above were approved at the H shares class meeting, yet the proposal set out in 2.(2) above was not approved at the H shares class meeting.

   Relevant details were set out in the announcement of the Company dated 29 May 2012 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Issue of short-term commercial papers

   On 8 October 2012, the resolution regarding the issue of short-term commercial papers with a principal amount of no more than RMB2,000,000,000 was reviewed and passed by the first extraordinary general meeting in 2012.

   Relevant details were set out in the announcement of the Company dated 8 October 2012 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Distribution of Interest of “09 Corporate Bonds” for the Year 2012

   On 24 December 2012, the Company has distributed the interest of “09 Corporate Bonds” in an aggregate sum of RMB75,000,000 for the third distributing year from 23 December 2011 to 22 December 2012.

   Relevant details were set out in the announcement of the Company dated 17 December 2012 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

Report of the Directors

5. Changes in Senior Management

The Company held the sixteenth meeting of the third session of the Board on 5 March 2012, at which the Company agreed to release Mr. Shi Wenge from his position as the vice president of the Company due to the changes in work allocation, with effect from 29 January 2012, and Mr. Cong Peizhang was approved at the meeting to be the vice president of the Company, with effect from 5 March 2012 to the end of the term for the current session of the Board.

The Company held the first meeting of the fourth session of the Board on 26 February 2013, at which, as nominated by the Chairman, the Board of Directors appointed Mr. Weng Zhanbin as the President of the Company, for a term commencing from 26 February 2013 to the end of the term of the current session of the Board. As nominated by the President, the Board has appointed Mr. Li Xiuchen as the executive officer of the Company and Mr. Sun Xiduan, Mr. Cong Peizhang, Mr. Wang Ligang and Mr. Dong Xin as the Company's Vice Presidents, for a term commencing from 26 February 2013 to the end of the term for the current session of the Board.

6. Changes in Composition of the Board

The Company held the seventeenth meeting of the third session of the Board on 23 March 2012, at which the Company agreed Mr. Wu Zhongqing to resign from his position as a Non-executive Director, agreed Mr. Chen Guoping to resign from his positions as a Non-executive Director and a member of the Audit Committee and agreed Mr. Wang Peifu to resign from his position as a Non-executive Director and a member of Safety and Environmental Protection Committee due to reallocation of work arrangement, all with effect from 23 March 2012. Mr. Wu, Mr. Chen and Mr. Wang confirmed that they have no disagreement with the Board and there is no matter relating to Mr. Wu's, Mr. Chen's and Mr. Wang's resignations that need to be brought to the attention of the shareholders of the Company. In accordance with the requirements of the Articles of Association, the Board appointed Mr. Li Xiuchen as an Executive Director of the Company and a member of Safety and Environmental Protection Committee, appointed Mr. Ye Kai as a Non-executive Director of the Company and a member of the Audit Committee, and appointed Mr. Kong Fanhe as a Non-executive Director of the Company. Please refer to the announcement of the Company dated 23 March 2012 for details of the changes in the composition of the Board.

7. Election of the Board of Directors and the Supervisory Committee

The Company held the 2013 First Extraordinary General Meeting on 26 February 2013 and elected Mr. Lu Dongshang, Mr. Weng Zhanbin, Mr. Li Xiuchen, Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Ye Kai, Mr. Kong Fanhe, Mr. Ye Tianzhu, Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo and Mr. Xie Jiyuan as the directors of the fourth session of the Board. The independent non-executive Director Mr. Yan Hongbo has served as an independent Non-executive Director for three successive terms, and his term of service reached nine years upon the expiry of the term of the third session of the Board. In consideration of the requirements of Code Provision A.4.3 of the "Corporate Governance Code"as set out in Appendix 14 of the Listing Rules, Mr. Yan has ceased to be the Company's independent Non-executive Director of the fourth session of the Board and resigned from his position as the chairman of the Nomination and Remuneration Committee and the Safety and Environmental Protection Committee and a member of the Geological and Resources Management Committee of the Company. Mr. Yan has confirmed that there was no disagreement between him and the Board, and there were no other matters that need to be brought to the attention of the Shareholders of the Company.

On the 2013 First Extraordinary General Meeting, Mr. Wang Xiaojie and Ms. Jin Ting were elected as Supervisors of the fourth session of the Supervisory Committee of the Company. Together with Mr. Chu Yushan, the Supervisor acting as the staff representative, who was elected on the Company's Staff Representative Meeting, they constitute the fourth session of the Supervisory Committee of the Company.

The Directors and Supervisors have a term of three years with effect from 26 February 2013.

Relevant details were set out in the announcement of the Company dated 26 February 2013 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

Litigation and Arbitration

During the Year, the Company and the Group have not been involved in any material litigation or arbitration. As far as the Directors are aware, the Company does not have any material litigation or arbitration pending or threatened against the Company which may adversely affect the Company's operating results and financial conditions.

Compliance with the Corporate Governance Code

The Board is of the view that for the period from 1 January 2012 to 31 March 2012, the Company had complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, and for the period from 1 April 2012 to 31 December 2012, the Company had complied with all the code provisions of the Corporate Governance Code (the new version of the Code on Corporate Governance Practices. No Director was aware of any information which reasonably indicated that the Company had not complied with the code provisions of the Code on Corporate Governance Practices and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules at any time during the above periods

For details of the Corporate Governance Report, please refer to pages 54 to 82 of this annual report.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors.

The Board is pleased to confirm, after making specific enquiries with all Directors and Supervisors, that all Directors and Supervisors have fully complied with standards required according to the Model Code set out in Appendix 10 to the Listing Rules during the Year.

Report of the Directors

Audit Committee

During the year, the Audit Committee of the third session of the Board of the Company comprises one Non-executive Director and two independent Non-executive Directors, namely Mr. Ye Kai, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. Ms. Chen Jinrong acts as chairman of the Audit Committee.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2012, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2012 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

On 26 February 2013, at the first meeting of the fourth session of the Board of the Company, the Board members have been re-elected. The current members are independent Non-executive Directors Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo and the Non-executive Director Mr. Ye Kai. Each member of the Audit Committee is appointed for a term of three years and its Chairman is Ms. Chen Jinrong.

Confirmation of Independence of the Independent Non-executive Directors

The Company confirmed that it has received the annual confirmation of independence from each of the independent Non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 22 March 2013. The Company is of the view that the independent Non-executive Directors remain independent during the Year in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

Closure of the Register of Members

In order to determine the shareholders of H shares who are entitled to attend the 2012 AGM, the H shares registrar and transfer office will be closed from 27 April 2013 to 27 May 2013, both days inclusive, during which no transfer of shares will be registered. In order to determine the shareholders of H shares who are entitled to receive the final dividend for the year ended 31 December 2012, the H shares registrar and transfer office will be closed from 31 May 2013 to 4 June 2013, both days inclusive, during which no transfer of shares will be registered.

For qualifying to attend and vote at the 2012 AGM, H shares shareholders whose transfer have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares, or the registered office of the Company at 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC for holders of domestic shares for registration at or before 4:30 p.m. on Friday, 26 April 2013.

For qualifying to receive the final dividend for the year 2012, shareholders of H shares whose transfer have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares, or the registered office of the Company at 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC for holders of domestic shares for registration at or before 4:30 p.m. on Thursday, 30 May 2013.

Auditor

The financial statements of the Group prepared in accordance with Hong Kong Financial Reporting Standards have been audited by Ernst & Young. The auditor is subject to re-election and the Board resolved to appoint Ernst & Young as the Company's auditor.

A resolution in relation to the appointment of Ernst & Young as the auditor of the Company will be proposed at the 2012 AGM.

By the order of the Board
Lu Dongshang
Chairman

22 March 2013

Corporate Governance Report

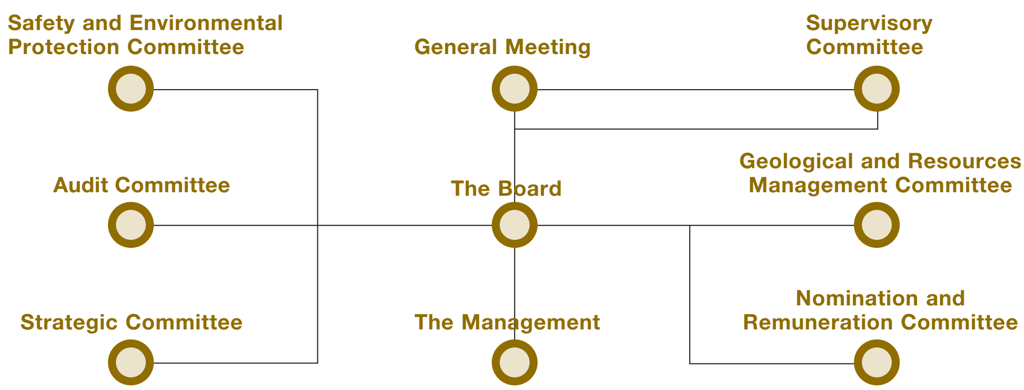
Report of Corporate Governance Practice

As one of the largest gold mining overseas-listed companies in the PRC, the Group is committed to protect Shareholders' and staff's interests and create Shareholders' value. The Board and the management of the Company believe that high standard of corporate governance is essential to the success of the Company and always strive to maintain a high level of corporate governance standard and practice.

(A) Corporate Governance Practice

For the period from 1 January 2012 to 31 March 2012, the Company had complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, and for the period from 1 April 2012 to 31 December 2012, the Company had complied with all the code provisions of the Corporate Governance Code (the "Code", the new version of the Code on Corporate Governance Practices, which is applicable to the financial reports after 1 April 2012) with no deviation, and had adopted certain recommended best practices in the Code where applicable.

For the year ended 31 December 2012, the corporate governance structure of the Company is set out as follows:



(B) Securities Transaction of Directors

The Company had adopted all provisions of the Model Code set out in Appendix 10 of the Listing Rules.

None of the Directors had any interest in securities of the Company as at 31 December 2012. Specific enquiries regarding non-compliance of the Model Code were made to all Directors, and they all confirmed that they had fully complied with the provisions contained in the Model Code during the Year.

(C) The Board

The Board is the executive body of the Company and is primarily responsible for formulating the operation plans, managing decisions, establishing the overall strategic direction of the Group. It is responsible for setting objectives and business development plan of the Group and monitoring the performance of the senior management. The Board is also responsible for the compilation and approval of annual and interim results, risk management, major acquisitions, as well as other material operation and financial matters. The Board acts according to the Rules and Procedures of Board Meetings formulated by the Board. Under the leadership of the Board, the management will be empowered to implement the Group's strategies and business objectives. The Board and management have expressly defined the responsibilities and authorities towards internal controls, policies and day-to-day operation of the Group's business.

Being the fourth session of the Board since the establishment of the Company, the incumbent Board comprises eleven Directors, of which three are Executive Directors, four are Non-executive Directors and four are independent Non-executive Directors.

In accordance with the Articles of Association, Directors are elected or replaced by general meetings. Shareholders, the Board or the Supervisory Committee are entitled to nominate a candidate for directorship by written notice. Directors are eligible to be re-elected upon expiry of term.

The fourth session of the Board was elected at the extraordinary general meeting convened on 26 February 2013. All members of the fourth session of the Board have a term of three years commencing from 26 February 2013.

Members of the Board are from different industry backgrounds and have extensive experience in science and technology, securities and finance, mining and metallurgy, corporate management and financial accounting.

The Company has three Executive Directors responsible for specific management duties, representing 27% of the directorship. This helps the Board closely review and monitor the management procedure of the Company. Mr. Lu Dongshang, the Chairman of the Company, Mr. Weng Zhanbin and Mr. Li Xiuchen, both being Executive Directors of the Company, have years of extensive experience in the gold mining management industry and are responsible for the business management, formulating and implementing important strategies, making day-to-day business decisions and coordinating overall business operations.

Corporate Governance Report

The Company has four Independent Non-executive Directors, representing 36% of the directorship, which complies with the requirements of Rules 3.10(1) and 3.10A of the Listing Rules. The Company is of the view that the four independent Non-executive Directors have extensive experience in the industry or financial matters and qualifications to perform their responsibilities, which complies with the requirements of Rule 3.10(2) of the Listing Rules which requires that at least one of the independent Non-executive Directors have appropriate professional qualifications, accounting or related financial management expertise. Independent Non-executive Directors are assumed by the persons who are independent of any Directors, Supervisors, chief executives and substantial shareholders (as defined in the Listing Rules) or such individuals without any connection thereto (the independent third party), which complies with the requirement of independence of Listing Rules. According to the Listing Rules, each independent Non-executive Director shall confirm his independence to the Stock Exchange prior to his appointment. As at 22 March 2013, the Company had received the annual confirmation of independence from the four independent Non-executive Directors confirming their independent status in accordance with Rule 3.13 of the Listing Rules. The Company had verified their independence and confirmed that all of the independent Non-executive Directors were independent individuals. The four independent Non-executive Directors held office in the Audit Committee, Nomination and Remuneration Committee, Geological and Resources Management Committee or Safety and Environmental Protection Committee under the Board.

The Board convenes meetings on a regular basis. A minimum of four meetings with Directors' attendance in person are held each year, and additional meetings will be convened if necessary. The secretary to the Board/company secretary is responsible for assisting the Chairman in compiling agendas. Each Director can request to have discussion topics included in the agenda.

The Company convened eight Board meetings of the third session of the Board, two general meetings and two class meetings during the Year and the record of attendance of each Director is set out as follows:

	Number of Board meetings convened	Attendance	Of which: attendance by proxy	Number of general meetings and class general meetings convened	Attendance
Executive Directors					
Lu Dongshang *(Chairman)*	8	8	(0)	4	4
Weng Zhanbin	8	8	(0)	4	4
Li Xiuchen (Appointed on 23 March 2012)	8	5	(0)	4	4
Non-executive Directors					
Liang Xinjun	8	8	(1)	4	0
Cong Jianmao	8	8	(1)	4	1
Wang Peifu (Resigned on 23 March 2012)	8	3	(1)	4	0
Wu Zhongqing (Resigned on 23 March 2012)	8	3	(1)	4	0
Chen Guoping (Resigned on 23 March 2012)	8	3	(1)	4	0
Ye Kai (Appointed on 23 March 2012)	8	5	(1)	4	3
Kong Fanhe (Appointed on 23 March 2012)	8	5	(0)	4	3
Independent Non-executive Directors					
Yan Hongbo *(Note)*	8	8	(0)	4	3
Ye Tianzhu	8	8	(1)	4	0
Chen Jinrong	8	8	(1)	4	0
Choy Sze Chung Jojo	8	8	(0)	4	3

Note: Mr. Yan Hongbo retired on 26 February 2013, and Mr. Xie Jiyuan was appointed as independent Non-executive Director on the same date.

The Board or special committees circulate the relevant information provided by the senior management, which sets out the matters that require to be decided by the Board and the report concerning the Group's operation and financial performance prior to each Board meeting. Notices of Board meetings are delivered to the Board members at least 14 days before the meetings for the Directors to prepare to attend the relevant meetings and incorporate other matters into the agenda. The meeting documents and the agenda of the Board meeting or special committee meeting are distributed to Directors or special committee members at least three days before the meetings to allow them to have sufficient time to review the relevant documents and prepare for the meetings. Senior management shall be responsible for preparing the documents of the Board and special committee, submitting reports upon request from time to time and addressing or answering any potential questions raised by the Board members regarding the reports during the meetings.

Corporate Governance Report

The Directors are free to express their views at the meetings. Important decisions will only be made after due and careful discussion at the Board meetings. The Directors confirm that they have responsibility to act in the interests of the public and the Company, particularly in the interests of minority shareholders. In the event of a conflict of interests between shareholders' interests and any other interests, shareholders' interests shall prevail.

Board meetings and special committee meetings are chaired by the Chairman of the Board and the chairman of the special committee, respectively, in order to ensure adequate time is allocated for discussion and consideration of each agenda item and provide equal opportunities for each Director to express his/her views and ideas.

Detailed minutes of meetings are compiled for the Board meetings or special committee meetings. Minutes of the meetings must record in detail issues considered by the Directors during the meeting as well as the resolutions made, including any doubts or objections put forward by the Directors.

The Directors can provide comments on the draft minutes within a week after the draft minutes are provided to all Directors or special committee members. Draft minutes will then be approved after confirmation is given by the Chairman of the Board or the chairman of the special committee.

Minutes of Board meetings or special committee meetings are kept by the secretary to the Board/company secretary and are available for inspection by the Directors at all times.

All Directors are free to communicate with the secretary to the Board/company secretary who is responsible for ensuring and advising on compliance of all procedures in connection with the Board and all applicable rules and regulations.

The management shall on their own accord or upon enquiries provide appropriate and sufficient information to the Directors and special committee members and/or respond as soon as possible, so as to keep them informed of the latest development of the Company to facilitate their performance of duties.

The management of the Company provides updated information, including corporate financial report, operation and market conditions to its Directors every month, so as to keep them informed of the status of the Company and help them perform their duties.

The Company has purchased director's liability insurance for its directors.

Each Director has been provided with a Director's Handbook containing guidance on practice. Provisions of regulations or relevant chapters of the Listing Rules are quoted in the Director's Handbook to remind Directors of the responsibilities they must discharge, including disclosure of their interest to the regulatory bodies, potential conflict of interests and changes of details of personal data.

The Board and special committees are provided with sufficient resources for performance of duties including but not limited to appointing external consultants when necessary at the expense of the Company. Individual Directors can also appoint external consultants for advice on specific issues at the expense of the Company.

All Directors can obtain from the secretary to the Board/company secretary timely the information and latest developments about rules and regulations and other continuing responsibilities which directors of listed companies must observe, so as to ensure that each Director is informed of his own duties and that the Company consistently implement the Board procedures and properly complies with the legislations.

No relationship (including financial, business, family or other material/relevant relationship) exist between members of the Board.

(D) Chairman and President

The roles of the Chairman of the Company and the President are separated and their duties are stated in writing, and are assumed by different individuals who play their distinctive roles. Mr. Lu Dongshang, the Chairman of the Board, is responsible for setting the Group's overall corporate development directions and formulating business development strategies. Mr. Lu is also responsible for ensuring the establishment, implementation and execution of sound corporate governance practices and procedures. Mr. Weng Zhanbin, the President, is responsible for the Group's day-to-day management and execution of approved strategies.

The Chairman is elected by the Board and is primarily responsible for convening and presiding over Board meetings, inspecting the implementation of Board resolutions, presiding over annual general meetings, signing transaction documents in relation to securities issued by the Company and other important documents, and exercising other rights conferred by the Board. The Chairman reports to the Board and is accountable to the Board.

The President is nominated by the Chairman and appointed by the Board. The President is responsible for the day-to-day operation of the Company, including implementing strategies and policies, the Company's operation plans and investment schemes approved by the Board, formulating the Company's internal control structure and fundamental management policies, drawing up basic rules and regulations of the Company, proposing to the Board the appointment or removal of senior management and exercising other rights granted under the Articles of Association and by the Board. The President takes full responsibility to the Board for the operation of the Company.

(E) Non-executive Directors

The fourth session of the Board currently consists of four Non-executive Directors and four independent Non-executive Directors, accounting for approximately 72.7% of the total number of the Board members. Non-executive Directors include Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Ye Kai and Mr. Kong Fanhe, and independent Non-executive Directors include Mr. Ye Tianzhu, Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo and Mr.Xie Jiyuan. Pursuant to the Articles of Association, Non-executive Directors and independent Non-executive Directors may be re-elected on the expiry of the three-year term commencing from the date of their respective appointment.

(F) Nomination and Remuneration Committee

On 5 March 2012, after consideration and approval by the sixteenth meeting of the third session of the Board, Mr. Yan Hongbo, an independent Non-executive Director, was elected as the chairman of the Nomination and Remuneration Committee of the third session of the Board and Mr. Liang Xinjun ceased to hold the office of chairman of the Nomination and Remuneration Committee.

As at 31 December 2012, the Nomination and Remuneration Committee of the third session of the Board consisted of five members. The chairman is Mr. Yan Hongbo, an independent Non-executive Director. Other members are Non-executive Directors Mr. Liang Xinjun and Mr. Cong Jianmao and independent Non-executive Directors Ms. Chen Jinrong and Mr. Ye Tianzhu.

The Committee has been re-elected at the first meeting of the fourth session of the Board on 26 February 2013. The chairman of the Nomination and Remuneration Committee of the fourth session of the Board was Mr. Choy Sze Chung Jojo, an independent Non-executive Director. Other members are Mr. Liang Xinjun and Mr. Cong Jianmao, Non-executive Directors, and Mr. Ye Tianzhu,and Ms. Chen Jinrong both being independent Non-executive Directors. Mr. Yan Hongbo ceased to hold the office of chairman and member of the Nomination and Remuneration Committee.

