2013 年報
Annual Report

ZHAOJIN

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)

(Stock Code 股份代號 : 1818)

* For identification purposes only
* 僅供識別

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. Weng Zhanbin

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

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

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

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. Mok Ming Wai

Qualified Accountant
Mr. Ma Ving Lung Nelson

Authorised Representatives
Mr. Weng Zhanbin *(Chairman)*
Mr. Li Xiuchen *(President)*

Audit Committee Members
Ms. Chen Jinrong
(Chairman of the Audit Committee)
Mr. Xu Xiaoliang
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

* *For identification purpose only*

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
999 Middle Huai Hai Road
Shanghai 200031
PRC

Hong Kong Law Advisers:

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

Registered Office

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Zhaoyuan City
Shandong Province
PRC

Principal Place of Business in Hong Kong

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Gloucester Tower
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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. As at 31 December 2013, the Company owns a number of 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 2013, when measured according to the Code of the Joint Ore Reserves Committee in Australia (the "JORC"), our gold ore resources reserve were approximately 25,440 kozs (as at 31 December 2012: approximately 22,190 kozs), and our recoverable gold reserves were approximately 12,290 kozs (as at 31 December 2012: approximately 11,440 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				
	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000
Revenue	**6,344,124**	7,603,745	5,741,105	4,097,800	2,796,991
Gross profit	**2,240,495**	3,691,668	3,052,520	2,310,842	1,449,287
Share of profit of associates	**12,977**	10,166	6,940	3,961	1,331
Share of profit/(loss) of a joint venture	**7,536**	(8,292)	16,820	–	–
Profit before tax	**993,557**	2,661,852	2,285,920	1,651,898	1,044,632
Loss from discontinued operations	**–**	–	–	–	(29,264)
Profit attributable to equity holders of the Company	**734,085**	1,923,521	1,661,578	1,201,731	754,020
Earnings per share (RMB)	**0.25**	0.66	0.57	0.41	0.26

Summary of Assets

	As at 31 December				
	2013 RMB'000	2012 RMB'000 (Restated)	2011 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000
Total assets	**23,372,457**	17,917,038	13,255,843	9,414,933	8,581,632
Cash and cash equivalents	**1,035,825**	1,349,084	1,237,921	781,888	2,209,396
Cash and cash equivalents listed as assets of disposal groups held for sale	**–**	–	–	4,553	4,715
Total liabilities	**(14,049,659)**	(8,669,415)	(6,258,396)	(3,639,289)	(3,614,215)
Net assets	**9,322,798**	9,247,625	6,997,447	5,775,644	4,967,417
Net assets per share (RMB)	**3.14**	3.17	2.40	1.98	1.70

The above earnings per share and net assets per share for 2013 are based on the weighted average number of ordinary shares of 2,965,827,000 (2009, 2010 and 2011: 2,914,860,000, 2012: 2,919,107,000) in issue during the year.

Chairman's Statement

To Shareholders,

I am pleased to present the annual report of Zhaojin Mining Industry Company Limited (the "Company" "Zhaojin", "Zhaojin Mining") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 (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.

In April 2013, gold price experienced a fall in price unexpectedly. The gold mining industry in the world was dragged into a material adverse change. Many gold industries were faced with major difficulties. In view of the stringent macro-economic environment of the gold mining industry, what are the options available? Mitigation through organic change, turning crisis into opportunities or just do nothing and respond passively? The core cadres of staff at Zhaojin Mining calmly gave the response through the adaptation. A battle with the market, and a contest with the crisis, began at various front lines of Zhaojin Mining.

Annual Review

2013 was a year of which the gold mining industry in the world suffered across the board. International gold price fell by nearly 30% on cumulative basis and the bull market for gold that had lasted for 12 years brutally came to an end. Faced with such tamper from the market, the cadres of staff at Zhaojin Mining reacted calmly to mitigate the risk and successfully completed in completing the production targets for the year. As of 31 December 2013, the Company's total output of gold amounted to 927.5 thousand ozs (28,849.5 kg), representing an increase of 4.23% compared to the corresponding period of last year. Among which, 646.6 thousand ozs (20,110.7 kg) of gold was mine-produced gold, representing an increase of 11.19% compared to the corresponding period of last year, and 280.9 thousand ozs (8,738.8 kg) was smelted and processed gold, The Company's revenue amounted to RMB6.344 billion, representing a fall of 16.57% compared to the corresponding period of last year and net profit amounted to RMB767 million, representing an decrease of 62.51% compared to the corresponding period of last year.