On 5 March 2012, the revised terms of reference of the Nomination and Remuneration Committee considered and approved at the sixteenth meeting of the third session of the Board are set out as follows:

(1) to advise the Board on the size and composition of the Board in light of the Company's operation and business activities, size of assets and shareholding structure; and to review the structure, size and composition of the Board at least once a year in order to implement the strategies of the Company;

(2) to review the criteria and procedures for selection of Directors and senior management and make recommendation to the Board;

(3) to extensively seek qualified candidates for Directors and senior management;

(4) to conduct examination and make recommendations on candidates for Directors and managers;

(5) to conduct examination and make recommendations on candidates for other senior executives proposed to the Board for appointment;

(6) to formulate the standard or proposal for the remuneration package for Directors and senior management, based on their scope of work, responsibilities, importance of work and the remuneration level of other related positions, the standard or proposal of remuneration included but not limited to the amount of remuneration and bonus, performance evaluation standards, procedures and major evaluation system, major plans and systems for reward and punishment; and the standard or proposal of remuneration shall be determined with reference to the remuneration paid by comparable companies, time commitment and responsibilities;

(7) to assess the independence of independent Non-executive Directors;

(8) to review and approve the payment of compensation in relation to loss or termination of employment, or appointment, to Executive Directors and senior management, so as to ensure that such compensation is consistent with the terms of the contract, if not, the compensation payment shall be otherwise fair and reasonable, but not excessive;

(9) to review and approve the compensation arrangements in relation to dismissal or removal of Directors due to misconduct, so as to ensure that such compensation is consistent with the terms of the contract, if not, the compensation payment shall be otherwise reasonable and appropriate;

(10) to ensure that no Director or any of his/her associates is involved in determining his/her own remuneration;

(11) to formulate annual evaluation target and conduct annual performance evaluation;

(12) to review the performance of duties by the Directors and senior management of the Company;

(13) to be responsible for annual evaluation of the senior management during their terms of office and propose the views on annual reappointment to the Board for consideration;

(14) to be responsible for monitoring the implementation of the Company's remuneration system; and

(15) other matters authorized by the Board.

Working procedures of the Nomination and Remuneration Committee include:

1. to actively communicate with the relevant divisions of the Company to research on the demand of the Company for new Directors and managers and to formulate written materials;

2. to extensively look for candidates of Directors and managers within the Company and its controlled companies as well as in the recruitment market;

3. to obtain information of the occupation, education background, job title, detailed working experience and all the part-time positions of the initially proposed candidates and to come up with written materials;

4. to seek the nominees' willingness to accept the nomination, otherwise he or she shall not be put on the list of candidates of Directors and managers;

5. to convene meetings of the Nomination and Remuneration Committee and to check the qualification of initially proposed candidates according to the job requirements of Directors and managers;

6. to make recommendation about the candidates of Directors and managers and relevant materials to the Board one to two months prior to the election of new Directors and the appointment of new managers;

7. to seek professional advice when necessary;

8. remuneration of Directors and Supervisors for the year ended 31 December 2012 are detailed in note 8 to the financial statements on pages 133 to 137 in this annual report;

9. tasks of the Nomination and Remuneration Committee during the Year include the implementation of the policy of Directors' remuneration, the evaluation of the performance of Executive Directors and the approval of contractual terms stipulated in service contracts of Executive Directors;

10. the chairman of the Nomination and Remuneration Committee shall report the results of discussion and make recommendations to the Board after each meeting; and

11. to conduct other follow-up work according to the decision and feedback of the Board.

Nomination of Executive Directors of the Company is mainly through the internal selection and identification of the Group's staff who are familiar with the gold mining industry with extensive management experiences; while nomination of Non-executive Directors is based on their independence, their experience in gold mining industry and business management and their technical expertise, and reference is also made to the requirements of the laws and regulations in the jurisdiction where the Company is listed, and the reasonability of the structure and composition of the Board when selecting eligible persons for Directors.

Directors to be appointed and re-elected at the general meeting shall be first considered by the Nomination and Remuneration Committee. A recommendation from the committee would then be put forward for the Board's decision. Once approved, the proposal will be put forward to the general meeting. Subsequently, all those Directors are subject to the shareholders' approval for appointment or re-election at the general meeting pursuant to the requirements of the Articles of Association. In considering the new appointment or re-election of Directors, the Nomination and Remuneration Committee shall make its decision based on their attributes such as integrity, loyalty, industry experience and professional and technical skills together with the commitment to the Company, efficiency and effort to carry out their duties.

In evaluating the performance of the Directors and senior management, the Company used budget targets and audited financial reports as benchmarks. At the same time, sales revenue and net profits were used as key performance indicators for the evaluation. It is the Company's policy that remuneration is linked to the Company's results and performance. Directors' remuneration is determined according to the appraisal by the Nomination and Remuneration Committee. Total annual income of senior management includes a basic annual salary and a performance-based annual bonus. The remunerations of Directors and Supervisors are determined in general meetings according to related policies or regulations of the PRC and the actual situation of the Company. The remunerations of Directors and Supervisors of the Company are determined on the basis of their specific management posts held by them in the Company.

During the Year, the Nomination and Remuneration Committee convened one meeting which was chaired by the chairman of the committee. The record of attendance of each member of the committee is set out below:

	Number of meetings	Attendance
Yan Hongbo *(Chairman)*	1	1
Liang Xinjun	1	1
Cong Jianmao	1	1
Ye Tianzhu	1	1
Chen Jinrong	1	1

In 2012, the Nomination and Remuneration Committee reviewed and passed the following resolutions:

1. Approval was granted to continue to appoint Mr. Weng Zhanbin as the president of the Company, Mr. Zhang Banglong as the Chief Financial Officer of the Company, Mr. Li Xiuchen as the senior vice president of the Company, Mr. Wang Ligang as the Secretary to the Board, and appoint Mr. Zhang Shantang and Mr. Sun Xiduan as the Vice Presidents of the Company;

2. Upon the nomination of the President, Mr. Cong Peizhang was approved to be appointed as the Vice President of the Company with effect from 5 March 2012 and until the expiry of the term of the current session of the Board;

3. Mr. Shi Wenge applied for resignation from his position as the vice president of the Company on 29 January 2012 due to the changes in work allocation, and the Board agreed his resignation with effect from 29 January 2012.

The details of the terms of reference of the Nomination and Remuneration Committee are available on the websites of the Stock Exchange and the Company.

(G) Auditor's Remuneration

The international auditor appointed by the Company are nominated by the Board and approved in the general meeting. Their remuneration was determined by the Board as authorised by the general meeting. During the Year, the remuneration paid to the international auditors for their auditing services to the Group was RMB2,400,000 (2011: RMB2,200,000).

No fee was incurred by the Company for provision of non-audit services provided by the international auditor.

(H) Audit Committee

To achieve best corporate governance practice, the Company established the Audit Committee on 16 October 2004. On 23 March 2012, the 17th meeting of the third session of the Board of Directors of the Company approved the resignation of Mr. Chen Guoping as a member of the Audit Committee and appointed Mr. Ye Kai as a member of the Audit Committee. As at 31 December 2012, the Audit Committee of the third session of the Board was chaired by independent Non-executive Director Ms. Chen Jinrong, and other members comprised independent Non-executive Director Mr. Choy Sze Chung Jojo and Non-executive Director Mr. Ye Kai. The Audit Committee was re-elected at the 1st meeting of the fourth session of the Board on 26 February 2013. The Audit Committee currently comprises independent Non-executive Directors Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo, and Non-executive Director Mr. Ye Kai. The committee members have necessary professional qualifications and experience in financial matters and are familiar with the accounting and financial affairs, so that they can perform functions and powers in full, in compliance with the requirement of the relevant Listing Rules. The members of the Audit Committee shall have a term of office of three years. The chairman is Ms. Chen Jinrong.

On 5 March 2012, the revised working system and terms of reference of the Audit Committee considered and approved at the 16th meeting of the third session of the Board is set out as follows:

(1) to propose the engagement, reappointment or replacement of external auditors, approve the remuneration and engagement terms of the external auditors, and deal with any issues regarding the resignation or dismissal of the external auditors;

(2) to oversee the Company's internal audit system and its implementation;

(3) to co-ordinate the communication between the internal audit department and external auditors;

(4) to oversee the completeness of the Company's financial statements and annual reports, interim reports and accounts, and to review the significant opinion on financial reporting as set out in the financial statements and reports. In this respect, the committee shall pay special attention to the following areas in reviewing the relevant annual reports and accounts and interim reports before the same are submitted to the Board:

   (i) any changes in accounting policies and practices;

   (ii) areas which require material judgement;

   (iii) significant adjustment resulting from the audit;

   (iv) the assumptions on the ongoing status of the Company and any qualified opinion;

   (v) whether the applicable accounting principles are observed; and

   (vi) whether the requirements of the Listing Rules and relevant laws on financial reporting are observed;

(5) For the purpose of item (4) above:

(a) committee members shall communicate with the Board and senior management personnel of the Company. The committee shall hold at least two meetings each year with the international auditor of the Company, and shall meet the international auditor at least once each year without the presence of the management of the Company; and

(b) the committee shall consider any significant or unusual matters reflected or required to be reflected in those financial reports and accounts, and shall properly consider any issues raised by the employees responsible for accounting and financial reporting of the Company, the compliance officer or the international auditor of the Company;

(6) to review the Company's financial control, internal control and risk management systems;

(7) to discuss with the management on the internal control system to ensure that the management has performed its duties to establish an effective internal control system, and the scope of discussion shall include whether the Group has adequate resources in accounting and financial reporting functions, whether the employees have adequate qualifications and experience, and whether the training courses provided to employees and the relevant budgets are adequate;

(8) to study any findings of major investigations relating to internal control and the response of the management to such findings;

(9) to ensure coordination between internal and external auditors and that the internal audit function has adequate resource to be operated and has appropriate standing within the Company, and to review and monitor its effectiveness;

(10) to examine the financial and accounting policies and practices of the Group;

(11) to examine the external auditors' letter to the management, any major queries raised by the auditors to the management in respect of accounting records, financial accounts or systems of control and the management's response;

(12) to ensure that the board of directors will respond to the matters raised in the external auditors' letter to the management in a timely manner;

(13) to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process. The Audit Committee shall discuss with the auditor the nature and scope of the audit and relevant reporting obligations prior to commencement of the audit;

(14) to formulate and implement policies on the non-audit services provided by the external auditor;

(15) to examine the following arrangements set by the Company on concerns towards or reports against possible hidden misconduct of the Company's employees in respect of financial reporting, internal control or other aspects. The Audit Committee shall ensure that appropriate arrangements have been made to enable a fair and independent investigation of such matters and appropriate actions are to be taken;

(16) to act as the main coordinator between the Company and its external auditor and shall be responsible for overseeing the relation between them;

(17) to report to the Board of Directors any issues set out in these terms of reference;

(18) to review and examine the internal control system of the Company and conduct an audit on material connected transactions;

(19) to be responsible for corporate governance functions of the Company:

(a) to formulate and review corporate governance policies and practices of the Company and make recommendations to the Board;

(b) to review and oversee the trainings and continuing professional development of the Directors and senior management of the Company;

(c) to review and oversee the Company's policies and practices on compliance of laws and regulatory policies and requirements;

(d) to formulate, review and oversee the Code of Conduct and compliance manual for the employees and Directors of the Company (if any); and

(e) to review the compliance by the Company of the "Code of Conduct" and the disclosure in the "Corporate Governance Report";

(20) other issues or subjects authorized by the Board of the Company.

The details of the terms of reference of the Audit Committee are available for inspection on the website, of the Stock Exchange and the Company.

During the Year, the Audit Committee had convened two meetings, both of which were chaired by the chairman of the committee. The record attendance of each member of the committee is set out below:

	Number of meetings	**Attendance**
Chen Jinrong *(Chairman)*	2	2
Choy Sze Chung Jojo	2	2
Chen Guoping	2	1
Ye Kai	2	1

Major work performed by the Audit Committee during the Year includes:

1. reviewed the Group's annual report and final results announcement for the year ended 31 December 2012;

2. reviewed the Group's interim report and interim results announcement for the six-month period ended 30 June 2012;

3. reviewed the recommendations on management put forward by auditor and responses from the Company's management in respect of the recommendations on management;

4. reviewed the accounting principles and practices adopted by the Group and other reporting matters;

5. ensured that the connected transactions of the Company complied with the principles of impartiality, fairness and openness, and the interests of minority shareholders were fully protected;

6. assisted the Board in making independent assessment of the effectiveness of the Group's financial reporting procedures and internal control system;

7. supervised internal audit work of the Company;

8. advised on significant events of the Company or reminded the management of related risks;

9. evaluated the performance of our PRC auditor and international auditor, considered and passed the resolution to re-appoint Shulun Pan Certified Public Accountants and Ernst & Young as our PRC auditor and international auditor, respectively for 2013; and

10. reviewed the internal control report provided by an intermediary of an independent third party, and for relevant corporate governance practices to be reinforced referred to therein, the Audit Committee has already noticed and made corresponding arrangements.

All matters considered during the Audit Committee meetings were duly recorded in accordance with related rules, and the records were filed upon review by all members of the Audit Committee with amendments. After each meeting, the chairman had submitted reports on the significant matters discussed to the Board.

Corporate Governance Report

(I) Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of financial affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules.

In preparing the financial statements for the year ended 31 December 2012, the Directors have selected appropriate accounting policies and applied them consistently; made prudent and reasonable judgments and estimates; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records in order to make reasonable and accurate disclosure of the financial position of the Group at any time.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

(J) Strategic Committee

The Company has established the Strategic Committee of the Board which is mainly responsible for conducting research and proposing recommendations on the strategies of long-term development and material investment decisions of the Company. For the year ended 31 December 2012, the Strategic Committee comprised three members, with Executive Director Mr. Lu Dongshang as the chairman. Other members included Executive Director Mr. Weng Zhanbin and Non-executive Director Mr. Liang Xinjun. On 26 February 2013, at the first meeting of the fourth session of the Board, the Strategic Committee was re-elected. The Committee currently includes Executive Directors Mr. Lu Dongshang, Mr. Weng Zhanbin and Non-executive Director Mr. Liang Xinjun, with Mr. Lu Dongshang as the chairman. The key duties and powers of the Strategic Committee include:

1. conducting research and proposing recommendations on the strategies of long-term development of the Company;

2. conducting research and proposing recommendations on the material investment financing projects which are subject to approval of the Board as required by the Articles of Association;

3. conducting research and proposing recommendations on the significant capital operations and asset operation projects which are subject to approval of the Board as required by the Articles of Association;

4. conducting research and proposing recommendations on other material matters that affect the Company's development;

5. examining the implementation of the above matters; and

6. other matters authorised by the Board.

During the Year, the Strategic Committee convened one meeting chaired by the chairman of the committee. The record of attendance of each member of the committee is set out below:

	Number of meetings	Attendance
Lu Dongshang *(Chairman)*	1	1
Weng Zhanbin	1	1
Liang Xinjun	1	1

Details of the terms of reference of the Strategic Committee are available on the website of the Company.

(K) Geological and Resources Management Committee

The Geological and Resources Management Committee is mainly responsible for the management of geological exploration and gold mineral resources, providing accurate storage basis to the Company, reviewing geological exploration plans, the usage condition of new storage and proved storage, enhancing the decision making ability, reducing enterprise operation risk and enhancing the corporate governance structure. For the year ended 31 December 2012, the third session of the Geological and Resources Management Committee was chaired by independent Non-executive Director Mr. Ye Tianzhu. Other members included Executive Director Mr. Weng Zhanbin and independent Non-executive Director Mr. Yan Hongbo. On 26 February 2013, at the first meeting of the fourth session of the Board, the Geological and Resources Management Committee was re-elected. The committee currently includes independent Non-executive Directors Mr. Ye Tianzhu, Mr. Xie Jiyuan and Executive Director Mr. Weng Zhanbin, with Mr. Ye Tianzhu as the chairman. The key duties and powers of the Geological and Resources Management Committee include:

1. standardizing the Company's classification of gold mineral reserves, the scope of application of the reserves classification, the standards on preparation of geological exploration summary report and the procedural requirement in submitting the reserves report, etc in accordance with the relevant national requirement;

2. analyzing the situation of gold mine resources, establishing the long-term strategy and yearly plan of geological exploration and utilisation of reserves;

3. reviewing the Company's annual report of geological exploration, exploration activities and changes in reserves;

4. reviewing annual utilisation of reserves and the quantity of reserves, and reviewing the new reserves of various mines;

5. reviewing and approving the Company's geological exploration plan and implementation scheme, proposal of usage and exploration of resources and annual reservation report; and

6. other matters authorised by the Board.

During the Year, the Geological and Resources Management Committee convened one meeting chaired by the chairman of the committee to discuss the amount of new geological reserves of the Company in 2012, and to make proposals on the exploration and reserve increase plan for 2013. The record of attendance of each member of the committee is set out below:

	Number of meetings	Attendance
Ye Tianzhu *(Chairman)*	1	1
Weng Zhanbin	1	1
Yan Hongbo	1	1

Details of the terms of reference of the Geological and Resources Management Committee are available on the website of the Company.

(L) Safety and Environmental Protection Committee

The Safety and Environmental Protection Committee of the Board is mainly responsible for conducting research and proposing recommendations on material safety and environmental protection decisions of the Company. The Company held the seventeenth meeting of the third session of the Board on 23 March 2012, at which the Company agreed Mr. Wang Peifu to resign from his position as a member of Safety and Environmental Protection Committee, and appointed Mr. Li Xiuchen as a member of Safety and Environmental Protection Committee. On 31 December 2012, the Safety and Environmental Protection Committee was chaired by independent Non-executive Director Mr. Yan Hongbo. Other members included Non-executive Director Mr. Cong Jianmao and Executive Director Mr. Li Xiuchen. On 26 February 2013, at the first meeting of the fourth session of the Board, the committee was re-elected. The committee currently comprises independent Non-executive Director Mr. Xie Jiyuan, Non-executive Director Mr. Cong Jianmao and Executive Director Mr. Li Xiuchen, with Mr. Li Xiuchen as the chairman. The working system and terms of reference of the Safety and Environmental Protection Committee include:

1. conducting research on significant safety and environmental protection investment projects during the year;

2. setting annual safety and environmental protection objectives and goals;

3. formulating the long-term plan and annual plan of safety and environmental protection;

4. proposing safety and environmental protection requirements in accordance with the convention of international safety and environmental protection;

5. carrying out research and examination on the above matters; and

6. other matters authorised by the Board.

During the Year, the Safety and Environmental Protection Committee convened one meeting, which was chaired by the chairman of the committee. The record of attendance of each member of the committee is set out below:

	Number of meeting	Attendance
Yan Hongbo *(Chairman)*	1	1
Cong Jianmao	1	1
Li Xiuchen	1	1
Wang Peifu	0	0

A summary of the duties carried out by the Safety and Environmental Protection Committee during the Year is set out below:

1. reviewed and passed the Summary of Safety and Environmental Protection Work in the first half of 2012; and

2. reviewed and passed the Plan on Safety and Environmental Protection Work in the second half of 2012.

Details of the terms of reference of the Safety and Environmental Protection Committee are available on the website of the Company.

Monitoring Mechanism

Supervisory Committee

The Supervisory Committee was established in accordance with the PRC laws. The Supervisory Committee consists of three members, one of whom is the chairman. The Supervisors have a term of three years, and are subject to and eligible for re-election upon expiry of their terms.

The third session of the Supervisory Committee members comprised Mr. Wang Xiaojie, Ms. Jin Ting and Mr. Chu Yushan for the year ended 31 December 2012, among which Mr. Chu Yushan is an employee representative supervisor and Mr. Wang Xiaojie is the chairman of the Supervisory Committee. The fourth session of the Supervisory Committee was established by election at the extraordinary general meeting convened on 26 February 2013. The committee currently comprises Mr. Wang Xiaojie, Ms. Jin Ting and Mr. Chu Yushan, among which Mr. Chu Yushan is an employee representative supervisor and Mr. Wang Xiaojie is the chairman of the Supervisory Committee. The number of members and composition of the Supervisory Committee of the Company were in compliance with the laws and regulations.

The Supervisory Committee is granted with powers in accordance with the laws to perform the following duties independently: to examine the financial position of the Company, to monitor whether the Directors, President, Vice Presidents and other senior management act in contravention to the Code of Conduct, laws and regulations, the Articles of Association and the resolutions of the general meetings, to demand rectification from the above officers when their acts are detrimental to the interests of the Company, to review the financial information such as the financial report, results report and plans for distribution of profits to be submitted by the Board to the general meetings and when it considers necessary, to authorise a re-examination by the auditors of the Company in the name of the Company, to propose the convening of a shareholders' extraordinary general meeting and propose resolutions to shareholders' meetings, to represent the Company in negotiations with, or bringing an action against, Directors, and to perform other duties required by laws, regulations and rules imposed by domestic and overseas supervisory bodies at the place of listing.

The Supervisory Committee is accountable to the general meeting. Each year, the Supervisory Committee presents the Report of the Supervisory Committee and reports their performance of duties according to the laws to the annual general meetings. The Supervisory Committee also evaluates the performance and integrity of the Directors, President, Vice President and other senior management, and reviews the auditors' reports issued by the auditors in accordance with the generally accepted accounting principles.

During the Year, the third session of the Supervisory Committee convened two meetings. The attendance rate of the three Supervisors was 100%.

All Supervisors attended all the Board meetings and monitored on behalf of the shareholders the compliance with the laws and regulations in respect of the financial activities of the Company, the performance of duties by Directors and senior management and supervised the decision making procedures of the Board. The Supervisors had performed their statutory duties impartially.

Internal Control and Internal Audit

The Board acknowledges its responsibilities for the Group's internal control system and has established and maintained the Company's internal control system for reviewing the effectiveness of relevant financial, operating and supervisory control procedures to ensure that all internal control measures are in place to safeguard the Group's assets and to comply with relevant regulations and the best practices.

The Board authorises the operating management to implement such internal control system mentioned above, and the effectiveness of which is reviewed by the Audit Committee.

The internal control system includes a management framework with clearly defined duties for the purposes of:

1. assisting the Company in accomplishing various business objectives and ensuring that the Company's assets will not be appropriated or disposed of;

2. ensuring that the Company's accounting record provides reliable financial data for internal use or public disclosure; and

3. ensuring compliance with relevant legislations and requirements.

Aiming at more effective review of the effectiveness of the internal control system, the Company set up an internal audit department in April 2004 to review, monitor and assess the disclosure of financial information, operations and internal control activities of the Company and its associated companies on a regular basis and when necessary, based on potential risks and the importance of internal control systems for different businesses and workflows. This can ensure the transparency of information disclosure, operating efficiency and effectiveness of the corporate monitoring mechanism. The independent and objective evaluation and recommendation are also provided in the form of an audit report. The internal auditors are entitled to have access to all information of the Company and to make enquiries to relevant persons in performing their duties. The manager of the audit department directly reports the relevant outcomes and his/her opinions to the Audit Committee for consideration. After reviewing the reports, the Audit Committee makes its recommendation to the management of the Company and regularly reports to the Board.

The Company emphasized the internal control and had set up relevant internal management systems and procedures for corporate governance, operation, construction, finance, and administration and human resources. In December 2004, an internal control system was approved by the Board. It summarises and states the objectives, content, methods and duties of the internal control system. This will facilitate the Company's continuing review and assessment on compliance with the existing systems and the effectiveness of internal control.

During the Year, the Board made comprehensive review of the effectiveness of the internal control system of the Company, which included the Company's financial control, operation control, compliance control and risk management function, etc. To further promote effective internal control, the Board set up the following major procedures:

- The power and responsibility of the Company's organizational structure are clearly defined and have distinguishable monitoring level. All department heads participate in formulating strategic plans and determining the Company's corporate strategies so formulated to achieve objectives set out in the annual operation plan and annual operational and financial targets in next three years. Both the strategic plan and annual operational plan are the basis of formulating annual budgets; the Company allocates resources depending on the definability and priority of business opportunities based on annual budgets. Other than the three-year plan which is approved by the Board and subject to annual review, the annual operational plan and annual budget should also be approved by the Board annually.

- The Company establishes a comprehensive management and accounting system to provide the management with an indicator to measure finance and operation performance, as well as relevant financial information that can be used for reporting and disclosure. The budget gap, if any, shall be analysed and explained, and appropriate actions shall be taken to remedy the problems found as necessary.

- The Company also has systems and procedures in place to identify, measure, deal with and control risks which include legal, credit, market, centralisation, operational, environmental, behaviour risks as well as others which may influence the development of the Company.

- The audit department will carry out independent review on identified risks and control system so as to provide reasonable guarantee to the management and the Audit Committee that the risks are satisfactorily handled and the control is fully effective.

During the Year, the Company continued to appoint an internal control and assessment advisor who is an independent third party to conduct detailed assessment about our internal control system for the Year. According to the assessment report from internal control and assessment advisor, the Board had reviewed the internal control system of the Company and its subsidiaries and confirmed the effectiveness of this system, and the Audit Committee had not found material deficiencies on the internal control system.

Chief Financial Officer

Chief Financial Officer is in charge of the financial affairs of the Company and accountable to the President of the Company.

Chief Financial Officer is responsible for preparing financial statements in accordance with accounting principles generally accepted in the PRC and in Hong Kong, and to comply with disclosure requirements as stipulated by the Stock Exchange. The Board takes the ultimate responsibility towards the financial statements prepared by him.

Chief Financial Officer is also responsible for preparing the Company's annual budget plan and the final account proposal, as well as monitoring the implementation of the Company's annual financial and operating plans. In addition, the Chief Financial Officer shall assist the Board in the establishment of relevant internal control systems and make recommendations to the Board.

Relations with Shareholders, Investors and Other Concerned Parties

The Company is committed to ensuring that all shareholders, especially the minority shareholders, can enjoy equal status and fully exercise their own rights.

General Meeting

As the highest authority of the Company, the general meeting exercises its rights under the law to make decisions on significant matters of the Company. The Company establishes and maintains various communication channels by way of publication of annual reports, interim reports and information announcements. To promote effective communication, shareholders can choose to receive corporate communications via electronic means. The information is also published on the website of the Company.

The annual general meeting or extraordinary general meeting (if any) serves as a direct communication channel between the Board and the shareholders. All Directors understand that general meetings provide an effective platform for direct communication between Directors, Supervisors and other senior management and shareholders, and they shall report to shareholders with regard to the Group's operations, answer shareholders' queries and maintain effective communications with shareholders. Accordingly, the Company attaches much importance to general meetings. In addition to issue of notice of the meeting 45 days prior to the general meeting, the Company requires that all Directors and senior management shall employ their best endeavors to attend the general meetings. Also, all shareholders are encouraged to attend general meetings. At the general meetings, the shareholders can make enquiries about the Company's operation status or financial information and the shareholders are welcome to express their views therein.

Details about the voting procedure and the shareholders' rights to request for voting by poll are set out in notices or circulars of the general meeting issued to the shareholders together with the annual reports. Voting results are not only announced at the meeting, but also available for inspection on the websites of the Company and the Stock Exchange.

Procedures for shareholders to propose a general meeting

1. Two or more shareholders jointly holding more than 10% (inclusive) of shares with voting rights at the general meeting to be convened may sign one or several written requests with the same format and content to propose to the board of directors to convene an extraordinary general meeting or class meeting, and specify the topics of the meeting. The board of directors shall convene an extraordinary or class meeting responsively after receipt of the aforesaid written request. The aforesaid amount of shareholding is calculated as on the day when the shareholders make the written request.

2. If the board of directors fails to issue a notice of meeting within 30 days after receipt of the aforesaid written request, the shareholders tendering the said request may by themselves convene a meeting within 4 months after the board of directors receives the said request, and the convening procedure shall to the extent possible be the same as the procedure by which the board of directors convenes general meetings.

Where the shareholders convene a general meeting because the board of directors fails to convene the meeting pursuant to the aforesaid request, the reasonable expenses incurred shall be borne by the Company and shall be deducted from the monies payable by the Company to the defaulting directors.

Procedures for shareholders to raise enquiries for the Board

Shareholders can raise enquiries for the Board during business hours of the Company.

Contact: address: The Secretary Office of the Board, 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC
TEL: +86 535 8256086
Fax: +86 535 8262256

Corporate Governance Report

Procedures for shareholders to make proposals at the general meeting

When the Company convenes a general meeting, shareholders holding more than 3% (inclusive) of the total voting shares of the Company shall have the right to submit proposals in writing to the Company, and the Company shall place the proposals on the agenda for the said annual general meeting if the said proposals fall within the functions and powers of general meetings.

Contact: address: The Secretary Office of the Board, 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC
TEL: +86 535 8256086
Fax: +86 535 8262256

In 2012, the Company had convened one annual general meeting, one domestic shares class meeting, one H shares class meeting and one extraordinary general meeting.

Controlling Shareholder

At the end of 2012, 1,137,481,195 domestic shares and 16,510,000 H shares were effectively held by Zhaojin Group, the controlling Shareholder of the Company, representing 38.91% of the total issued ordinary shares of the Company.

As the controlling Shareholder of the Company, Zhaojin Group has never overridden the general meeting to directly or indirectly intervene in the Company's decision-making and operation. The Company has always kept independent from controlling Shareholder in terms of assets, finance, organization and business.

Company Secretary

Ms. Ma Sau Kuen (a director of KCS Hong Kong Limited) was appointed as Company Secretary. Mr. Wang Ligang, Secretary to the Board of the Company, is the main internal liaison between her and the Company. In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2012, Company Secretary Ms. Ma Sau Kuen received not less than 15 hours of the relevant professional training.

Independence from Zhaojin Group

The Directors believe that the Company is independent of Zhaojin Group's business:

- **Management independence**: The Board of the Company has two Executive Directors who also held management positions in Zhaojin Group. However, this does not affect the management independence of the Company. The independent Non-executive Directors have relatively great influence over the Board's decisions, and those related directors shall abstain from voting on any resolution regarding the interests of Zhaojin Group in board meetings. Therefore, the participation of independent Non-executive Directors would be sufficient for managing the material conflicts of interests arising from the overlap of management.

  Apart from the above Directors, none of the Executive Directors or members of senior management of the Company (excluding the Supervisors of the Company) hold positions in Zhaojin Group concurrently.

- **Production and operation independence**: Since its incorporation, the Group has operated its business independently of Zhaojin Group, and has not shared its production teams, production facilities and equipments, or marketing, sales and general administration resources with Zhaojin Group or its associated companies, except as described in the section of "Connected Transactions" with respect to the provision of gold refinery and gold bullion trading services by Zhaojin Group, which were conducted on an arm's length basis and normal commercial terms. Zhaojin Group operates gold bullion trading agency business through its SGE membership and had approximately 280 customers in addition to the Company as at 31 December 2012 (as at 31 December 2011: approximately 240 customers).

  The refinery business owned by Zhaojin Group through its majority interest in Zhaojin Refinery provides gold refinery services to gold production enterprises and had approximately 163 customers in addition to the Company as at 31 December 2012 (31 December 2011: approximately 155 customers). Under the terms of the agreements with Zhaojin Group for these services, the Company may terminate the agreements at any time and the Company is not prohibited from engaging other service providers during the term of the agreements.

  In the Yantai region, there are more than eight other qualified refineries and more than seven other SGE members that the Company can readily engage on comparable terms as those the Company has agreed with Zhaojin Group to provide the Company with refinery or trading agency services, if necessary.

- **Independence of access to supplies and raw materials**: The Group's principal supplies and raw materials for production, namely, electricity and water, gold and silver concentrates, and auxiliary materials, are sourced from independent suppliers not related to Zhaojin Group.

- **Independence of access to customers**: The Group's customers mainly comprise purchasers of its standard gold bullion on the SGE. The anonymity and market-driven nature of SGE trades ensure that there is no customer independence issue. As far as the Directors are aware, the Group's other customers, being metallurgical enterprises that purchase silver and sulphur and other metals concentrates from it, are independent of Zhaojin Group.

- **Financial independence**: The Group has an independent financial department that is independent of and does not share functions or resources with Zhaojin Group. The Group's financial auditing is undertaken separately from that of Zhaojin Group by its own staff. The Group has separate bank accounts and tax registration. While the Group has, in the past, enjoyed the benefit of Shareholder loans from and/or bank loans guaranteed by Zhaojin Group, all the Shareholder loans have been repaid and most of such guarantees have been released. In their place, the Group has obtained bank financing at market rates from independent financial institutions and did not experience any difficulties in doing so. Given the Group's financial and cash flow position, the Directors believe that, if required, the Group is able to obtain further loans and credit facilities from financial institutions at market rates without material difficulty.

Non-Competition Agreement and Excluded Businesses

On 17 November 2006, the Company and Zhaojin Group entered into a Non-competition Agreement which set out arrangements to minimize the competitive impact on the Company of the investments of Zhaojin Group in gold related assets and businesses. The investments were as follows:

1. various exploration and mining permits with respect to gold mine resources in the Zhaoyuan district; and

2. a 45.1% interest in Zhongkuang Gold Industry Company Limited ("Zhongkuang Gold"), a 45.22% interest in Shandong Guoda Gold Co., Ltd. ("Shandong Guoda Gold"). a 51% interest in Xixia Zhaojin Mining Co., Ltd. ("Xixia Zhaojin"), a 90% interest in Zhaojin Beijiang and a 80% interest in Minxian Tianhao Gold Co., Ltd. ("Minxian Tianhao") (collectively referred to as the "Excluded Businesses").

Under the Non-competition agreement, the Company also has an option and right of first refusal to acquire the interests in the Excluded Businesses. The option can be exercised at any time during the term of the Non-competition Agreement, which only expires when the Company ceases to be a listed company, or Zhaojin Group ceases to be its controlling Shareholder. Should the Company decide not to exercise such option, it has the right to require Zhaojin Group to dispose of its interests in the Excluded Businesses to independent third parties. In addition, under the terms of the Non-competition Agreement, Zhaojin Group has undertaken not to engage in further competitive activities, apart from the Excluded Businesses.

In 2007, Zhaojin Group had transferred all of its 45.1% equity interest in Zhongkuang Gold to an independent third party. The Non-competition Agreement made between the Company and Zhaojin Group on 17 November 2006 for the option to acquire the 45.1% equity interest in Zhongkuang Gold lapsed accordingly.

In 2007, the Company exercised that option with respect to the 51% interest in Xixia Zhaojin, the 90% interest in Zhaojin Beijiang and the 80% interest in Minxian Tianhao (for details, please refer to page 38 of the 2007 annual report).

In 2008, the Company exercised that option with respect to four exploration rights of Zhaojin Group (for details, please refer to "Acquisitions" on pages 38 to 39 of the 2008 annual report).

In 2011, Zhaoyuan Jintingling Mining Industry Company Limited, a wholly-owned subsidiary of the Company, acquired the Zaoyangshan Exploration Right and its ancillary assets at a consideration of RMB28,000,000 from Zhaoyuan Gold Smelting Company Limited, a wholly-owned subsidiary of Zhaojin Group by bidding at Yantai Joint Property Right Exchange Center (For details, please see the 2011 Annual Report, page 46).

During the year, Zhaoyuan Gold Smelting Company Limited, a wholly-owned subsidiary of Zhaojin Group, successfully repurchased the 20% equity interests in Shandong Guoda Gold Co., Ltd. held by China Gold Development Group (HK) Limited, having its shareholding increased to 65.22% and making it the biggest controlling shareholder of Shandong Guoda Gold Co., Ltd.

During the Year, the Company has not exercised its option to acquire the 65.22% equity interest in Shandong Guoda Gold for the reasons set out below:

Shandong Guoda Gold is principally engaged in the business of gold smelting. It is not authorised to engage in gold exploration or mining operations. Zhaojin Group has confirmed that it is only a passive investor in Shandong Guoda Gold with no board representation therein, no specific right to appoint its own board representatives (except for its general right as a PRC Shareholder to vote for PRC director nominees), and no participation in the management of Shandong Guoda Gold, and that it will remain as a passive investor and does not participate in the daily management of Shandong Guoda Gold following the Company's listing.

Directors of the Company believe that the extent of competition from the business of Shandong Guoda Gold, if any, would not have a material impact on our business as a whole, for the following reasons:

1. Smelting is not the core business of the Company.

2. Although it has traditionally concentrated on gold smelting, Shandong Guoda Gold is in the process of changing its principle business from gold smelting to copper smelting.

3. The Company and Shandong Guoda Gold own and operate their respective gold smelting plants independent of each other, and the management of the Group is distinct from and remains independent of that of Shandong Guoda Gold. The Company's cyanidation and smelting plants have sufficient capacity to process all gold concentrates produced from its own mines, as well as concentrates from third parties as an ancillary business. There is no sharing of services or resources, including production technique and patent, between the Company and Shandong Guoda Gold. Therefore, the Company conducts its business independently of Shandong Guoda Gold.

During the Year, the Company did not exercise the option to acquire any exploration right owned by Zhaojin Group as stated in Appendix 2 to the Non-competition Agreement. The reasons are set out below:

The Company has conducted an analysis of the exploration rights owned by Zhongjin Group as stated in Appendix 2 to the Non-competition Agreement and is of the view that, since no thorough exploration work has been done before and the level of resources reserves is uncertain at the moment, acquisition of such exploration rights by the Company could have exposed itself to serious risks. To avoid such risks the Company has no present intention to acquire them and instead, the Company will exercise its option when Zhaojin Group has proven the level of resources reserves and if it meets our criteria.

Zhaojin Group also undertakes to transfer such exploration rights to the Company once the level of resources reserves is proven and if it meets the Company's criteria.

Corporate Governance Report

Reasons for not transferring Zhaojin Group's interest in the Excluded Businesses to the Company:

Our Directors believe that there is limited conflict between Zhaojin Group's interest in Shandong Guoda Gold's smelting business and Zhaojin Group's interests in the business of the Company, on the basis that (i) smelting is not the principle business of the Company, and (ii) the Company's smelting operations at Jinchiling Gold Mine have sufficiently satisfied its purposes. In addition, Zhaojin Group is only a passive investor in Shandong Guoda Gold with no board representation or management participation. Accordingly, the Directors of the Company do not consider it necessary for the Company to acquire Zhaojin Group's interest in Shandong Guoda Gold.

The independent Non-executive Directors have reviewed if Zhaojin Group (the controlling Shareholder of the Company) has complied with its undertakings under the Non-competition Agreement in respect of its existing or future competing businesses. The independent Non-executive Directors are of the view that none of the controlling Shareholder or Directors of the Company held any interests in any business, apart from the Group's business, which competes or is likely to compete, directly or indirectly with Group's business.

The Company has also received a statement under the Non-competition Agreement from Zhaojin Group dated 2 January 2013, which stated that Zhaojin Group, as the controlling Shareholder of the Company, has complied with its undertakings under the Non-competition Agreement dated 17 November 2006 for the year ended 31 December 2012.

Investor Relations

Over the years, the Company has regarded investor relations as an important strategic task and attached great importance to communication and interaction with our shareholders and investors. Investor relations management measures are positively implemented by The Secretary Office of the Board. The Secretary Office of the Board will, in strict accordance with the relevant provisions of the laws and regulations, the Articles of Association of the Company, the "Information Disclosure Management System" and the "Investor Relations Management System", truly, accurately, completely and punctually disclose various kinds of information, including information on corporate governance and shareholders' interests, so as to ensure that all shareholders have equal access to the information. The Company set up an investor relation hotline for answering investors' inquiries and gave a warm reception to visits of investors. The Company maintained extensive communication channels with analysts and fund managers through various means like field trips, one-on-one meetings. Our mines have received a total of 31 on-site visits of investors during the Year, which has exposed ourselves to analysts and fund managers for further understandings. Since the listing of the Company, the senior management of the Company, including our chairman, chief financial officer and secretary to the board would hold a press conference in Hong Kong subsequent to the publication of final results and interim results announcements, hold subsequent non-trading road shows and initiate communication with investors on the Company's development strategy, operational and financial performance and significant events with an aim to impress investors that we are a serious and responsible enterprise. In addition, we also actively attend various investment forums and investors meetings held in the PRC where they communicate with investors and present the latest development of our Company to the market. Through two-way communication with our investors, i.e. we going out and they coming in, we have successfully broadened the channels of communication with them, and enhanced mutual understanding and mutual trust between us. In November 2012, the Company was ranked among the 2012 "Top 100 Hong Kong Listed Companies" – "Comprehensive Strength Top 10", receiving general acknowledgement from the capital markets and international professionals. The Company was awarded "Corporate Awards 2012 – the Platinum Award for Best Corporate Governance", "Gold Award for Investor Relations & Corporate Social Responsibility" and "China's Enterprise with Greatest Potential" by The Asset in December 2012 for its remarkable performance in investors relationship.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communication between the Board and the Company's shareholders in the presence of the Company's external auditors. All the Directors and senior management of the Company shall try their best to attend the meetings. External auditors present at the meeting are also obliged to answer shareholders' queries. All shareholders will be given at least 45 days' notice of the annual general meeting and are invited to attend the annual general meeting and other shareholders' meetings.

The Secretary to the Board/Company Secretary and designated personnel are responsible for information disclosure of the Company and reception of visits of shareholders and investors. Investor relations enquiry hotline and mailbox have been set up to respond to the questions raised by investors. The Company had formulated Information Disclosure Management System and the System for the Investors Relations Management to ensure information disclosure on an open, fair and impartial basis and to improve the Company's transparency.

Investors and the public are welcome to visit the "Investor Relations" section on the Company's website (www.zhaojin.com.cn) for the latest news and announcements. Information about the latest business development and news of the Company are also available to shareholders on the website.

Other Interested Parties

The Company has full respect for the interests of its employees, shareholders, the government and community. Firstly, we will strive to ensure the health and happiness of our employees and that they enjoy the salaries and labor benefits they deserve, so as to please our employees. Secondly, we will strive to ensure good return to our shareholders, so as to please our shareholders. Thirdly, we will strive to stimulate the local economy, so as to please the local government. Fourthly, we will strive to fulfill our social responsibility, promote the benefit of local residents, create a good and harmonious community environment, so as to please the community.

Continuous Enhancement of Corporate Governance

The Company has been striving to improve its corporate governance and composition of the Board, and to study advanced model of corporate governance around the globe. The Company was awarded "Corporate Awards 2012 – 2012 Platinum Award for Best Corporate Governance" by The Asset in December 2012 and the Company was ranked among the 2012 "Top 100 Hong Kong Listed Companies" – "Comprehensive Strength Top 10" by finet.hk. Prior to this, the company also won the "Outstanding Board of Directors Award" granted by the Hong Kong Institute of Directors, the "2010 Investor Relations and Social Responsibility Gold Award" granted by The Asset, "Asia's 200 Best Under A Billion by Forbes Asia Magazine", the "Listed Company with Most Investment Value during the 12th Five-Year Plan Period" of "China Securities Golden Bauhinia Award", demonstrating the industry's acknowledgement of our tireless pursuit of good corporate governance. The Company will take this opportunity to proactively explore and perfect a new corporate governance model of listed companies with an aim to improve its corporate governance and for the sake of our Company's development. The Company will follow the corporate governance model developed by the world's leading corporations as what it has done previously so as to comply with the requirements of the regulatory authorities. The Company will regularly review and enhance its corporate governance procedures and their implementations to ensure the sustainable development of the Company.

Corporate Governance Report

Articles of Association

The Company reviewed and approved the revision of Article 3.5 in respect of shareholders' structure and Article 3.8 in respect of registered capital of the Articles of Association at the annual general meeting held on 29 May 2012. The revised Articles of Association took effect upon completion of registration with relevant administration of industry and commerce and was uploaded to the websites of the Stock Exchange and the Company on 31 December 2012.

Training for the directors

All the directors of the Company have been taking an active part in various trainings which were beneficial to the constant development of their professional capabilities, helpful in enhancing their expertise and know-how, and in their participation in the operation of the Board.

The Company organized a professional training for the directors on 29 May 2012, and all the directors, namely Mr. Lu Dongshang, Mr. Weng Zhanbin, Mr. Li Xiuchen (Executive Directors); Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Ye Kai, Mr. Kong Fanhe (Non-executive Directors); Mr. Yan Hongbo, Mr. Ye Tianzhu, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo (independent Non-executive Directors) were present at the training, which was conducted by KCS Hong Kong Limited on the topic of Listing Rules and the Code.