In 2013, faced with the severe external environment, the Company swiftly adjusted its development strategies. Tightening measures were adopted to save cost and enhance efficiencies. Through the halt or suspension on construction of certain projects, the scale of capital expenditures was reduced. Through strengthening human resources management, staff efficiency was improved and labor productivity was enhanced. Through consolidating premises and financial management, all kinds of costs were strictly under control and production costs were well managed. As a result from adopting a series of measures, a solid foundation was laid for completing the production target of the year.

In 2013, Zhaojin Mining was first selected by the "Fortune" as Top 500 Chinese enterprises. It was awarded the "2013 China Securities Golden Bauhinia Award", the "Best Listed Company with Most Investment Value" and more than 50 awards above municipal level. It was also awarded "National Labor Award, "An Kanghuai" contest winning unit, "Li Bin-style model team", "Li Bin-style gold workers", making Zhaojin Mining sparkling with bright light even situated in the dark mining industry environment.

Outlook

Looking ahead into 2014, being affected by factors such as slow recovery of the US economy, ease of geopolitical situation and expect lower inflation, the risk of gold prices continue to fall under pressure is still high. From the gold industry's own point of view, the industry as a whole will enter into an era of thin margin. The pressures enterprises being subject to in controlling costs and preventing risks will continue to increase. However, the successes from the conclusion of the Third Plenary Session of the 18th Central Committee raised the concern from a comprehensive perspective about further reform, and will bring unprecedented opportunities for the upgrade, innovation and development of our industry.

Due to the properties of gold inherently related to financial market and commodity, in the long run we are still justified to be confident about the future of gold. The fall in the seasonality of gold prices will provide important strategic opportunities for adjusting our development in future.

As time goes by, we have firm beliefs over the gold industry in China that we are destined to serve. All things mortal, but the value of gold remains. Our insistences are derived from our sincere dedication to the thorough understanding of the gold industry in China, and the relenting exploration and pursuit made by the participants in the gold industry of Chin and our belief in the value of gold.

We will celebrate the tenth anniversary for the founding of the Group in 2014. The successes of Zhaojin Mining was built upon ten years of hard work and battles. Now, setting to depart for tackling a new round of challenges, people at Zhaojin are enthusiastic and full of confidence. We firmly believe that a new chapter in the development of Zhaojin Mining had already begun. Zhaojin Mining will be in a better tomorrow. In the new year, the Group determine to use revolution, innovation and development as the core goal and is determined to improve its core competitiveness comprehensively, and lay out a new path leading to high quality, effectiveness and sustainable development. The rationale with quality and efficiency having priority will be established effectively. Reform and innovation will become the driving force in initiating novelty, change and truth. We will orient upon the changes in the market, and operate strictly in accordance with the economic regulations. The corporate governance system will be further improved so that its governance capabilities will be enhanced. Integration and restructuring of resources will be promoted proactively. Cost efficiency will be pursued for without reserve. Hierarchy of management will further breakdown into smaller segments, which will help to resolve risk exposure. Through effective measures to maintain the healthy development of enterprises, we are committed to take up social responsibilities and constantly create novel and maximum value for our shareholders.

Chairman's Statement

Acknowledgement

The production of gold by the Group grew steadily in 2013. Reserves increased in a stable manner and sustained a sound pace in its development. These resulted were derived not only from the achievements made from the Group's production management, cost control efforts and enhancement of corporate governance capabilities but also as a result of all the hard work and endeavours of the staff. It was closely related to the care and support from the shareholders of the Group, and also relied on the enormous support from the stakeholders of the Group at large.

I would like to express my sincere gratitude to all shareholders and the public that cares about the Group. I would also like to extend my sincere respect to to all dedicated Directors and all diligent employees. The Group will continue to fulfill the mission of constructing four model mines that are "ecological", "environmental friendly", "efficient in development", "safe and healthy", "welcome by government and community". Efforts will be devoted to maximize values for shareholders in the course of celebrating the tenth anniversary of the Group.

Weng Zhanbin
Chairman

21 March 2014

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 2013, the Group's total output of gold amounted to 28,849.5 kg (approximately 927,532 ozs), representing an increase of approximately 4.23% as compared to the previous year. Among which, 20,110.7 kg (approximately 646,574 ozs) of gold was mine-produced gold, representing a rise of approximately 11.19% as compared to the previous year, and 8,738.8 kg (approximately 280,959 ozs) was smelted and processed gold, representing a decrease of approximately 8.89% as compared to the previous year.