A comprehensive and official induction has been provided to Mr. Xie Jiyuan, our new independent Non-executive Director appointed on 26 February 2013. Professional induction and training will be arranged for him during his term of directorship, so as to ensure that he understands the business and operations of the Company and he is qualified for his job as a Director of the Company.

Corporate Social Responsibility

As a resource-based group of enterprises, we have always respected our responsibility for the resources, environment, employees and society. While focusing on creating wealth by exploiting mineral resources, we strive to make good use of and conserve resources, protect our environment, improve the welfare of our employees, the interests of the related parties and accelerate social and economic development of the neighbouring area, aiming at building a harmonious society. Since its inception, the Company has been following its core philosophy of "Harmony Produces Value". We aim at building our Company into an environment-friendly, ecological, fast-growing, safety-and-health-caring mining enterprise, with which our employees, shareholders, the government and community are all satisfied (an all-satisfied mining enterprise). We will continue to expand our safety and environmental protection efforts, maintain our enthusiasm about social welfare undertakings and set up a good example of "Responsible Zhaojin".

Practice of "Production Safety" and "Environmental Protection"

Since its inception, the Company has attached great importance to its production safety and environmental protection undertakings, and has established a sound safety and environmental management system consisting of the Safety and Environmental Protection Committee under the Board of Directors, the headquarters, subsidiaries, workshops (offices) and shift teams, in accordance with the national laws and regulations, technical specifications, targets and systematic requirements on production safety and environmental protection. Through a series of activities, i.e. "The Month of Safety Culture", "The Year of Production Safety" and "Building an Outstanding, Green and Harmonious Mine", we have strengthened the management of safety and environmental protection and targeted inspections, the control of project quality, which focused on security risks rectification, acceleration of essential safety and eco-friendly business building process, resulting in continued improvement on the awareness of the whole Company of safety and environmental protection and regulated management. Through increasing investment and reconstruction, optimization and improvement of safety and environmental protection facilities, we have also greatly strengthened our wastewater treatment capacity in the mine and ensured 100% pass of the water quality of our discharge, while our safety and environmental protection infrastructure continued to improve and the security level were generally raised. We aggressively promoted energy saving, recycled economic utilization and clean production through scientific and technological advancement, and as a result, our comprehensive utilization of resources leads the industry. In 2012, the Company spent a total of more than RMB32 million on environmental management, which freed us from environmental disputes as well as any form of related administrative punishment for the whole year.

While undergoing rapid development, the Company has constantly been following the production safety guidelines of "safety first, precaution-oriented and integrated management", earnestly implementing the "Three Simultaneously" system of work for project construction, generally accelerating the safety standardization work and construction of "six systems" for underground mines. We have revised and implemented the Safety Management Approaches for External Construction Teams, gone deep in special campaigns such as targeted rectification, emergency rescue and safety training, vigorously implemented the strategy of Technology to Improve Safety, continue to invest in safety control, with an annual total investment and use of safety cost of more than RMB80 million. We eliminated major casualties, fire, explosion, traffic, poisoning and environmental pollution accidents throughout the year, maintaining the promising momentum of our safety and environmental protection efforts.

Corporate Social Responsibility

In 2012, the Company, for the six consecutive years since its listing, passed the ISO9001:2008 Quality Standard Certification, ISO14001:2004 Environmental Standard Certification and GB/T28001:2001 Occupational Health and Safety Management System Standard Certification, receiving unanimous recognition of the state and society on its achievements in environmental protection, quality management and occupational health and safety management.

Protection of Investors' Interests

The company has always attached great importance to investor relations, and has developed an investor relations management system to regulate the management of investor relations. The Secretary Office of the Board of Directors of the Company is responsible for the day-to-day management of investor relations. In 2012, the Company initiated investor communication and interaction by means of roadshow and attending investor meetings as well as on-site meeting with investors. We received a total of more than 31 domestic and foreign investors, attended seven investors meeting, arranged for domestic and foreign investors to visit the Company's headquarters, Jinchiling Gold Mine, Xiadian Gold Mine, Dayingezhuang Gold Mine, which helped them come to a better understanding of the Company.

The Company also attached great importance to the return and protection of the interests of our investors. We paid impressive cash dividends every year, and maintained an annual cash dividend payout rate of 30% plus since listing and recorded a cumulative cash dividend payout of RMB1,903,403,580. The Company paid a total of cash dividend of RMB612,120,600 in 2012, with a cash dividend payout ratio of 39.96%.

The Company also cared seriously about protecting the interests of our creditors. We recorded a gearing ratio of 33.0% as of 31 December 2012. We relied on sales of gold and other metals to maintain an adequate cash flow, keeping up reliable solvency for our short-term, medium-and long-term debts. We maintained good relations with a large number of financial institutions, and received an AA+ rating from the credit agency in 2012. We rejected any credit default, with which we have successfully defend the Company's image while effectively safeguarding the interests of the creditors.

We also cared about the regulated management of information disclosure. We released a total of 62 announcement in 2012, with 34 initiative disclosures. We would actively participate in investor conferences so as to promote the performance of the Company and convey positive information on the development of the Company to the market. We conscientiously fulfilled the obligations of information disclosure in accordance with the listing rules of the Hong Kong Stock Exchange, effective protecting the regulated operation of the Company.

Supporting Community Building and Development of Charity Causes

In 2012, the Company, its subsidiaries and branches eagerly repaid the society. We undertook as our mission to "Grow the local economy prosperous", actively practiced the motto of "Building an enterprise with which its employees, shareholders, the government and society are all satisfied" while actively fulfilling the social responsibilities, aiming at creating a "Harmonious Zhaojin", for which the Company has established a good public image of "Responsible Zhaojin".

The Company has been operating in strict compliance with the laws, responding positively to the government policies, paying taxes in due course and helping improve local employment, making significant contribution to the local fiscal revenue. In 2012, the Company paid a total of RMB956,266,000 for all kinds of taxes and fees, and many of our subsidiaries such as Tonghui Mining and Zaozigou Gold Mine have become the financial and taxation pillars of the local municipal and county governments. During the year, Xinjiang Xinhui Copper Company Limited, a subsidiary of the Company, was dubbed the "Pace-setter of Employment Promotion of the Autonomous Region" issued by the General Office of the Party Committee of Xinjiang Uygur Autonomous Region.

In 2012, while focusing on exploitation of mineral resources and acceleration of local economic prosperity, the Company continued to support the community in an enthusiastic and sensible manner, i.e. keeping the mine stable and secure, helping the project site, especially the surrounding communities in upgrading community infrastructure, such as education, roads, water treatment, medical care, community welfare as well as the development of charity cause, encouraging and mobilizing our subsidiaries to contribute to the charity cause and disaster relief work, offering volunteer assistance and making donations to help the local governments in response to the accidents and geological disasters. By means of all the above, we have put our social responsibility into practice and significantly accelerated the development of the local communities. In 2012, the Company donated a total of RMB12.36 million for the development of community infrastructure and social welfare undertakings. During the year, the Company received an honorary title, "Top Ten" Charity Partner of Xinjiang Hope Project, from the five relevant government departments, including the Youth League Committee of Xinjiang Uygur Autonomous Region and Young Pioneers Working Committee of Xinjiang Uygur Autonomous Region.

Caring about employee development and protecting their interests

The Company adhered to its vision of "Soliciting talent and growing together", acknowledged the important role of talent and regarded talent as its No.1 resource in the development of the Company. In 2012, the Company stepped up its human resources system reform and reinforced its talent resource management and control system, resulting in further improvement on human resource recruitment, training, appraisal and remuneration management. It also continued to improve its expertise in human resources management and shared the accomplishments with its people, so as to provide a strong impetus for a new stage of growth.

Corporate Social Responsibility

As at 31 December 2012, the Company had a total of 6,691 employees. It has become more attractive to the talent in terms of career development, compensation and benefits, and has been introducing management and technical talent, especially those with an international perspective and achievements, through a variety of channels, resulting in general enhancement of the expertise of the management team. The Company has, in accordance with the Labor Contract Law, standardized its form of employment, so as to ensure the basic rights and interests of employees and maintained good labor relations. It also purchased all necessary insurance for its employees in accordance with the laws. The Company stayed in strict compliance with relevant laws and regulations, pursued an equality-for-all policy, treated all its employees in a fair, impartial and open manner, established a comprehensive occupational health & safety management system, regularly arranged for the employees who were subject to risks of occupational diseases as defined under the national regulations to receive physical examination, and also provided physical examination for the staff holding a post and gynecological examination for female employees.

In 2012, the Company continued to strengthen training and application of its employees, offering and ensuring vocational training of different levels for its employees in terms of policies, organization and funds. During the year, the Company held a series of trainings, including orientation training for new employees, training for middle and senior management, professional training on geological exploration and safety training, effectively increasing the intensity of personnel training. During the year, the Company spent a total of RMB1.9 million on staff training.

Over the years, the Company has been practicing its motto of "Harmony produces wealth", aiming at building a mining enterprise with which its employees, shareholders, the government and community are all satisfied, through the coordinated development of enterprises, employees and society. An All-satisfied Mine is the destination of our Company, and also an interpretation of a higher level of the Company's corporate culture, i.e. "Taking virtues from others". While focusing on creating wealth, we cared about the interests of our employees and their remuneration as well as enhancement of their well-being and sense of belonging, aiming at building a harmonious and beautiful home. In 2012, the Party Committee of the Company and Trade Union jointly held a variety of activities, such as poetry recitation, sports meetings, security knowledge contests, Thank-You-Zhaojin Essay Competition, touring show jointly sponsored by the village and the Company as well as the New Year Arts Festival, further enriching the connotation of our corporate culture, the friendship between employees as well as the cohesive force of the Company. Through visiting, extending condolences to the sick, injured, suffering and bereaved staff (family members), the retired, and families of special personnel, we embraced our employees and created a Harmonious Zhaojin atmosphere.

Awards to the Company in 2012

"Top 100 Hong Kong Listed Companies" – "Comprehensive Strength Top 10" by finet.hk
"2012 Platinum Award for Best Corporate Governance" by The Asset
National Workers Vanguard
Pace-setter of the National Party-building Accomplishments
Honorary title of "Top Ten" Charity Partner of Xinjiang Hope Project granted by the five relevant government departments, including Youth League Committee of Xinjiang Uygur Autonomous Region and Young Pioneers Working Committee of Xinjiang Uygur Autonomous Region

Report of the Supervisory Committee

To the Shareholders,

During the Year, all members of the Supervisory Committee of the Company duly discharged their duties of supervision stipulated by various laws and regulations, which include the Company Law, the Listing Rules and the Articles of Association. They fully discharged the Supervisory Committee's monitoring function and attended all the Board meetings, general meetings and the major meetings of the Company in which decisions were made with due care and diligence. They strengthened the supervision on the level of compliance of the work of the Board and the operational decision of the management of operations, as well as the implementation by the Board of the resolutions approved by the general meetings. The Supervisors formed their opinions and recommendations through their inspection of the operation for the Company and of the implementation of the internal systems, as well as their efficient supervision over the fulfillment of duties by the Directors and the senior management. The supervisors have reviewed and analyzed the Company's financial position and the annual report with due care.

Set out below are the independent opinions of the Supervisory Committee to the Shareholders:

1. Level of Working of the Supervisory Committee

The convention of meeting of the Supervisory Committee and the topics of meeting of the Supervisory Committee:

(1) The 6th Meeting of the Third Session of the Supervisory Committee on 22 March 2012
Reviewing and passing Board report, financial report in 2011 and other resolutions, and reviewing the annual report of the Supervisory Committee 2011.

(2) The 7th Meeting of the Third Session of the Supervisory Committee on 16 August 2012
Reviewing and passing the interim results announcement 2012, interim financial report 2012, the proposal of interim profits allocation in 2012 and the motion of issuing short-term financing bills and convening of the 2012 first extraordinary general meeting.

2. Level of Compliance of the Company's Operations with Laws

During the Year, the Company operated in accordance with the requirements of the Company Law, the Listing Rules, the Articles of Association and other applicable laws and regulations. It has established and continuously improved the internal control systems. Its decision-making procedures are in compliance with laws. The Company strictly implemented the resolutions of the general meetings.

Report of the Supervisory Committee

3. Performance of Duties by the Directors, General Manager and Other Senior Management

The Directors, General Manager and other senior management performed their duties to the Company diligently, prudently and faithfully and guaranteed the growth of performance and ensured the interests of shareholders through excellent corporate management level. It is not aware of any action of abusing powers, in breach of the laws and regulations of the PRC and the Articles of Association or of prejudicial to or against the interests of the Shareholders, the Company and its staff.

4. Report of the Board

The Supervisory Committee reviewed the Report of the Board intended to be submitted to the forthcoming Annual General Meeting for approval with due care. It is of the opinion that the report gives an objective and true picture of the works performed by the Company during the Year.

5. Financial Reporting

The Supervisory Committee reviewed the Company's financial systems and the audited annual financial statements with due care and diligence. In the opinion of the Supervisory Committee, the financial statements gives a true and fair view of the financial position, assets and operational affairs of the Company. It is not aware of any breach of laws, regulations or the financial systems of the Company.

6. Connected Transactions and Continuing Connected Transactions

The Supervisory Committee is of the view that, during the Year, the connected transactions and continuing connected transactions of the Company are normal and ordinary transactions, dealt in accordance with the principle of impartiality, fairness and reasonableness, are fair and reasonable as far as the Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and do not prejudice the interests of the medium and minority shareholders of the Company.

7. The Independent Opinions of the Supervisory Committee Regarding the Acquisitions Made by the Company

During the Year, the acquisition of assets made by the Company were based on the principle of marketization. The decision making processes were carried out in accordance with laws and regulations, and no insider dealings or behaviours which damage the interests of shareholders were found.

8. Litigations

During the Year, the Company has not been involved in any material litigation or arbitration. As far as the Supervisors are aware, the Company does not have any material litigation or claim which are pending or threatened against the Company so as to materially and adversely affect the Company's operating results or financial conditions.

In 2013, the Supervisory Committee will continue to fully perform its supervisory function on the decision making, finance and the Directors and senior management of the Company. It will carry out its supervisory duties diligently and devote efforts to assist the Company to achieve its goals as well as to enhance the operational efficiency of the Company.

Chairman of the Supervisory Committee
Wang Xiaojie

22 March 2013

Independent Auditors' Report

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To the shareholders of Zhaojin Mining Industry Company Limited
(A joint stock company established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Zhaojin Mining Industry Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 92 to 204, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
22 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	5	**7,602,960**	5,741,105
Cost of sales		**(3,907,984)**	(2,677,362)
Gross profit		**3,694,976**	3,063,743
Other income and gains	5	**124,759**	122,213
Selling and distribution expenses		**(74,261)**	(55,805)
Administrative expenses		**(777,177)**	(614,646)
Other expenses		**(95,035)**	(137,910)
Finance costs	6	**(218,847)**	(98,016)
Share of profit of an associate		**10,166**	6,940
PROFIT BEFORE TAX	7	**2,664,581**	2,286,519
Income tax expense	9	**(617,763)**	(563,784)
PROFIT FOR THE YEAR		**2,046,818**	1,722,735
Attributable to:			
Owners of the parent	38	**1,923,521**	1,661,578
Non-controlling interests		**123,297**	61,157
		2,046,818	1,722,735
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year (RMB)		**0.66**	0.57

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR	**2,046,818**	1,722,735
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**6**	(1,640)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**6**	(1,640)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,046,824**	1,721,095
Attributable to:		
Owners of the parent	**1,923,527**	1,659,938
Non-controlling interests	**123,297**	61,157
	2,046,824	1,721,095

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,373,428**	4,926,700
Prepaid land lease payments	14	**240,815**	236,604
Goodwill	15	**813,942**	586,674
Other intangible assets	16	**3,743,571**	2,591,403
Investment in an associate	19	**45,830**	42,220
Long-term deposits	21	**31,729**	24,856
Deferred tax assets	22	**203,994**	159,196
Other long-term assets	23	**1,134,539**	761,635
Total non-current assets		**13,587,848**	9,329,288
CURRENT ASSETS			
Inventories	24	**2,010,998**	2,131,257
Trade and notes receivables	25	**140,966**	45,620
Prepayments, deposits and other receivables	26	**844,775**	520,951
Equity investments at fair value through profit or loss	27	**32,409**	8,732
Derivative financial instruments	28	**–**	9,367
Cash and cash equivalents	29	**1,350,650**	1,245,872
Total current assets		**4,379,798**	3,961,799
CURRENT LIABILITIES			
Trade payables	30	**407,817**	1,537,825
Other payables and accruals	31	**1,014,090**	501,170
Interest-bearing bank and other borrowings	32	**3,167,645**	1,510,160
Tax payable		**325,296**	341,913
Current portion of other long-term liabilities	35	**19,421**	–
Provision	36	**20,095**	19,827
Total current liabilities		**4,954,364**	3,910,895
NET CURRENT (LIABILITIES)/ASSETS		**(574,566)**	50,904
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,013,282**	9,380,192

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**56,908**	158,109
Corporate bonds	33	**2,682,886**	1,491,047
Deferred tax liabilities	22	**621,277**	476,190
Deferred income	34	**248,635**	149,672
Provision	36	**70,631**	77,727
Other long-term liabilities	35	**85,320**	30,000
Total non-current liabilities		**3,765,657**	2,382,745
NET ASSETS		**9,247,625**	6,997,447
EQUITY			
Equity attributable to owners of the parent			
Issued capital	37	**2,965,827**	2,914,860
Reserves	38	**4,726,390**	3,056,674
Proposed final dividend	11	**711,799**	612,121
		8,404,016	6,583,655
Non-controlling interests		**843,609**	413,792
TOTAL EQUITY		**9,247,625**	6,997,447

Lu Dongshang
Director

Weng Zhanbin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Attributable to owners of the parent									
	Issued capital RMB'000 *(note 37)*	Capital reserve RMB'000 *(note 38)*	Special reserve-safety fund RMB'000	Statutory and distributable reserve RMB'000 *(note 38)*	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	1,457,430	1,506,551	–	333,055	(6,292)	1,659,362	437,229	5,387,335	388,309	5,775,644
Profit for the year	–	–	–	–	–	1,661,578	–	1,661,578	61,157	1,722,735
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	(1,640)	–	–	(1,640)	–	(1,640)
Total comprehensive income for the year	–	–	–	–	(1,640)	1,661,578	–	1,659,938	61,157	1,721,095
Acquisition of non-controlling interests	–	(26,389)	–	–	–	–	–	(26,389)	(26,911)	(53,300)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(20,710)	(20,710)
Partial disposal of an equity interest in a subsidiary to a non-controlling shareholder without losing control	–	–	–	–	–	–	–	–	3,000	3,000
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	9,000	9,000
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	(53)	(53)
Transfer to share capital	1,457,430	(728,715)	–	–	–	(728,715)	–	–	–	–
Transfer to reserves	–	–	–	131,901	–	(131,901)	–	–	–	–
Dividends										
– 2011 final proposed *(note 11)*	–	–	–	–	–	(612,121)	612,121	–	–	–
– 2010 final paid	–	–	–	–	–	–	(437,229)	(437,229)	–	(437,229)
At 31 December 2011	2,914,860	751,447*	–*	464,956*	(7,932)*	1,848,203*	612,121	6,583,655	413,792	6,997,447
At 1 January 2012	2,914,860	751,447	–	464,956	(7,932)	1,848,203	612,121	6,583,655	413,792	6,997,447
Profit for the year	–	–	–	–	–	1,923,521	–	1,923,521	123,297	2,046,818
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	6	–	–	6	–	6
Total comprehensive income for the year	–	–	–	–	6	1,923,521	–	1,923,527	123,297	2,046,824
Acquisition of non-controlling interests	–	(4,150)	–	–	–	–	–	(4,150)	(7,427)	(11,577)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(41,489)	(41,489)
Commitment of profit distribution to non-controlling shareholders	–	(84,740)	–	–	–	–	–	(84,740)	–	(84,740)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	165,325	165,325
Issue of shares	50,967	546,878	–	–	–	–	–	597,845	–	597,845
Acquisition of subsidiaries *(note 39)*	–	–	–	–	–	–	–	–	190,111	190,111
Transfer to reserves	–	–	13,185	150,849	–	(164,034)	–	–	–	–
Dividends										
– 2012 final proposed *(note 11)*	–	–	–	–	–	(711,799)	711,799	–	–	–
– 2011 final paid *(note 11)*	–	–	–	–	–	–	(612,121)	(612,121)	–	(612,121)
At 31 December 2012	**2,965,827**	**1,209,435***	**13,185***	**615,805***	**(7,926)***	**2,895,891***	**711,799**	**8,404,016**	**843,609**	**9,247,625**

* These reserve accounts comprise the consolidated reserves of RMB4,726,390,000 (2011: RMB3,056,674,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,664,581**	2,286,519
Adjustments for:			
Finance costs	6	**218,847**	98,016
Share of profit of an associate		**(10,166)**	(6,940)
Bank interest income	5	**(16,050)**	(12,357)
Net loss on disposal of items of property, plant and equipment		**8,245**	13,855
Gain on disposal of a subsidiary		**–**	(300)
Gain on bargain purchase	5	**–**	(13,840)
Fair value (gains)/losses, net:			
– Equity investments at fair value through profit or loss	7	**(2,264)**	43,814
– Derivative financial instruments	7	**–**	633
Depreciation of property, plant and equipment	13	**323,002**	388,675
Amortisation of mining rights and reserves	16	**103,347**	83,113
Amortisation of prepaid land lease payments	14	**12,378**	8,443
Exploration assets written off	16	**–**	7,444
Impairment of receivables	7	**16,347**	2,587
Deferred income recognised	5,34	**(48,377)**	(27,612)
		3,269,890	2,872,050
Decrease/(increase) in inventories		**235,516**	(1,335,980)
(Increase)/decrease in trade and notes receivables		**(95,345)**	153,569
Increase in prepayments and other receivables		**(232,844)**	(163,742)
(Decrease)/increase in trade payables		**(1,145,062)**	1,083,445
Increase/(decrease) in other payables and accruals		**417,340**	(77,591)
Decrease in provisions		**(6,828)**	(7,119)
CASH GENERATED FROM OPERATIONS		**2,442,667**	2,524,632
Income taxes paid		**(694,106)**	(445,890)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,748,561**	2,078,742

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**16,050**	12,357
Dividend received from an associate		**6,555**	3,455
Purchases of property, plant and equipment		**(2,387,095)**	(1,527,603)
Proceeds from disposal of property, plant and equipment		**17,698**	1,159
Increase in land lease payments		**(20,443)**	(69,002)
Receipt of government grants		**143,864**	143,287
Increase in other intangible assets		**(108,133)**	(182,850)
Acquisition of subsidiaries	39	**(202,440)**	(65,608)
Deposits paid for acquisition of subsidiaries		**(836,000)**	(511,000)
Payment for acquisition of non-controlling interests		**(11,577)**	(53,300)
Net proceeds from disposal of a subsidiary		**–**	26,800
Purchase of equity investments at fair value through profit or loss		**(21,413)**	(46,350)
Deposit paid for other investments		**(26,286)**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,429,220)**	(2,268,655)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**6,635,802**	896,757
Issuance of corporate bonds	33	**1,190,400**	–
Issuance of a short-term bond		**–**	697,200
Repayment of a short-term bond		**(697,200)**	–
Repayment of bank borrowings		**(4,565,318)**	(370,000)
Proceeds from partial disposal of an equity interest in a subsidiary to a non-controlling shareholder		**–**	3,000
Capital contribution from non-controlling shareholders of a subsidiary		**135,000**	9,000
Dividends paid		**(627,678)**	(457,939)
Interest paid		**(285,569)**	(124,121)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**1,785,437**	653,897
NET INCREASE IN CASH AND CASH EQUIVALENTS		**104,778**	463,984
Cash and cash equivalents at beginning of year		**1,245,872**	781,888
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,350,650**	1,245,872

	Notes	2012 RMB'000	2011 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**1,345,650**	1,241,372
Non-pledged time deposits with original maturity of less than three months when acquired	29	**5,000**	4,500
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,350,650**	1,245,872

Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,920,745**	2,101,234
Prepaid land lease payments	14	**124,748**	130,123
Goodwill	15	**84,333**	84,333
Other intangible assets	16	**1,071,784**	961,417
Investments in subsidiaries	17	**3,979,146**	2,622,196
Investment in a jointly-controlled entity	18	**100,000**	100,000
Investment in an associate	19	**34,650**	34,650
Deferred tax assets	22	**51,575**	17,221
Loans receivable	20	**2,325,049**	641,491
Long-term deposits	21	**30,483**	24,856
Other long-term assets	23	**185,729**	675,054
Total non-current assets		**10,908,242**	7,392,575
CURRENT ASSETS			
Inventories	24	**829,385**	1,501,732
Trade and notes receivables	25	**107,584**	21,686
Prepayments, deposits and other receivables	26	**1,204,672**	866,127
Loans receivable	20	**1,224,500**	1,014,320
Cash and cash equivalents	29	**652,795**	766,942
Total current assets		**4,018,936**	4,170,807
CURRENT LIABILITIES			
Trade payables	30	**146,987**	1,320,342
Other payables and accruals	31	**803,544**	300,989
Interest-bearing bank and other borrowings	32	**2,857,645**	1,452,200
Tax payable		**199,742**	244,676
Provision	36	**16,197**	15,915
Total current liabilities		**4,024,115**	3,334,122
NET CURRENT (LIABILITIES)/ASSETS		**(5,179)**	836,685
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,903,063**	8,229,260

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**4,957**	8,024
Corporate bonds	33	**2,682,886**	1,491,047
Deferred tax liabilities	22	**85,377**	91,721
Deferred income	34	**187,751**	135,270
Provision	36	**51,947**	55,973
Total non-current liabilities		**3,012,918**	1,782,035
NET ASSETS		**7,890,145**	6,447,225
EQUITY			
Issued capital	37	**2,965,827**	2,914,860
Reserves	38	**4,212,519**	2,920,244
Proposed final dividend	12	**711,799**	612,121
TOTAL EQUITY		**7,890,145**	6,447,225

Lu Dongshang
Director

Weng Zhanbin
Director

Notes to Financial Statements

31 December 2012

1. Corporate Information

The Company was established as a joint stock limited liability company under the Company Law of the People's Republic of China (the "PRC") on 16 April 2004. It is principally engaged in the businesses of the mining, processing, smelting of gold and the sale of gold, silver and copper products.

In December 2006, the Company issued 198.7 million H shares to the public at a price of HK$12.68 per share (equivalent to approximately RMB12.74 per share) and the H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") (the "IPO"). In addition, 19.8 million H shares converted from certain domestic shares were transferred to the National Council for the Social Security Fund.

During the year, the Company and its subsidiaries were principally engaged in the exploration, mining, processing, smelting of gold, the sale of gold products and the mining, processing of copper and sale of copper products in Mainland China. In addition, the Company processed and sold silver in Mainland China. The registered office of the Company is located at 299 Jinhui Road, Zhaoyuan, Shandong, China.

As of 31 December 2012, Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC, and its subsidiary held totally 38.91% of the issued share capital of the Company. Shanghai Yuyuan Tourist Mart Co., Ltd and its subsidiary held totally 25.73% of the issued share capital of the Company, the remaining issued share capital of the Company was held by H shareholders, Zhanyuan City State-owned Assets Management Limited and Shanghai Fosun Industrial Investment Co., Ltd.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments and derivative financial instruments, which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB"), with values rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of Preparation (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes In Accounting Policy and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

Notes to Financial Statements

31 December 2012

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. Based on the preliminary analyses performed, HKFRS 11 is not expected to have material impact on the consolidated financial statements of the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of Significant Accounting Policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the Units of Production ("UOP") basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	Mine life for mine specific, 10 to 30 years for non-mine specific
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	6 years

Included in property, plant and equipment is mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP method based on the proven and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction and pending installation including mining infrastructure. Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies (Continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Exploration rights and assets

Exploration rights and assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised by the UOP method based on the proven and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights and reserves. Exploration rights and assets are written off to profit or loss if the exploration property is abandoned.

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill) (Continued)

Mining rights and reserves

Mining rights and reserves are stated at cost less accumulated amortisation and any impairment losses. Mining rights and reserves include the cost of acquiring mining licences and exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights and reserves are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proven and probable mineral reserves of the mines using the UOP method. Mining rights and reserves are written off to profit or loss if the mining property is abandoned.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the shorter of the lease terms and the mine lives.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the income statement.

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, corporate bonds, interest-bearing bank and other borrowings and other long-term liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 Summary of Significant Accounting Policies (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments to hedge its commodity price risk. The Group's derivative financial instruments mainly include commodity derivative contracts (mainly standardised copper cathode future contracts on the Shanghai Futures Exchange ("SHFE")). Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

None of the Group's derivative financial instruments is qualified as hedge accounting.

Notes to Financial Statements

31 December 2012

2.4 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Costs of by-products arising during the course of production are allocated based on a share of production costs.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the income statement.

2.4 Summary of Significant Accounting Policies (Continued)

Provisions (Continued)

Provisions for the Group's obligations for land reclamation are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are 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 amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset in the period in which the liability is incurred. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in the timing of the performance of reclamation activities), the revisions to the obligation and asset are recognised at the appropriate discount rate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) processing income, when the relevant services have been rendered;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Group acquires goods including inventories, consumables, property, plant and equipment, intangible assets and other non-financial assets or services and settles the transaction with the suppliers by issuing equity instruments of the Company ("equity-settled transactions"). For equity-settled transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. However, equity instruments issued in a business combination in exchange for control of the acquiree are not within the scope of equity-settled transactions.

Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

2.4 Summary of Significant Accounting Policies (Continued)

Employee benefits (Continued)

Early retirement benefits

Termination benefits are payable whenever an employee's employment is terminated involuntarily before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for the benefits. The Group recognises the liability for termination benefits when it is demonstrably committed to terminating the employment of current employees or to providing termination benefits as a result of an offer made to encourage voluntary redundancy according to a detailed formal plan without the possibility of withdrawal.

Medical benefit costs

The Group participates in government-organised defined contribution medical benefit plans, under which it pays contributions to the plans at a fixed percentage of wages and salaries of the existing full-time employees in Mainland China and has no further legal or constructive obligations to pay additional contributions. The contributions are charged as an expense to the income statement as incurred.

Housing fund

The Group contributes on a monthly basis to defined contribution housing fund plans organised by the PRC government. Contributions to these plans by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.32% and 7.36% has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of foreign operations, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2012 was approximately RMB203,994,000 (2011: RMB159,196,000). Further details are contained in note 22 to the financial statements.

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was RMB813,942,000 (2011: RMB586,674,000). Further details are contained in note 15 to the financial statements.

(c) Impairment of mining and exploration assets and property, plant and equipment

The carrying values of mining and exploration assets and property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of these assets, or where appropriate, the cash-generating unit to which they belong, is the higher of their fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The aggregate carrying value of mining and exploration assets and property, plant and equipment at 31 December 2012 was RMB11,116,999,000 (2011: RMB7,518,103,000).

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

(d) Provisions

Provisions are based on estimates of future payments made by management and are discounted at rates in the range of 6.2% to 6.6% (2011: 6.6% to 7.1%). Changes in assumptions could significantly affect these estimates. The aggregate carrying value of provisions at 31 December 2012 was RMB90,726,000 (2011: RMB97,554,000). Further details are contained in note 36 to the financial statements.

(e) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related depreciation rates.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the gold operations segment consists of gold mining and smelting operations;

(b) the copper operations segment consists of copper mining and smelting operations; and

(c) the "others" segment comprises, principally, the Group's other investment activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, deferred tax assets and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, corporate bonds, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to Financial Statements

31 December 2012

4. Operating Segment Information (Continued)

The Group's operation by business segment is as follows:

Year ended 31 December 2012

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenues from external customers	6,818,659	784,301	–	7,602,960
Segment results	2,592,971	279,221	(4,814)	2,867,378
Reconciliation:				
Interest income				16,050
Finance costs				(218,847)
Profit before tax				2,664,581
Segment assets	13,870,756	2,483,094	59,153	16,413,003
Reconciliation:				
Corporate and other unallocated assets				1,554,643
Total assets				17,967,646
Segment liabilities	1,957,648	217,432	16,225	2,191,305
Reconciliation:				
Corporate and other unallocated liabilities				6,528,716
Total liabilities				8,720,021
Other segment information				
Capital expenditure *	2,776,109	1,518,934	2	4,295,045
Interest in an associate	45,830	–	–	45,830
Impairment losses recognised in the income statement	15,827	520	–	16,347
Share of profit of an associate	10,166	–	–	10,166
Depreciation and amortisation	395,044	43,665	18	438,727

* Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets and prepaid land lease payments, including assets from the acquisition of subsidiaries.

4. Operating Segment Information (Continued)

Year ended 31 December 2011

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenues from external customers	5,094,331	646,774	–	5,741,105
Segment results	2,105,022	287,899	(20,743)	2,372,178
Reconciliation:				
Interest income				12,357
Finance costs				(98,016)
Profit before tax				2,286,519
Segment assets	11,115,126	753,417	17,476	11,886,019
Reconciliation:				
Corporate and other unallocated assets				1,405,068
Total assets				13,291,087
Segment liabilities	2,436,695	209,875	11,564	2,658,134
Reconciliation:				
Corporate and other unallocated liabilities				3,635,506
Total liabilities				6,293,640
Other segment information				
Capital expenditure *	1,846,005	197,573	440	2,044,018
Interest in an associate	42,220	–	–	42,220
Impairment losses recognised in the income statement	1,851	736	–	2,587
Share of profit of an associate	6,940	–	–	6,940
Depreciation and amortisation	450,513	29,657	61	480,231
Exploration assets written off	7,444	–	–	7,444

* Capital expenditure consists of additions to property, plant and equipment, goodwill, other intangible assets and prepaid land lease payments, including assets from the acquisition of a subsidiary and a jointly-controlled entity.

Notes to Financial Statements

31 December 2012

4. Operating Segment Information (Continued)

Geographical information

As over 99% of the assets of the Group are located in Mainland China and over 99% of the sales are made to the Mainland China customers, no further geographical information has been presented.

Information about a major customer

Revenue of approximately RMB5,985,000,000 (2011: RMB4,450,000,000) was derived from sales by the gold operations segment to a single customer.

5. Revenue, other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts and net of various types of government surcharges where applicable, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	2012 RMB'000	2011 RMB'000
Revenue		
Sale of goods:		
Gold	6,370,246	4,825,511
Copper	738,578	587,953
Silver	280,154	105,531
Sulphur	82,381	36,747
Other by-products	142,665	199,896
Rendering of services:		
Processing of gold and silver	32,325	32,662
	7,646,349	5,788,300
Less:		
Government surcharges	(43,389)	(47,195)
Revenue	7,602,960	5,741,105

5. Revenue, other Income and Gains (Continued)

	2012 RMB'000	2011 RMB'000
Other income and gains		
Government grants	**48,377**	27,612
Sale of auxiliary materials	**47,145**	43,158
Interest income	**16,050**	12,357
Fair value gain, net:		
Equity investments at fair value through profit or loss	**2,264**	–
Gain on disposal of items of property, plant and equipment	**968**	289
Gain on bargain purchase	**–**	13,840
Others	**9,955**	24,957
Other income and gains	**124,759**	122,213

6. Finance Costs

An analysis of finance costs is as follows:

	2012 RMB'000	2011 RMB'000
Interest on bank and other borrowings		
– wholly repayable within five years	**171,519**	42,416
– repayable over five years	**228**	171
Interest on a short-term bond	**39,494**	6,534
Interest on corporate bonds	**84,318**	76,543
Subtotal	**295,559**	125,664
Less: Interest capitalised	**(82,837)**	(33,194)
Incremental interest on provisions	**6,125**	5,546
Total	**218,847**	98,016

7. Profit Before Tax

The Group's profit before tax is arrived at after charging the following:

	2012 RMB'000	2011 RMB'000
Cost of inventories sold and services provided	**3,907,984**	2,677,362
Staff costs:		
Wages and salaries (including directors' remuneration set out in note 8)	**548,277**	426,250
Early retirement benefits	**14,557**	16,416
Defined contribution fund:		
– Retirement costs	**80,317**	61,380
– Other staff benefits	**94,449**	61,863
Total staff costs	**737,600**	565,909
Auditors' remuneration	**2,400**	2,200
Amortisation of prepaid land lease payments*	**12,378**	8,443
Amortisation of mining rights and reserves*	**103,347**	83,113
Depreciation	**323,002**	388,675
Loss on disposal of items of property, plant and equipment	**8,245**	14,144
Operating land lease rentals	**9,648**	7,233
Impairment of receivables	**16,347**	2,587
Exploration assets written off	**–**	7,444
Fair value (gains)/losses, net:		
– Equity investments at fair value through profit or loss	**(2,264)**	43,814
– Derivative financial instruments	**–**	633

* The amortisation of prepaid land lease payments and mining rights and reserves for the year is included in "Cost of sales" in the consolidated income statement.

8. Directors' and Supervisors' Remuneration

Directors' and supervisions' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong companies' ordinance, is as follows:

	2012 **RMB'000**	2011 RMB'000
Fees:		
– Non-executive Directors	**–**	–
– Independent Non-executive Directors	**640**	640
– Supervisors	**–**	–
	640	640
Salaries, allowances and benefits in kind	**622**	2,840
Performance related bonuses	**3,436**	1,463
Pension scheme contributions	**159**	113
	4,217	4,416
	4,857	5,056

8. Directors' and Supervisors' Remuneration (Continued)

(a) (i) Executive directors, Non-executive Directors (excluding independent Non-executive Directors) and supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
For the year ended 31 December 2012					
Executive directors:					
– Lu Dong Shang	–	202	1,485	35	1,722
– Weng Zhan Bin	–	146	1,141	45	1,332
– Li Xiu Chen (appointed on 23 Mar 2012)	–	120	732	45	897
	–	468	3,358	125	3,951
Non-executive Directors:					
– Liang Xin Jun	–	–	–	–	–
– Cong Jian Mao	–	–	–	–	–
– Ye Kai (appointed on 23 Mar 2012)	–	–	–	–	–
– Kong Fan He (appointed on 23 Mar 2012)	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Jin Ting	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Chu Yu Shan	–	154	78	34	266
	–	154	78	34	266
	–	622	3,436	159	4,217

8. Directors' and Supervisors' Remuneration (Continued)

(a) (i) Executive directors, Non-executive Directors (excluding independent Non-executive Directors) and supervisors (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
For the year ended 31 December 2011					
Executive directors:					
– Lu Dong Shang	–	1,057	650	35	1,742
– Weng Zhan Bin	–	702	180	35	917
	–	1,759	830	70	2,659
Non-executive Directors:					
– Liang Xin Jun	–	–	–	–	–
– Wu Zhong Qing (resigned on 23 Mar 2012)	–	–	–	–	–
– Cong Jian Mao	–	–	–	–	–
– Wang Pei Fu (resigned on 23 Mar 2012)	–	944	550	35	1,529
– Chen Guo Ping (resigned on 23 Mar 2012)	–	–	–	–	–
	–	944	550	35	1,529
Supervisors:					
– Jin Ting	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Chu Yu Shan	–	137	83	8	228
	–	137	83	8	228
	–	2,840	1,463	113	4,416

8. Directors' and Supervisors' Remuneration (Continued)

(a) (ii) Independent Non-executive Directors

The fees paid to independent Non-executive Directors during the year were as follows:

	2012 RMB'000	2011 RMB'000
Yan Hong Bo	**160**	160
Cai Si Cong	**160**	160
Chen Jin Rong	**160**	160
Ye Tian Zhu	**160**	160
	640	640

There were no other emoluments payable to the independent Non-executive Directors during the year (2011: Nil).

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

(b) Five highest paid employees

The five highest paid employees during the year fell into the following categories:

	2012	2011
Directors	**3**	2
Non-director and non-supervisory employees	**2**	3
	5	5

Details of directors' remuneration are set out in notes 8(a) to the financial statements.

8. Directors' and Supervisors' Remuneration (Continued)

(b) Five highest paid employees (Continued)

Details of the remuneration for the year of the non-director and non-supervisory, highest paid employees are as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	236	2,458
Performance related bonuses	1,457	400
Pension scheme contributions	76	102
	1,769	2,960

The number of non-director and non-supervisory, highest paid employees whose remuneration fell within the following bands is as follows:

	2012	2011
Nil to HK$1,000,000 (Equivalent to RMB810,850)	–	–
HK$1,000,001 to HK$2,000,000 (Equivalent to RMB810,851 to RMB1,621,702)	2	3

During the year, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. Income Tax Expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Provision for Mainland China current income tax is based on the statutory rate of 25% (2011: 25%) of the assessable profit of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China, which are taxed at a preferential rate of 15%. Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The major components of income tax expense for the year are as follows:

	2012 **RMB'000**	2011 RMB'000
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China		
– Charged for the year	**673,393**	625,895
Deferred tax *(note 22)*	**(55,630)**	(62,111)
Total tax charge for the year	**617,763**	563,784

9. Income Tax Expense (Continued)

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rates in Mainland China and Hong Kong to the income tax expense at the Group's effective income tax rate for the year is as follows:

	2012		2011	
	%	RMB'000	%	RMB'000
Profit before tax		**2,664,581**		2,286,519
Tax at the statutory tax rates	**25.0 or 16.5**	**666,285**	25.0 or 16.5	571,630
Reconciling items:				
Lower tax rate for specific entities	**(1.4)**	**(37,365)**	–	–
Expenses not deductible for tax	**0.2**	**5,267**	0.5	10,611
Income not subject to tax	**(0.1)**	**(1,332)**	(0.1)	(2,263)
Adjustment in respect of current tax of previous periods	**(1.1)**	**(28,480)**	(0.7)	(16,194)
Tax losses not recognised	**0.5**	**13,941**	–	–
Effect on openings deferred tax of decrease in rate of certain subsidiaries	**0.1**	**1,989**	–	–
Profits and losses attributable to an associate	**(0.1)**	**(2,542)**	–	–
Total tax charge for the year	**23.2**	**617,763**	24.7	563,784

The share of tax attributable to a associate amounting to RMB4,046,000 (2011: RMB2,437,000), is included in "Share of profits and losses of a associate" in the consolidated income statement.

10. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a profit of RMB1,457,196,000 (2011: RMB1,331,743,000) which has been dealt with in the financial statements of the Company (note 38).

Notes to Financial Statements

31 December 2012

11. Dividend

	2012 RMB'000	2011 RMB'000
Ordinary:		
Proposed final – RMB0.24 per share (2011: RMB0.21 per share)	**711,799**	612,121

The board of directors recommends a cash dividend to all shareholders on the basis of RMB0.24 per share (tax included) (2011: RMB0.21 per share (tax included)).

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,919,107,000 (2011: 2,914,860,000) in issue during the year.

The diluted earnings per share amounts are equal to the basic earnings per share amounts for the years ended 31 December 2012 and 2011, as no diluting events existed during these years.

The calculations of basic and diluted earnings per share are based on:

	2012 RMB'000	2011 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,923,521**	1,661,578

	2012 '000	2011 '000
Shares:	**2,965,827**	2,914,860
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**2,919,107**	2,914,860

13. Property, Plant and Equipment

Group

31 December 2012

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost:							
At 1 January 2012	1,491,664	1,226,992	105,305	164,457	2,447,033	1,020,360	6,455,811
Additions	173,189	112,494	21,722	30,041	157,984	1,915,050	2,410,480
Transferred from CIP	446,116	134,823	6,095	3,641	535,228	(1,125,903)	–
Transferred from exploration rights and assets *(note 16)*	–	–	–	–	94,230	–	94,230
Acquisition of subsidiaries *(note 39 and 40)*	88,999	43,058	878	5,159	135,684	17,185	290,963
Disposals/write-off	(8,378)	(28,571)	(2,061)	(4,877)	(21,585)	–	(65,472)
At 31 December 2012	2,191,590	1,488,796	131,939	198,421	3,348,574	1,826,692	9,186,012
Accumulated depreciation:							
At 1 January 2012	322,457	350,893	52,005	71,707	732,049	–	1,529,111
Charge for the year	84,273	107,181	16,582	25,952	89,014	–	323,002
Disposals/write-off	(4,640)	(21,041)	(1,825)	(3,705)	(8,318)	–	(39,529)
At 31 December 2012	402,090	437,033	66,762	93,954	812,745	–	1,812,584
Net book value:							
At 31 December 2012	1,789,500	1,051,763	65,177	104,467	2,535,829	1,826,692	7,373,428

Notes to Financial Statements

31 December 2012

13. Property, Plant and Equipment (Continued)

Group

31 December 2011

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	CIP RMB'000	Total RMB'000
Cost:							
At 1 January 2011	1,186,227	908,563	77,817	135,381	2,135,330	405,652	4,848,970
Additions	75,018	129,411	18,381	24,561	33,230	1,254,050	1,534,651
Transferred from CIP	231,783	197,489	3,486	7,187	214,313	(654,258)	–
Transferred from exploration rights and assets *(note 16)*	–	–	–	–	48,021	–	48,021
Acquisition of a subsidiary and a jointly-controlled entity	6,014	3,194	6,092	3,231	23,190	14,916	56,637
Disposals/write-off	(7,378)	(11,665)	(471)	(5,903)	(7,051)	–	(32,468)
At 31 December 2011	1,491,664	1,226,992	105,305	164,457	2,447,033	1,020,360	6,455,811
Accumulated depreciation:							
At 1 January 2011	278,363	267,067	38,757	62,234	511,469	–	1,157,890
Charge for the year	45,933	88,121	13,533	15,058	226,030	–	388,675
Disposals/write-off	(1,839)	(4,295)	(285)	(5,585)	(5,450)	–	(17,454)
At 31 December 2011	322,457	350,893	52,005	71,707	732,049	–	1,529,111
Net book value:							
At 31 December 2011	1,169,207	876,099	53,300	92,750	1,714,984	1,020,360	4,926,700

At 31 December 2012, certain of the Group's plant and machinery with a net carrying amount of approximately RMB349,882,000 (2011: Nil) were pledged to secure certain of the Group's bank borrowings (note 32).

13. Property, Plant and Equipment (Continued)

Company

31 December 2012

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	CIP RMB'000	Total RMB'000
Cost:							
At 1 January 2012	690,847	587,124	60,003	75,989	1,291,443	266,515	2,971,921
Additions	96,223	41,221	10,633	9,053	63,753	655,789	876,672
Transferred from exploration assets *(note 16)*	–	–	–	–	94,127	–	94,127
Transferred from CIP	139,580	2,966	–	–	229,837	(372,383)	–
Disposals/write-off	–	(12,312)	(1,864)	(2,769)	(10,805)	–	(27,750)
At 31 December 2012	926,650	618,999	68,772	82,273	1,668,355	549,921	3,914,970
Accumulated depreciation:							
At 1 January 2012	217,126	214,307	34,585	46,041	358,628	–	870,687
Charge for the year	30,386	45,174	9,546	14,613	46,050	–	145,769
Disposals/write-off	–	(9,769)	(1,778)	(2,669)	(8,015)	–	(22,231)
At 31 December 2012	247,512	249,712	42,353	57,985	396,663	–	994,225
Net book value:							
At 31 December 2012	679,138	369,287	26,419	24,288	1,271,692	549,921	2,920,745

13. Property, Plant and Equipment (Continued)

Company

31 December 2011

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	CIP RMB'000	Total RMB'000
Cost:							
At 1 January 2011	555,003	447,413	47,072	67,735	1,134,163	201,360	2,452,746
Additions	–	–	10,056	6,281	31,675	438,292	486,304
Transferred from exploration assets *(note 16)*	–	–	–	–	48,021	–	48,021
Transferred from CIP	138,203	148,332	3,103	2,229	81,270	(373,137)	–
Disposals/write-off	(2,359)	(8,621)	(228)	(256)	(3,686)	–	(15,150)
At 31 December 2011	690,847	587,124	60,003	75,989	1,291,443	266,515	2,971,921
Accumulated depreciation:							
At 1 January 2011	205,782	178,573	28,272	45,022	288,989	–	746,638
Charge for the year	13,064	42,985	6,532	1,047	72,716	–	136,344
Disposals/write-off	(1,720)	(7,251)	(219)	(28)	(3,077)	–	(12,295)
At 31 December 2011	217,126	214,307	34,585	46,041	358,628	–	870,687
Net book value:							
At 31 December 2011	473,721	372,817	25,418	29,948	932,815	266,515	2,101,234

14. Prepaid Land Lease Payments

Group

	2012 RMB'000	2011 RMB'000
Carrying amount at 1 January	**236,604**	176,045
Additions during the year	**10,443**	69,002
Acquisition of a subsidiary *(note 39)*	**6,146**	–
Recognised during the year	**(12,378)**	(8,443)
Carrying amount at 31 December	**240,815**	236,604

Company

	2012 RMB'000	2011 RMB'000
Carrying amount at 1 January	**130,123**	70,753
Additions during the year	**–**	63,657
Recognised during the year	**(5,375)**	(4,287)
Carrying amount at 31 December	**124,748**	130,123

The Group's and the Company's leasehold lands are located in Mainland China. In 2004 and 2005, the Group and the Company were formally granted by the relevant PRC authorities certain rights to use the lands on which the Group's factories and gold mines are erected, for periods generally ranging between 10 and 50 years from the grant date.

Notes to Financial Statements

31 December 2012

15. Goodwill

Group

	RMB'000
Cost at 1 January 2011, net of accumulated impairment	559,197
Acquisition of a subsidiary	27,477
Impairment during the year	–
Cost and net carrying amount at 31 December 2011	586,674
At 31 December 2011:	
Cost	586,674
Accumulated impairment	–
Net carrying amount	586,674
Cost at 1 January 2012, net of accumulated impairment	**586,674**
Acquisition of subsidiaries *(note 39)*	**227,268**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2012	**813,942**
At 31 December 2012:	
Cost	**813,942**
Accumulated impairment	**–**
Net carrying amount	**813,942**

15. Goodwill (Continued)

Company

	RMB'000
Cost at 1 January 2011, net of accumulated impairment	84,333
Impairment during the year	–
Cost and net carrying amount at 31 December 2011	84,333
At 31 December 2011:	
Cost	84,333
Accumulated impairment	–
Net carrying amount	84,333
Cost at 1 January 2012, net of accumulated impairment	**84,333**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2012	**84,333**
At 31 December 2012:	
Cost	**84,333**
Accumulated impairment	**–**
Net carrying amount	**84,333**

15. Goodwill (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the related cash-generating units of gold and copper productions.

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rates applied to the cash flow projections range from 9% to 11% (2011: 8.24%).

Assumptions were used in the value in use calculation for 31 December 2012 and 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gold and copper output

The values assigned to the future revenues are estimated based on the annual gold and copper production, which is in line with the processing capacity of each cash-generating units, taking into consideration the expected future capital expenditure and capacity expansion.

Mining costs

The basis used to determine the values assigned to the mining costs is the input requirements in accordance with the long-term mining plan at real unit costs.

Commodity price

Future commodity prices in the valuation model are estimated by management based on their industry experience, historic price trends and independent expert reports and commentaries.

Discount rates

The discount rates used are based on a weighted average cost of capital, and are real rates, before tax reflecting specific risks relating to the cash-generating units.

The values assigned to the key assumptions are consistent with external information sources.

16. Other Intangible Assets

Group

31 December 2012

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Total RMB'000
Cost:			
At 1 January 2012	1,229,932	1,787,926	3,017,858
Additions	307,635	45,469	353,104
Acquisition of subsidiaries *(note 39)*	134	647,330	647,464
Acquisition of subsidiary not accounted for as a business combination *(note 40)*	349,177	–	349,177
Transferred to property, plant and equipment *(note 13)*	(94,230)	–	(94,230)
At 31 December 2012	1,792,648	2,480,725	4,273,373
Accumulated amortisation:			
At 1 January 2012	39,163	387,292	426,455
Provided during the year	–	103,347	103,347
At 31 December 2012	39,163	490,639	529,802
Net book value:			
At 31 December 2012	1,753,485	1,990,086	3,743,571

16. Other Intangible Assets (Continued)

Group

31 December 2011

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Total RMB'000
Cost:			
At 1 January 2011	1,086,984	1,630,088	2,717,072
Additions	194,125	3,405	197,530
Acquisition of a subsidiary and a jointly-controlled entity	4,288	154,433	158,721
Write-off	(7,444)	–	(7,444)
Transferred to property, plant and equipment *(note 13)*	(48,021)	–	(48,021)
At 31 December 2011	1,229,932	1,787,926	3,017,858
Accumulated amortisation:			
At 1 January 2011	39,163	304,179	343,342
Provided during the year	–	83,113	83,113
At 31 December 2011	39,163	387,292	426,455
Net book value:			
At 31 December 2011	1,190,769	1,400,634	2,591,403

16. Other Intangible Assets (Continued)

At 31 December 2012, certain of the Group's mining rights with a net carrying amount of approximately RMB44,580,000 (2011: Nil) were pledged to secure certain of the Group's bank borrowings (note 32).

On 24 August 2012, Zhaoyuan Jingtingling Mining Industry Company, a wholly-owned subsidiary of the Company, acquired the Zaoyangshan exploration right and assets from a related party, Zhaoyuan Gold Smelting Company Limited (a wholly-owned subsidiary of Zhaojin Group) with an amount of RMB28,400,000.

Company

31 December 2012

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Total RMB'000
Cost:			
At 1 January 2012	552,584	605,386	1,157,970
Additions	244,971	140	245,111
Transferred to property, plant and equipment *(note 13)*	(94,127)	–	(94,127)
At 31 December 2012	703,428	605,526	1,308,954
Accumulated amortisation:			
At 1 January 2012	15,909	180,644	196,553
Provided during the year	–	40,617	40,617
At 31 December 2012	15,909	221,261	237,170
Net book value:			
At 31 December 2012	687,519	384,265	1,071,784

Notes to Financial Statements

31 December 2012

16. Other Intangible Assets (Continued)

Company

31 December 2011

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Total RMB'000
Cost:			
At 1 January 2011	498,086	604,819	1,102,905
Additions	109,963	567	110,530
Write-off	(7,444)	–	(7,444)
Transferred to property, plant and equipment *(note 13)*	(48,021)	–	(48,021)
At 31 December 2011	552,584	605,386	1,157,970
Accumulated amortisation:			
At 1 January 2011	15,909	157,927	173,836
Provided during the year	–	22,717	22,717
At 31 December 2011	15,909	180,644	196,553
Net book value:			
At 31 December 2011	536,675	424,742	961,417

17. Investments in Subsidiaries

Company

	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**3,979,146**	2,622,196

Particulars of the subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of paid-up/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	 Indirect %	Principal activities
Zhaoyuan Jintingling Mining Industry Company Limited (招遠市金亭嶺礦業有限公司)	PRC/Mainland China 10 October 2002	45,000	100	–	Gold mining and processing of gold products
Hainan Dongfang Zhaojin Mining Industry Company Limited (海南東方招金礦業有限公司)	PRC/Mainland China 13 May 2004	5,800	95	–	Gold mining and processing of gold products
Minxian Tianhao Gold Company Limited (岷縣天昊黃金有限責任公司)	PRC/Mainland China 16 May 2001	46,670	100	–	Gold mining and processing of gold products
Tuoli Zhaojin Beijiang Mining Company Limited ("TZB") (托里縣招金北疆礦業有限公司)	PRC/Mainland China 16 April 2004	30,000	100	–	Gold mining and processing of gold products
Subsidiary of TZB:					
Tuoli Xinhe Gold Mining Industry Co., Ltd. ("Xinhe Gold Company") (托里縣鑫合黃金礦業有限公司)	PRC/Mainland China 7 January 2004	33,400	–	100	Gold mining and processing of gold products
Xinjiang Xingta Mining Company Limited (新疆星塔礦業有限公司)	PRC/Mainland China 24 November 2005	160,000	100	–	Smelting of gold

Notes to Financial Statements

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17. Investments in Subsidiaries (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of paid-up/ registered share capital	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
		RMB'000	%	%	
Kunhe Zhaojin Mining Company Limited ("Kunhe") (阿勒泰市招金昆合礦業有限公司)	PRC/Mainland China 27 August 2007	10,000	100	–	Gold mining and processing of gold products
Huabei Zhaojin Mining Investment Company Limited ("HZMI") (華北招金礦業投資有限公司)	PRC/Mainland China 20 June 2007	50,000	100	–	Investment holding
Subsidiaries of HZMI:					
Heilongjiang Zhaojin Mining Company Limited (黑龍江招金礦業開發有限公司)	PRC/Mainland China 10 September 2007	10,000	–	70	Investment holding
Beijing Zhongse Mining Technology Company Limited ("Beijing Zhongse") (北京中色鴻鑫礦業科技有限責任公司)	PRC/Mainland China 26 September 2007	30,000	–	80	Investment holding
Quwo Zhaojin Mining Company Limited ("Quwo") (曲沃縣招金礦業有限公司)	PRC/Mainland China 9 December 2011	30,000	–	70	Investment holding
Gansu Zhaojin Mining Company Limited ("GSZJ") (甘肅招金礦業有限公司)	PRC/Mainland China 14 August 2007	10,000	100	–	Investment holding
Subsidiary of GSZJ:					
Liangdang Zhaojin Mining Industry Company Limited ("Liangdang Mining") (兩當縣招金礦業有限公司)*****	PRC/Mainland China 28 March 2008	6,000	–	70	Gold mining and processing of gold products
Fengningjinlong Mining Company Limited ("FNJL") (豐寧金龍黃金工業有限公司)	PRC/Mainland China 14 September 2000	94,519	52	–	Gold mining, smelting and processing of gold products

17. Investments in Subsidiaries (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of paid-up/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
Zhaojin Guihe Technical Company Limited ("Guihe") (招遠市招金貴合科技有限公司)	PRC/Mainland China 9 October 2009	50,000	100	–	Manufacture and sale of sulphur acid and noble metal, electricity generation
Gansu Hezuo Zaozigou Mining Industry Company Limited ("ZGM") (甘肅省合作早子溝金礦有限責任公司)	PRC/Mainland China 29 October 2008	2,000	52	–	Gold mining, smelting and processing of gold products
Jiashi Tonghui Mining Company Limited ("TCM") (伽師縣銅輝礦業有限責任公司)	PRC/Mainland China 5 January 2004	9,000	92	–	Copper mining and processing of copper products
Subsidiary of TCM:					
Kezhou Zhaojin Mining Industry Company Limited ("Kezhou") (克州招金有限責任公司)***	PRC/Mainland China 9 January 2012	5,000	–	92	Copper mining and processing of gold products
Xinjiang Xinhui Copper Company Limited ("Xinhui") (新疆鑫慧銅業有限公司)	PRC/Mainland China 16 November 2006	30,000	92	–	Smelting of copper
Subsidiary of Xinhui:					
Xinjiang Zhaojin Smelting Company Limited ("Xinjiang Smelting") (新疆招金冶煉有限公司)***	PRC/Mainland China 5 January 2012	50,000	–	92	Smelting of copper
Qinghe Jindu Mining Company Limited ("Qinghe Mining") (青河縣金都礦業開發有限公司)	PRC/Mainland China 4 August 2005	10,000	95	–	Gold mining, and processing of gold products
Xinfengyuan Mining Company Limited ("Xinfengyuan Mining") (鳳城市鑫丰源礦業有限公司)	PRC/Mainland China 12 December 2007	10,000	100	–	Gold mining, exploration and processing of gold products

17. Investments in Subsidiaries (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of paid-up/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
Hezheng Xinyuan Mining Company Limited ("Hezheng Ming") (和政鑫源礦業有限公司)****	PRC/Mainland China 7 December 2006	5,000	95	–	Exploration and sale of gold products
Xinjiang Zhaojin Mining Development Company Limited ("XJKF") (新疆招金礦業開發有限公司)	PRC/Mainland China 19 May 2010	30,000	100	–	Mining investment and sale of gold products
Guigang Longxin Mining Company Limited ("Longxin Mining") (廣西貴港市龍鑫礦業開發有限公司)	PRC/Mainland China 19 December 2005	5,000	100	–	Sale of gold products
Zhaojin Zhengyuan Mining Company Limited ("Zhengyuan") (山東招金正元礦業有限公司)	PRC/Mainland China 18 August 2010	10,000	80	–	Mining investment and exploration of gold
Zhaojin Baiyun Mining Company Limited ("Baiyun Mining") (遼寧招金白雲黃金礦業有限公司)	PRC/Mainland China 20 December 1983	14,100	55	–	Exploration of gold and sale of gold products
Daqinjia Gold Mining Industry Company Limited ("Daqinjia") (大秦家金礦礦業有限公司)	PRC/Mainland China 3 June 1986	30,000	90	–	Gold mining and processing of gold products
Yantai Jinshi Mining Investment Company Limited ("Jinshi") (煙臺金時礦業投資有限公司)	PRC/Mainland China 26 September 2011	5,000	100	–	Investment holding
Baicheng Dishui Copper Mining Development Company Limited ("Dishui") (拜城縣滴水銅礦開發有限責任公司)*	PRC/Mainland China 18 May 2007	140,000	79	–	Copper mining and processing of copper products

17. Investments in Subsidiaries (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of paid-up/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Subsidiary of Dishui:					
Xinjiang Zhongxiya Mining Company Limited ("Xinjiang Zhongxiya") (新疆中西亞礦業有限公司)*	PRC/Mainland China 26 September 2007	5,000	–	79	Exploration of mining assets
Xinjiang Jinhanzun Mining Investment Company Limited ("Jinhanzun") (新疆金瀚尊礦業投資有限公司)**	PRC/Mainland China 25 August 2005	1,080	100	–	Sale of mining products
Gansu Zhaojin Precious Metal Smelting Company Limited ("Gansu Smelting") (甘肅招金貴金屬冶煉有限公司)***	PRC/Mainland China 11 December 2012	300,000	55	–	Smelting of gold and other precious metal
Fuyun Zhaojin Mining Industry Company Limited ("Fuyun") (富蘊招金礦業有限公司)***	PRC/Mainland China 27 September 2012	10,000	100	–	Investment holding
Lingqiu Liyuan Gold Mining Industry Company Limited ("Liyuan") (靈丘縣梨園金礦有限責任公司)*	PRC/Mainland China 1 May 2005	80,000	51	–	Exploration of gold and sale of gold products
Jishan Mining Industry Company Limited ("Jishan") (紀山礦業有限責任公司)***	PRC/Mainland China 26 October 2012	1,000	95	–	Exploration of gold

17. Investments in Subsidiaries (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of paid-up/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
		RMB'000	%	%	
Sparky International Trade Company Limited ("SIT") (斯派柯國際貿易有限公司)	Hong Kong 31 May 2007	HK$ 70,000,000	100	–	Purchase of gold concentrates from places outside China
Subsidiaries of SIT:					
Gold Vein International Investment Limited ("Gold Vein") (金脈國際投資有限公司)	British Virgin Islands 14 October 2009	United States dollars ("USD")1	–	100	Investment holding
Starlet Creation Limited ("Starlet") (星河創建有限公司)	Hong Kong 7 July 2011	HK$1	–	100	Investment holding
Jodies Joy Limited ("Jodies Joy") (領興有限公司)	British Virgin Islands 21 July 2011	USD1	–	100	Investment holding

The above subsidiaries established in the PRC are registered as companies with limited liability under PRC law.

* During the year, the Group acquired Dishui and Liyuan under business combinations. Further details of these acquisitions are included in note 39 to the financial statements.

** During the year, the Group acquired Jinhanzun from a subsidiary of Zhaojin Group. The acquisition has been accounted for as an acquisition of assets. Further details of this acquisition are included in note 40 to the financial statements.

*** During the year, the Company established Gansu Smelting, Fuyun and Jishan with equity investments at RMB165,000,000, RMB10,000,000 and RMB950,000, respectively. TCM established Kezhou and Xinhui established Xinjiang smelting with equity investments at RMB5,000,000 and RMB50,000,000, respectively.

**** The Company acquired 15% equity interests of Hezheng Mining from its non-controlling shareholder at a consideration of RMB9,000,000 in January 2012.

***** GSZJ acquired 15% equity interests of Liangdang Mining from its non-controlling shareholder at a consideration of RMB2,577,000 in October 2012.

18. Investment in a Jointly-Controlled Entity

Company

	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	**100,000**	100,000

Particulars of the jointly-controlled entity are as follows:

Company name	Place and date of establishment	Paid-up/ registered share capital RMB'000	Percentage of equity interest directly attributable to the Group	Principal activities
Ruoqiang Changyun Sanfengshan Mining Company Limited ("Sanfengshan") (若羌縣昌運三峰山金礦有限責任公司)	PRC 13 November 2006	9,000	50%	Mining, exploration of non-ferrous and ferrous metal; and processing of non-ferrous and ferrous metal products

The statutory financial statements of the jointly-controlled entity were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above interest in a jointly-controlled entity is directly held by the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2012 RMB'000	2011 RMB'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**7,436**	19,098
Non-current assets	**179,199**	147,970
Current liabilities	**(29,767)**	(21,608)
Non-current liabilities	**(48,340)**	(28,640)
Net assets	**108,528**	116,820

18. Investment in a Jointly-Controlled Entity (Continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entity: (Continued)

	2012 RMB'000	2011 RMB'000
Share of the jointly-controlled entity's results:		
Revenue	3,308	11,223
Other income	1,473	13,919
	4,781	25,142
Total expenses	(10,344)	(7,726)
Tax	(2,729)	(597)
(Loss)/profit after tax	(8,292)	16,819

19. Investment in an Associate

Group

	2012 RMB'000	2011 RMB'000
Share of net assets	45,830	42,220

Company

	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	34,650	34,650

19. Investment in an Associate (Continued)

Particulars of the associate are as follows:

Company name	Place and date of establishment	Paid-up/ registered share capital RMB'000	Percentage of equity interest directly attributable to the Group	Principal activities
Aletai Zhengyuan International Mining Company Limited ("Aletai") (阿勒泰正元國際礦業有限公司)	PRC 20 May 2005	90,000	38.5%	Gold mining and processing of gold products

The statutory financial statements of the associate were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The percentages of the Company's voting power held and profit sharing are both 38.5% (2011: 38.5%).

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

	2012 RMB'000	2011 RMB'000
Assets	**142,477**	134,948
Liabilities	**23,437**	25,285
Revenue	**105,073**	78,966
Profit after tax	**26,405**	18,025

20. Loans Receivable

Company

	2012 RMB'000	2011 RMB'000
Entrustment loans receivable from		
– subsidiaries	**3,494,549**	1,640,811
– a jointly-controlled entity	**55,000**	15,000
Less: Due within 12 months	**(1,224,500)**	(1,014,320)
Due after 12 months	**2,325,049**	641,491

The Company entered into entrustment loan agreements with its subsidiaries and a jointly-controlled entity through a bank. Pursuant to the entrustment loan agreements, the Company extended loans to its subsidiaries and a jointly-controlled entity through the bank. The loans are unsecured, bear interest at fixed rates ranging from Nil to 7.65% per annum and have maturity dates in 2013 till 2015.

21. Long-term Deposits

Long-term deposits of the Group and the Company represent utilities and environmental rehabilitation deposits paid to service providers and the government respectively. The amounts are not expected to be refunded within the next 12 months as at 31 December 2012.

22. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Group

31 December 2012

	At 1 January RMB'000	(Charged)/ credited to profit or loss *(note 9)* RMB'000	Arising on acquisitions *(note 39)* RMB'000	At 31 December RMB'000
Deferred tax assets:				
Difference on tax depreciation and book value				
– Other intangible assets	(8,006)	8,006	–	–
– Property, plant and equipment	20,511	(6,382)	–	14,129
Provision for early retirement and rehabilitation	24,389	(1,708)	–	22,681
Deferred income	37,418	24,481	–	61,899
Losses available for offsetting against future taxable profits	38,278	(20,969)	–	17,309
Other temporary differences	46,606	41,370	–	87,976
Deferred tax assets	159,196	44,798	–	203,994
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	(476,190)	41,291	(155,919)	(590,818)
Difference on tax depreciation and book value				
– Other intangible assets	–	(30,459)	–	(30,459)
Deferred tax liabilities	(476,190)	10,832	(155,919)	(621,277)
Total	(316,994)	55,630	(155,919)	(417,283)

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22. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Group

31 December 2011

	At 1 January RMB'000	(Charged)/ credited to profit or loss *(note 9)* RMB'000	Arising on acquisitions RMB'000	At 31 December RMB'000
Deferred tax assets:				
Difference on tax depreciation and book value				
– Other intangible assets	13,004	(21,010)	–	(8,006)
– Property, plant and equipment	1,062	19,449	–	20,511
Provision for early retirement and rehabilitation	21,187	3,202	–	24,389
Deferred income	8,499	28,919	–	37,418
Losses available for offsetting against future taxable profits	30,279	7,999	–	38,278
Other temporary differences	45,423	1,183	–	46,606
Deferred tax assets	119,454	39,742	–	159,196
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	(457,022)	22,369	(41,537)	(476,190)
Deferred tax liabilities	(457,022)	22,369	(41,537)	(476,190)
Total	(337,568)	62,111	(41,537)	(316,994)

22. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Company

31 December 2012

	At 1 January RMB'000	(Charged)/ credited to profit or loss RMB'000	At 31 December RMB'000
Deferred tax assets:			
Difference on tax depreciation and book value			
– Other intangible assets	(44,217)	(15,828)	(60,045)
– Property, plant and equipment	(12,780)	(9,861)	(22,641)
Provision for early retirement and rehabilitation	17,972	(936)	17,036
Deferred income	33,817	13,121	46,938
Other temporary differences	22,429	47,858	70,287
Deferred tax assets	17,221	34,354	51,575
Deferred tax liabilities:			
Fair value adjustments arising from merger of subsidiaries	(91,721)	6,344	(85,377)
Deferred tax liabilities	(91,721)	6,344	(85,377)
Total	(74,500)	40,698	(33,802)

22. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Company

31 December 2011

	At 1 January RMB'000	(Charged)/ credited to profit or loss RMB'000	At 31 December RMB'000
Deferred tax assets:			
Difference on tax depreciation and book value			
– Other intangible assets	(27,878)	(16,339)	(44,217)
– Property, plant and equipment	(14,463)	1,683	(12,780)
Provision for early retirement and rehabilitation	19,044	(1,072)	17,972
Deferred income	8,176	25,641	33,817
Other temporary differences	22,138	291	22,429
Deferred tax assets	7,017	10,204	17,221
Deferred tax liabilities:			
Fair value adjustments arising from merger of a subsidiary	(95,548)	3,827	(91,721)
Deferred tax liabilities	(95,548)	3,827	(91,721)
Total	(88,531)	14,031	(74,500)

At 31 December 2012, there was no significant unrecognised deferred tax liability (2011: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associate or jointly-controlled entity as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. Other Long-term Assets

Group

	2012 RMB'000	2011 RMB'000
Advance and deposits paid for purchases of subsidiaries and exploration rights	906,000	594,000
Advance payment for purchases of property, plant and equipment	228,539	167,635
	1,134,539	761,635

Company

	2012 RMB'000	2011 RMB'000
Advance and deposits paid for purchases of subsidiaries and exploration rights	86,000	524,000
Advance payment for purchases of property, plant and equipment	99,729	151,054
	185,729	675,054

The outstanding commitments in relation to the above acquisitions and purchases are disclosed in note 42.

Notes to Financial Statements

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24. Inventories

Group

	2012 RMB'000	2011 RMB'000
Raw materials	129,478	111,572
Work in progress	1,536,392	1,525,135
Finished goods	345,128	494,550
	2,010,998	2,131,257

Company

	2012 RMB'000	2011 RMB'000
Raw materials	47,176	38,276
Work in progress	611,891	1,217,032
Finished goods	170,318	246,424
	829,385	1,501,732

25. Trade and Notes Receivables

Group

	2012 RMB'000	2011 RMB'000
Trade receivables	140,966	29,174
Notes receivable	–	16,446
	140,966	45,620

25. Trade and Notes Receivables (Continued)

An ageing analysis of the trade and notes receivables, based on the invoice date, is as follows:

	2012 RMB'000	2011 RMB'000
Outstanding balances due within 90 days	**140,966**	45,620

Trade and notes receivables due from related parties included in the trade and notes receivables of the Group are as follows:

	2012 RMB'000	2011 RMB'000
Amounts due from related parties		
– Subsidiaries of Zhaojin Group	**82,925**	–

The amounts due from related parties are unsecured, interest-free and expected to be settled within 60 days.

Company

	2012 RMB'000	2011 RMB'000
Trade receivables	**105,557**	16,186
Notes receivable	**2,027**	5,500
	107,584	21,686

An ageing analysis of the trade and notes receivables, based on the invoice date, is as follows:

	2012 RMB'000	2011 RMB'000
Outstanding balances due within 90 days	**107,584**	21,686

Trade and notes receivables are non-interest-bearing. 79% (2011: 78%) of the sales for the year ended 31 December 2012 were made through the Shanghai Gold Exchange (the "SGE"). The credit term given to other customers is from 30 to 60 days, there were no significant receivables that were overdue or impaired.

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26. Prepayments, Deposits and Other Receivables

Group

	2012 RMB'000	2011 RMB'000
Prepayments	333,646	346,891
Other receivables	511,129	174,060
	844,775	520,951

Prepayments and other receivables due from related parties included in the prepayments and other receivables of the Group are as follows:

	2012 RMB'000	2011 RMB'000
Amounts due from related parties:		
– Zhaojin Group	6,390	1,460
– Subsidiaries of Zhaojin Group	17,548	34,228
	23,938	35,688

The amounts due from related parties are unsecured, interest-free and has no fixed terms of settlement.

Company

	2012 RMB'000	2011 RMB'000
Prepayments	223,852	214,340
Other receivables	980,820	651,787
	1,204,672	866,127

26. Prepayments Deposits and Other Receivables (Continued)

There are no significant balances that are overdue or impaired except for the impairment of other receivables. Movements in the provision for impairment of other receivables are as follows:

Group

	2012 RMB'000	2011 RMB'000
At 1 January 2012	22,406	19,819
Impairment losses recognised	16,347	2,587
At 31 December 2012	38,753	22,406

Company

	2012 RMB'000	2011 RMB'000
At 1 January 2012	11,793	9,206
Impairment losses recognised	1,793	2,587
At 31 December 2012	13,586	11,793

27. Equity Investments at Fair Value through Profit or Loss

Group

	2012 RMB'000	2011 RMB'000
Listed equity investments at market value		
– Hong Kong	7,223	8,732
– Australia	25,186	–
	32,409	8,732

28. Derivative Financial Instruments

Group

	2012 RMB'000	2011 RMB'000
Commodity derivative contracts	–	9,367

The Group uses commodity derivative contracts to hedge its commodity price risk, which does not meet the criteria of hedge accounting. Commodity derivative contracts utilised by the Group are standardised copper cathode futures contracts on the SHFE.

There was no unrealised gain or loss on the changes in fair value at the end of the reporting period (2011: gain amounting to RMB600,000).

29. Cash and Cash Equivalents

Group

	2012 RMB'000	2011 RMB'000
Cash and bank balances	**1,345,650**	1,241,372
Time deposits	**5,000**	4,500
	1,350,650	1,245,872
Less: Pledged time deposit	**–**	–
	1,350,650	1,245,872

Company

	2012 RMB'000	2011 RMB'000
Cash and bank balances	**652,795**	766,942
Time deposit	**–**	–
	652,795	766,942
Less: Pledged time deposit	**–**	–
	652,795	766,942

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK$") amounted to RMB15,461,000 (2011: RMB16,495,000) and those denominated in USD amounted to RMB13,374,000 (2011: RMB50,026,000). All other cash and cash equivalents held by the Group are denominated in RMB. The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash in banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the time deposit rates. Time deposits can be withdrawn at the discretion of the Group with seven days' notice. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

30. Trade Payables

At 31 December 2012, the balance of trade payables mainly represents the amount regarding to the unsettled procurement of gold concentrate. The trade payables are non-interest-bearing and are normally settled on 60-days terms.

An ageing analysis of the trade payables as at the end of the reporting period based on the invoice date, is as follows:

Group

	2012 RMB'000	2011 RMB'000
Within one year	**391,582**	1,524,780
Over one year but within two years	**11,774**	9,009
Over two years but within three years	**2,275**	1,954
Over three years	**2,186**	2,082
	407,817	1,537,825

Trade payables due to related parties included in the trade payables of the Group are as follows:

	2012 RMB'000	2011 RMB'000
Amounts due to related parties		
– Subsidiaries of Zhaojin Group	**4,579**	–

The amounts due to related parties are unsecured, interest-free and expected to be settled within 60 days, which represents similar credit terms to those offered the related parties to their major suppliers.

Company

	2012 RMB'000	2011 RMB'000
Within one year	**141,892**	1,307,529
Over one year but within two years	**2,357**	8,905
Over two years but within three years	**1,240**	1,947
Over three years	**1,498**	1,961
	146,987	1,320,342

31. Other Payables and Accruals

Group

	2012 RMB'000	2011 RMB'000
Accrued taxes other than income tax	**193,782**	105,143
Accrued expenses and other payables	**386,586**	282,900
Capital expenditure payables	**433,722**	113,127
	1,014,090	501,170

Other payables due to related parties included in the other payables and accruals of the Group are as follows:

	2012 RMB'000	2011 RMB'000
Amounts due to related parties		
– Zhaojin Group	**4,489**	–
– Subsidiaries of Zhaojin Group	**2,017**	12,923
	6,506	12,923

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

Company

	2012 RMB'000	2011 RMB'000
Accrued taxes other than income tax	**133,764**	78,858
Accrued expenses and other payables	**622,048**	190,462
Capital expenditure payables	**47,732**	31,669
	803,544	300,989

Other payables are non-interest-bearing and have an average term ranging from 30 to 60 days.

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32. Interest-bearing Bank and Other Borrowings

Group

	2012			2011		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans-secured (b)	5.60-6.00	2013	120,000	–	–	–
Bank loans-guaranteed (c)	5.60	2013	70,000	–	–	–
Bank loans-unsecured	5.04-6.56	2013	2,976,937	5.76-6.56	2012	554,410
Other borrowings-unsecured	2.55	2013	708	2.19	2012	3,550
Short-term bond-unsecured	–	–	–	6.11	2012	697,200
Bank loans entrusted by Zhaojin Group –unsecured	–	–	–	4.00	2012	255,000
			3,167,645			1,510,160
Non-current						
Bank loans-guaranteed (c)	6.40	2017	43,000	–	–	–
Other borrowings-unsecured	2.55	2014-2021	13,908	2.19	2013-2021	20,019
Bank loans-unsecured	–	–	–	5.40-6.50	2013	130,590
Bank loans-secured (b)	–	–	–	6.67-7.55	2013	7,500
			56,908			158,109
			3,224,553			1,668,269

Notes:

(a) Unutilised limit of bank loans

	2012 RMB'000	2011 RMB'000
Banking facilities:		
– Available	7,190,000	5,822,500
– Utilised	(2,976,937)	(692,500)
Unutilised	4,213,063	5,130,000

32. Interest-bearing Bank and Other Borrowings (Continued)

Group

Notes: (Continued)

(b) Certain of the Group's bank loans are secured by mortgages over the Group's plant and machinery, mining rights and mining assets, which had an aggregate carrying value at the end of the reporting period of approximately RMB349,882,000 (2011: Nil), RMB44,580,000 (2011: Nil) and Nil (2011: RMB7,270,000), respectively.

(c) As at 31 December 2012, bank loans of the subsidiaries with carrying amounts of RMB93,650,000 (2011: Nil) and RMB19,350,000 (2011: Nil) are guaranteed by the Company and a non-controlling shareholder of a subsidiary, respectively.

Company

	2012			2011		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans-unsecured	**5.04-6.56**	**2013**	**2,856,937**	5.76-6.56	2012	500,000
Other borrowings-unsecured	**2.55**	**2013**	**708**	–	–	–
Short-term bond-unsecured	**–**	**–**	**–**	6.11	2012	697,200
Bank loans entrusted by Zhaojin Group –unsecured	**–**	**–**	**–**	4.00	2012	255,000
			2,857,645			1,452,200
Non-current						
Other borrowings-unsecured	**2.55**	**2014-2021**	**4,957**	2.19	2013-2021	8,024
			2,862,602			1,460,224

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32. Interest-bearing Bank and Other Borrowings (Continued)

Company

Notes:

(a) Unutilised limit of bank loans

	2012 RMB'000	2011 RMB'000
Banking facilities:		
– Available	**6,990,000**	5,570,000
– Utilised	**(2,856,937)**	(500,000)
Unutilised	**4,133,063**	5,070,000

All borrowings of the Group and of the Company are denominated in RMB.

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Analysed into:				
Bank loans and short-term bond repayable:				
Within one year or on demand	**3,166,937**	1,506,610	**2,856,937**	1,452,200
In the second year	**–**	138,090	**–**	–
In the third to fifth years, inclusive	**43,000**	–	**–**	–
	3,209,937	1,644,700	**2,856,937**	1,452,200
Other borrowings repayable:				
Within one year	**708**	3,550	**708**	–
In the second year	**707**	1,650	**707**	1,650
In the third to fifth years, inclusive	**2,125**	11,995	**2,125**	–
Beyond five years	**11,076**	6,374	**2,125**	6,374
	14,616	23,569	**5,665**	8,024
	3,224,553	1,668,269	**2,862,602**	1,460,224

33. Corporate Bonds

On 23 December 2009, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.5 billion. The bond carries interest at 5% per annum with a term of seven years, which is payable annually in arrears on 23 December each year. The bond is redeemable, at the option of bondholders, at par value on 23 December 2014.

On 16 November 2012, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.2 billion. The bond carries interest at 5% per annum with a term of five years, which is payable annually in arrears on 16 November each year.

Group and Company

	2012 **RMB'000**	2011 RMB'000
Corporate bonds at the beginning of the year	**1,491,047**	1,489,504
Corporate bonds issued during the year	**1,190,400**	–
Increase arising from the amortisation method	**1,439**	1,543
Corporate bonds at the end of the year	**2,682,886**	1,491,047

As at 31 December 2012, the bonds issued which amounted to RMB2,682,886,000 are guaranteed by the Zhaojin Group.

34. Deferred Income

Deferred income represents unconditional government grants received in respect of property, plant and equipment, geological exploration activities and the mining of low grade ore. The movements in deferred income during the year are as follows:

Group

	Note	2012 RMB'000	2011 RMB'000
At beginning of year		149,672	33,997
Received during the year		143,864	143,287
Acquisition of a subsidiary	39	3,476	–
Recognised as income during the year	5	(48,377)	(27,612)
At end of year		248,635	149,672

Company

	2012 RMB'000	2011 RMB'000
At beginning of year	135,270	32,705
Received during the year	80,475	112,495
Recognised as income during the year	(27,994)	(9,930)
At end of year	187,751	135,270

35. Other Long-term Liabilities

The balance represents the payable for the renewal of a mining right and the commitment of profit distribution to non-controlling shareholders.

36. Provision

Group

	2012 RMB'000	2011 RMB'000
Provision for rehabilitation		
At beginning of year	**10,869**	8,217
Interest increment *(note 6)*	**794**	526
Change in discount rate	**(3,476)**	(949)
Additional rehabilitation	**–**	3,075
At end of year	**8,187**	10,869
Provision for early retirement		
At beginning of year	**86,685**	76,529
Additional early retirees	**14,557**	16,416
Change in discount rate	**1,403**	(1,600)
Interest increment *(note 6)*	**5,331**	5,020
Acquisition of a subsidiary	**–**	14,381
Utilised during the year	**(25,437)**	(24,061)
At end of year	**82,539**	86,685
Total	**90,726**	97,554
Analysis of total provisions		
Current	**20,095**	19,827
Non-current	**70,631**	77,727
	90,726	97,554

36. Provision (Continued)

Company

	2012 RMB'000	2011 RMB'000
Provision for rehabilitation		
At beginning of year	9,402	7,136
Interest increment	663	457
Change in discount rate	(3,394)	(785)
Additional rehabilitation	–	2,594
At end of year	6,671	9,402
Provision for early retirement		
At beginning of year	62,486	69,040
Additional early retirees	16,487	12,876
Change in discount rate	906	(1,429)
Interest increment	3,843	4,529
Utilised during the year	(22,249)	(22,530)
At end of year	61,473	62,486
Total	68,144	71,888
Analysis of total provisions		
Current	16,197	15,915
Non-current	51,947	55,973
	68,144	71,888

The provisions are based on estimates of future payments made by management and are discounted at rates in the range of 6.2% to 6.6% (2011: 6.6% to 7.1%). Changes in assumptions could significantly affect these estimates.

The provision for rehabilitation is in relation to the estimated costs of complying with the Group's obligations for land reclamation. These costs are expected to be incurred on mine closure, which, based on current mineral reserve estimates, last for periods ranging from 1 to 76 years.

The provision for early retirement is made in respect of future payments to be made by the Group to former employees who have accepted early retirement terms. These payments are made monthly based on the employees' pre-retirement salary level and age, and are due to be made until the former employees reach the normal statutory retirement age, which extends up to 2040.

37. Share Capital

Group and Company

	2012 RMB'000	2011 RMB'000
Registered, issued and fully paid:		
Domestic 2,091,481,195 (2011:2,040,514,000)		
shares of RMB1.00 each	**2,091,481**	2,040,514
H 874,346,000 (2011:874,346,000)		
shares of RMB1.00 each	**874,346**	874,346
	2,965,827	2,914,860

On 23 March 2012, the Company entered into a transfer agreement with Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous"), a wholly-owned subsidiary of Zhaojin Group, to acquire the gold mine exploration right in Hou Cang District, Zhaoyuan City, Shandong Province and the entire equity interest in Xinjiang Jin Han Zun Mining Investment Company Limited at an aggregate consideration of RMB597,845,200, which will be satisfied in full by the issue of 50,967,195 domestic shares of the Company at an issue price of RMB11.73 per share. As at 31 December 2012, the transaction has been completed, which leads to the increases of the issued capital amounting to RMB50,967,000 (RMB1 per share), and the capital reserve amounting to RMB546,878,000 (note 38).

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38. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Capital Reserve RMB'000	Special reserve-safety fund RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2011	1,895,589	–	306,715	1,455,748	437,229	4,095,281
Total comprehensive income for the year	–	–	–	1,331,743	–	1,331,743
Transfer to reserves	–	–	131,901	(131,901)	–	–
Transferred to share capital	(728,715)	–	–	(728,715)	–	(1,457,430)
Dividends						
– 2011 final proposed	–	–	–	(612,121)	612,121	–
– 2010 final paid	–	–	–	–	(437,229)	(437,229)
At 31 December 2011 and 1 January 2012	1,166,874	–	438,616	1,314,754	612,121	3,532,365
Total comprehensive income for the year	–	–	–	1,457,196	–	1,457,196
Transfer to reserves	–	2,011	150,849	(152,860)	–	–
Issue of shares	546,878	–	–	–	–	546,878
Dividends						
– 2012 final proposed	–	–	–	(711,799)	711,799	–
– 2011 final paid	–	–	–	–	(612,121)	(612,121)
At 31 December 2012	**1,713,752**	**2,011**	**589,465**	**1,907,291**	**711,799**	**4,924,318**

38. Reserves (Continued)

Capital reserve

Share premium, which represented the difference between the nominal value and the issue price of the new H Shares issued to the public upon listing of the Company's H Shares on the Main Board of the SEHK, amounting to RMB2,332,418,000 was recognised in the capital reserve. In addition, share subscription expenses of RMB163,665,000 were set off against the share premium.

On 16 May 2008, the shareholders approved a bonus issue of 546,536,000 shares of RMB1 each on the basis of 0.75 share for every share held by capitalising capital reserve of RMB546,536,000 to share capital.

On 13 June 2011, the annual general meeting of the Company approved a resolution to increase the share capital of the Company from RMB1,457,430,000 to RMB2,914,860,000 by way of a bonus issue on the basis of one bonus share issued for every share held by shareholders (50% of which is made by the capitalisation of capital reserve and 50% of which is made by the capitalisation of retained profits).

In November 2012, the Company issued 50,967,195 domestic shares (RMB1 per share) at the issue price of RMB11.73.

Statutory reserves

In accordance with the articles of association of the Company approved by the relevant government authorities on 16 April 2004, the net profit after tax of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with PRC GAAP and (ii) the net profit determined in accordance with HKFRSs. Under the PRC Company Law and the Company's articles of association, the net profit after tax can only be distributed as dividends after allowance has been made for the following:

(i) Making up prior years' cumulative losses, if any.

(ii) Allocations to the statutory common reserve fund of at least 10% of the after tax profit, until the fund aggregates 50% of the Company's share capital. For the purpose of calculating the transfer to the reserve, the profit after tax shall be the amount determined under PRC GAAP. The transfer to this reserve must be made before any distribution of dividends to shareholders.

The statutory common reserve fund can be used to offset previous years' losses, if any, and part of the statutory common reserve fund can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For dividend purposes, the amount which the Company and its subsidiaries can legally distribute by way of a dividend is determined with reference to their profits available for distribution as reflected in the respective PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those reflected in the financial statements which are prepared in accordance with HKFRSs.

39. Business Combinations

Acquisitions of subsidiaries during the year were as follows:

(a) On 5 January 2012, the Group acquired 79% equity interests in Dishui, an unlisted company engaged in the mining, processing and sale of copper, at a consideration of RMB605,000,000, satisfied by cash. The acquisition was made as part of the Group's strategy to expand the copper business in Mainland China.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of Dishui at the date of acquisition were:

	Fair value recognised on acquisition RMB'000
Assets	
Inventories	108,698
Cash and cash equivalents	14,335
Prepayments	12,766
Other receivables	11,815
Property, plant and equipment	177,106
Other intangible assets	647,464
Prepaid land lease payments	6,146
	978,330
Liabilities	
Interest-bearing bank and other borrowings	(180,000)
Trade payables	(13,532)
Other payables and accruals	(61,698)
Deferred income	(3,476)
Deferred tax liabilities	(154,967)
	(413,673)
Net assets	564,657
Non-controlling interest (21% of the net asset fair value)	(118,578)
Total net assets acquired	446,079
Goodwill on acquisition	158,921
Satisfied by cash	605,000

The fair value of other receivables as at the date of acquisition amounted to RMB11,815,000. The gross contractual amount of other receivables was RMB11,815,000, of which none of these other receivables are expected to be uncollectible.

39. Business Combinations (Continued)

Acquisitions of subsidiaries during the year were as follows: (Continued)

(b) On 19 December 2012, the Group acquired 51% equity interests in Liyuan, an unlisted company engaged in the mining, processing and sale of gold, at a consideration of RMB142,800,000, satisfied by cash. The acquisition was made as part of the Group's strategy to expand the gold business in Mainland China.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of Liyuan at the date of acquisition were:

	Fair value recognised on acquisition RMB'000
Assets	
Inventories	6,560
Cash and cash equivalents	5,745
Other receivables	35,973
Property, plant and equipment	110,160
	158,438
Liabilities	
Interest-bearing bank and other borrowings	(3,000)
Trade payables	(1,522)
Other payables and accruals	(6,978)
Deferred tax liabilities	(952)
	(12,452)
Net assets	145,986
Non-controlling interest (49% of the net asset fair value)	(71,533)
Total net assets acquired	74,453
Goodwill on acquisition	68,347
Satisfied by cash	142,800

The fair value of other receivables as at the date of acquisition amounted to RMB35,973,000. The gross contractual amount of other receivables was RMB35,973,000, of which none of these other receivables are expected to be uncollectible.

39. Business Combinations (Continued)

An analysis of the cash flows in respect of the acquisition of the above subsidiaries is as follows:

	RMB'000
Cash consideration	(747,800)
Cash and cash equivalents acquired	20,080
Payables as at 31 December 2012	19,280
Payment of a cash deposit made in the year ended 31 December 2011	506,000
Net outflow of cash and cash equivalents included in cash flows from investing activities	(202,440)

Since the acquisition, the above subsidiaries contributed RMB137,426,000 to the Group's turnover and RMB9,598,000 to the Group's profit for the period.

Had the combinations taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB7,632,980,000 and RMB2,048,284,000, respectively.

The Group incurred no transaction costs for these acquisitions.

None of the goodwill recognised is expected to be deductible for income tax expenses.

40. Acquisition of Subsidiary Not Accounted for as a Business Combination

On 23 March 2012, the Company entered into a transfer agreement with Zhaojin Non-Ferrous to acquire the gold mine exploration right in Hou Cang District, Zhaoyuan City, Shandong Province and the entire equity interest in Jinhanzun at considerations of RMB244,970,600 and RMB352,874,600, respectively, which will be satisfied in the issue of 50,967,195 domestic shares of the Company at an issue price of RMB11.73 per share. The acquisition of Jinhanzun has been accounted for as an acquisition of assets in the Group's consolidated financial statements. The cost of the Group is allocated to property, plant and equipment and other intangible assets amounting to RMB3,697,000 and RMB349,177,000, respectively on the basis of their relative fair values at the date of purchase.

There was no inflow or outflow impact of the cash and cash equivalents of the above acquisition.

From the date of acquisition, the results of the new acquired subsidiary have no significant impact on the Group's consolidated revenue or net profit for the year ended 31 December 2012.

41. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

(a) Guarantees

Company

	2012 RMB'000	2011 RMB'000
Guarantees provided to banks for loan facilities granted to subsidiaries:		
– TCM	70,000	100,000
– Baiyun Mining	23,650	–
– Kunhe	–	50,000
	93,650	150,000

(b) Indemnities from Zhaojin Group

The Group and the Company have received indemnities from Zhaojin Group in respect of certain State levies totalling RMB45.6 million and RMB33.4 million respectively for the period from 24 December 1999 to 8 December 2006 (listing date) and certain government funding arrangements amounting to RMB49.3 million, which predated the Company's formation on 16 April 2004. The directors are of the opinion that the Group and the Company do not have any financial liability in respect of these arrangements.

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42. Commitments

(a) Capital commitments

Group

	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	**90,387**	115,965
– Prepayment for potential acquisitions	**900,142**	118,000
	990,529	233,965
Authorised, but not contracted for:		
– Property, plant and equipment	**1,898,350**	1,485,330
– Exploration and evaluation assets	**250,000**	205,320
	2,148,350	1,690,650

Company

	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	**90,387**	115,965
– Unlisted equity investments in subsidiaries	**490,142**	109,000
	580,529	224,965
Authorised, but not contracted for:		
– Property, plant and equipment	**769,340**	605,630
– Exploration and evaluation assets	**87,500**	37,080
	856,840	642,710

42. Commitments (Continued)

(b) Operating lease commitments

The Group leases certain of its land and offices under operating lease arrangements, which are negotiated for terms ranging between two and seventeen years.

Future minimum lease payments of the Group and of the Company under non-cancellable operating leases are as follows:

Group

	2012 RMB'000	2011 RMB'000
Within one year	6,398	5,326
In the second to fifth years, inclusive	8,435	9,666
After five years	11,500	–
	26,333	14,992

Company

	2012 RMB'000	2011 RMB'000
Within one year	4,514	4,583
In the second to fifth years, inclusive	4,435	8,949
	8,949	13,532

43. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2012 RMB'000	2011 RMB'000
Nature of relationships/transactions		
(i) Zhaojin Group		
Sales of silver	–	40,382
Expenses:		
– Payment of rental of land use rights	4,583	3,827
– Payment of house rental	290	–
– Gold exchange commission fee	1,412	1,253
Other transactions:		
– Borrowing of bank entrusted loans	–	255,000
– Payment of interest expense	10,219	4,265
(ii) Subsidiaries of Zhaojin Group		
Sales of silver	149,412	–
Expenses:		
– Fees for refining services	6,787	4,753
Capital transactions:		
– Purchase of exploration services	86,715	27,265
– Purchase of digital mine construction technology services	25,452	6,478
– Purchase of property, plant and equipment	4,635	734
(iii) Associate – Aletai Zhengyuan International Mining Company Limited		
– Purchase of gold concentrate	101,186	70,684

The Directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

43. Related Party Transactions (Continued)

(b) Commitments with related parties

(i) On 28 December 2011, the Company renewed the Land Lease Agreement with Zhaojin Group, pursuant to which Zhaojin Group agreed to lease certain land use rights to the Group for a term of three years commencing from 1 January 2012 to 31 December 2014. The Group expects the annual rentals for the land use rights in 2013 and 2014 to be approximately RMB4,514,000 and RMB4,435,000, respectively.

(ii) On 28 December 2011, the Company renewed the Digital Mine Construction Technology Services Agreement with a subsidiary of Zhaojin Group, pursuant to which the subsidiary agreed to provide mining construction technology service to the Group for a term of three years commencing from 1 January 2012 to 31 December 2014. The Group expects the annual fees for the digital mine construction activities in 2013 and 2014 to be approximately RMB43,100,000, and RMB38,500,000, respectively.

(c) Compensation of key management personnel of the Group:

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	**4,615**	5,144
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**4,615**	5,144

Further details of directors' emoluments are included in note 8 to the financial statements.

(d) During the year, no fees were paid to the Non-executive Directors and supervisors.

(e) Connected transactions

The transactions disclosed in items (a) ((i) and (ii)) above also constitute connected transactions and/or continuing connected transactions as referred to in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

44. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	2012			2011		
	Loans and receivables RMB'000	Financial assets held for trading RMB'000	Total RMB'000	Loans and receivables RMB'000	Financial assets held for trading RMB'000	Total RMB'000
Long-term deposits	31,729	–	31,729	24,856	–	24,856
Trade and notes receivables	140,966	–	140,966	45,620	–	45,620
Financial assets included in other receivables	511,129	–	511,129	174,060	–	174,060
Equity investments at fair value through profit or loss	–	32,409	32,409	–	8,732	8,732
Derivative financial instruments	–	–	–	–	9,367	9,367
Cash and cash equivalents	1,350,650	–	1,350,650	1,245,872	–	1,245,872
	2,034,474	32,409	2,066,883	1,490,408	18,099	1,508,507

Financial liabilities

	2012 Financial liabilities at amortised cost RMB'000	2011 Financial liabilities at amortised cost RMB'000
Trade payables	407,817	1,537,825
Financial liabilities included in other payables and accruals	481,811	154,891
Interest-bearing bank and other borrowings	3,224,553	1,668,269
Corporate bonds	2,682,886	1,491,047
Other long-term liabilities	104,741	30,000
	6,901,808	4,882,032

44. Financial Instruments by Category (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Company

Financial assets

	2012 Loans and receivables RMB'000	2011 Loans and receivables RMB'000
Long-term deposits	30,483	24,856
Loans receivable	3,549,549	1,655,811
Trade and notes receivables	107,584	21,686
Financial assets included in other receivables	980,820	651,787
Cash and cash equivalents	652,795	766,942
	5,321,231	3,121,082

Financial liabilities

	2012 Financial liabilities at amortised cost RMB'000	2011 Financial liabilities at amortised cost RMB'000
Trade payables	146,987	1,320,342
Financial liabilities included in other payables and accruals	548,093	114,095
Interest-bearing bank and other borrowings	2,862,602	1,460,224
Corporate bonds	2,682,886	1,491,047
	6,240,568	4,385,708

Notes to Financial Statements

31 December 2012

45. Fair Value and Fair Value Hierarchy

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**1,350,650**	1,245,872	**1,350,650**	1,245,872
Trade and notes receivables	**140,966**	45,620	**140,966**	45,620
Financial assets included in prepayments and other receivables	**511,129**	174,060	**511,129**	174,060
Equity investments at fair value through profit or loss	**32,409**	8,732	**32,409**	8,732
Derivative financial instruments	**–**	9,367	**–**	9,367
Long-term deposits	**31,729**	24,856	**31,729**	24,856
	2,066,883	1,508,507	**2,066,883**	1,508,507
Financial liabilities				
Trade payables	**407,817**	1,537,825	**407,817**	1,537,825
Financial liabilities included in other payables and accruals	**481,811**	154,891	**481,811**	154,891
Interest-bearing bank and other borrowings	**3,224,553**	1,668,269	**3,316,161**	1,663,645
Corporate bonds	**2,682,886**	1,491,047	**2,727,240**	1,530,000
Other long-term liabilities	**104,741**	30,000	**104,741**	19,867
	6,901,808	4,882,032	**7,037,770**	4,906,228

45. Fair Value and Fair Value Hierarchy (Continued)

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**652,795**	766,942	**652,795**	766,942
Trade and notes receivables	**107,584**	21,686	**107,584**	21,686
Financial assets included in prepayments and other receivables	**980,820**	651,787	**980,820**	651,787
Loans receivable	**3,549,549**	1,655,811	**3,549,549**	1,655,811
Long-term deposits	**30,483**	24,856	**30,483**	24,856
	5,321,231	3,121,082	**5,321,231**	3,121,082
Financial liabilities				
Trade payables	**146,987**	1,320,342	**146,987**	1,320,342
Financial liabilities included in other payables and accruals	**548,093**	114,095	**548,093**	114,095
Interest-bearing bank and other borrowings	**2,862,602**	1,460,224	**2,946,741**	1,458,059
Corporate bonds	**2,682,886**	1,491,047	**2,727,240**	1,530,000
	6,240,568	4,385,708	**6,369,061**	4,422,496

45. Fair Value and Fair Value Hierarchy (Continued)

Company (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, trade and notes receivables, financial assets included in prepayments and other receivables, long-term deposits, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of loans receivable, interest-bearing bank and other borrowings, and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments having similar terms, credit risk and remaining maturities.

The fair values of equity investments at fair value through profit or loss, derivative financial instruments and corporate bonds are based on quoted market prices.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

45. Fair Value and Fair Value Hierarchy (Continued)

Assets measured at fair value:

Group

As at 31 December 2012

	Level 1 RMB'000
Equity investments at fair value through profit or loss	**32,409**
Derivative financial instruments	**–**
Total	**32,409**

As at 31 December 2011

	Level 1 RMB'000
Equity investments at fair value through profit or loss	8,732
Derivative financial instruments	9,367
Total	18,099

The Company did not have any financial assets measured at fair value as at 31 December 2012 and 2011.

The Group and the Company did not have any financial liabilities measured at fair value as at 31 December 2012 and 2011.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2011: Nil).

46. Financial Risk Management Objectives and Policies

Financial assets of the Group mainly include cash and cash equivalents, trade and notes receivables, deposits and other receivables, equity investments at fair value through profit or loss and derivative financial instruments. Financial liabilities of the Group include bank and other borrowings, trade payables and other payables, corporate bonds and other long-term liabilities.

The main risks arising from the Group's financial instruments were liquidity risk, interest rate risk, commodity price risk, credit risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed facilities from banks to meet its commitments over the foreseeable future in accordance with its strategic plan.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2012					
Interest-bearing bank and other borrowings	**788,619**	**2,474,411**	**56,960**	**11,569**	**3,331,559**
Trade payables	**407,817**	**–**	**–**	**–**	**407,817**
Other payables	**481,811**	**–**	**–**	**–**	**481,811**
Corporate bonds	**–**	**134,880**	**3,164,520**	**–**	**3,299,400**
Other long-term liabilities	**–**	**19,421**	**85,320**	**–**	**104,741**
	1,678,247	**2,628,712**	**3,306,800**	**11,569**	**7,625,328**
2011					
Interest-bearing bank and other borrowings	713,550	857,579	161,417	9,026	1,741,572
Trade payables	1,537,825	–	–	–	1,537,825
Other payables	154,891	–	–	–	154,891
Corporate bonds	–	75,000	1,800,000	–	1,875,000
Other long-term liabilities	–	5,000	25,000	–	30,000
	2,406,266	937,579	1,986,417	9,026	5,339,288

46. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

Company

	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2012					
Interest-bearing bank and other borrowings	**775,454**	**2,166,547**	**3,411**	**2,618**	**2,948,030**
Trade payables	**146,987**	**–**	**–**	**–**	**146,987**
Other payables	**548,093**	**–**	**–**	**–**	**548,093**
Corporate bonds	**–**	**134,880**	**3,164,520**	**–**	**3,299,400**
	1,470,534	**2,301,427**	**3,167,931**	**2,618**	**6,942,510**
2011					
Interest-bearing bank and other borrowings	662,823	849,330	1,650	9,026	1,522,829
Trade payables	1,320,342	–	–	–	1,320,342
Other payables	114,095	–	–	–	114,095
Corporate bonds	–	75,000	1,800,000	–	1,875,000
	2,097,260	924,330	1,801,650	9,026	4,832,266

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's cash holdings, interest-bearing bank and other borrowings and corporate bonds. The Group manages its interest rate exposure from certain cash holdings through placing them into appropriate short-term deposits at a mixture of floating and fixed rates and manages the exposure from all of its interest-bearing loans through the use of fixed rates or floating rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

A reasonably possible change of 100 basis points in interest rates would have no material impact on the Group's and the Company's profit and equity for the year.

46. Financial Risk Management Objectives and Policies (Continued)

Commodity price risk

The Group's exposure to price risk relates principally to the market price fluctuations on gold, silver and copper which can affect the Group's results of operations.

During the year, under certain circumstance, the Group entered into AU (T+D) arrangements, which substantially are forward commodity contracts, on the SGE to hedge potential price fluctuations of gold. Under those arrangements, the Group can forward buy or sell gold at the current day's price by depositing 10% of the total transaction amount. Subsequently, it can close the deal by either physically delivering the gold or entering into an offsetting arrangement. There is no restriction imposed on the settlement period. During the year, the Group had not entered into any long position under the AU (T+D) framework.

The price range of the forward commodity contracts is closely monitored by management. At 31 December 2012 and for the year the ended, substantially the entire forward commodity contracts of the Group were settled through physical delivery of gold and accordingly, any change in commodity prices would not have any impact on the Group's profit and equity for the year.

Credit risk

The Group has no significant credit risk with customers since almost all gold and silver sales are made through the SGE.

The Group's notes receivable are guaranteed by banks and the risk for default in payment is minimal. The carrying amounts of cash and cash equivalents, trade and notes receivables, and other receivables represent the Group's maximum exposure to credit risk attributable to its financial assets.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Substantial amounts of the Group's cash and cash equivalents are held in well-known financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality.

The Group has no significant concentration of credit risk with any single counterparty.

46. Financial Risk Management Objectives and Policies (Continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed equity investments classified as equity investments at fair value through profit or loss (note 27) as at 31 December 2012 and 2011. The Group's listed equity investments are listed on the Australian Securities Exchange and the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

A reasonably possible change of equity price would have no material impact on the Group's profit and equity for the year.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group makes no change to its capital structure between 2012 and 2011.

The Group is currently funding its capital expenditure through corporate bonds and new bank borrowings. Under normal circumstances, the Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. The Group's policy is to maintain the gearing ratio between 20% and 35%. Net debt includes interest-bearing bank and other borrowings and corporate bonds, less cash and cash equivalents. Capital includes all the equity of the Group.

46. Financial Risk Management Objectives and Policies (Continued)

Capital management (Continued)

Group

	2012 RMB'000	2011 RMB'000
Interest-bearing bank and other borrowings	3,224,553	1,668,269
Corporate bonds	2,682,886	1,491,047
Less: Cash and cash equivalents	(1,350,650)	(1,245,872)
Net debt	4,556,789	1,913,444
Total equity	9,247,625	6,997,447
Total equity and net debt	13,804,414	8,910,891
Gearing ratio	33.0%	21.5%

47. Event After the Reporting Period

The Company issued one-year short-term bonds with a principal amount of RMB700 million and bearing an annual interest rate of 4.21% on 26 February 2013.

48. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 22 March 2013.

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*
招金礦業股份有限公司