Revenue

For the year ended 31 December 2013, the Group's revenue was approximately RMB6,344,124,000 (2012: RMB7,603,745,000), representing a decrease of approximately 16.57% as compared to the previous year.

Net Profit

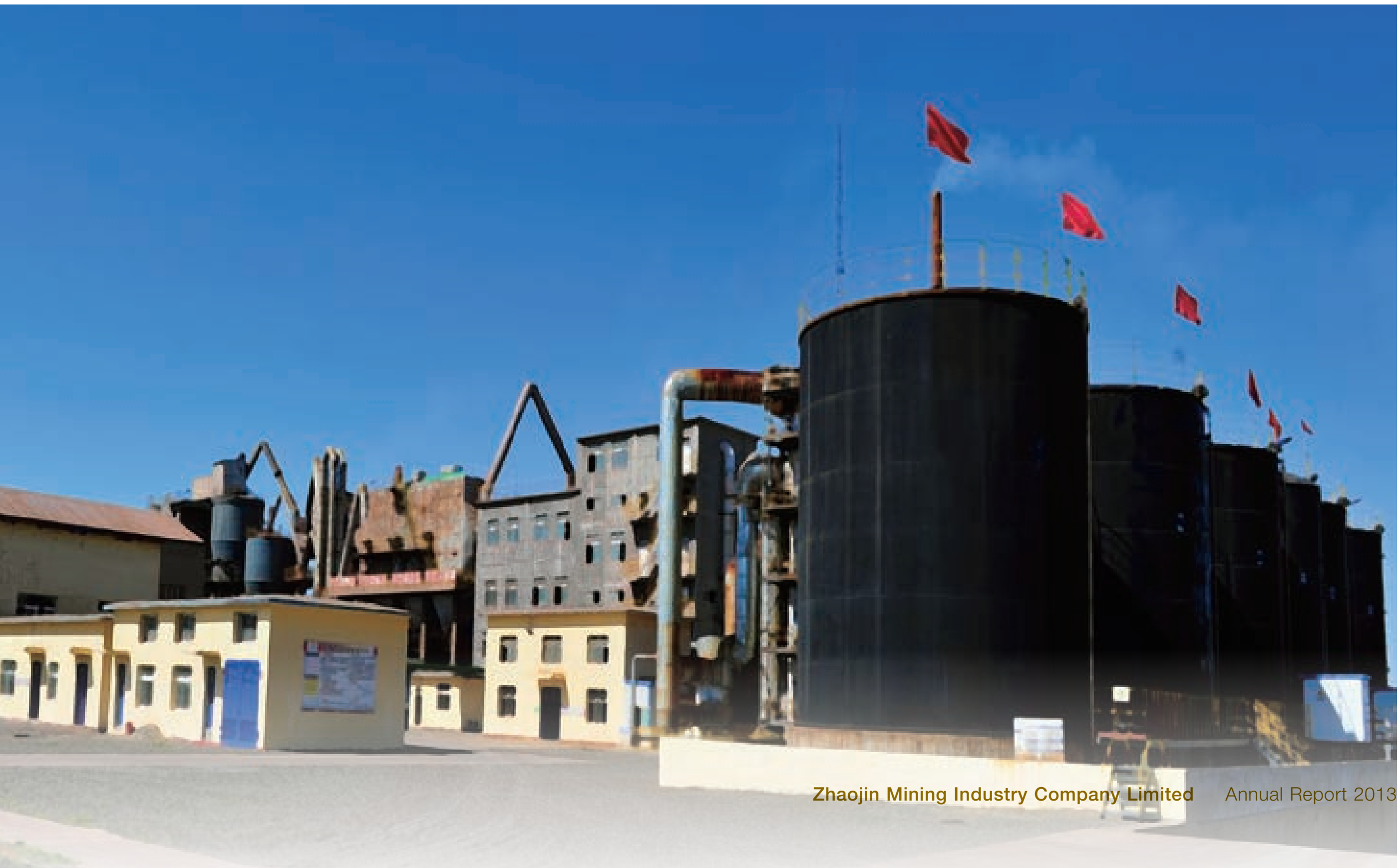
For the year ended 31 December 2013, the Group's net profit was approximately RMB767,400,000 (2012: RMB2,046,818,000), representing a decrease of approximately 62.51% as compared to the previous year.

Earnings Per Share

For the year ended 31 December 2013, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.25 (2012: RMB0.66), representing a decrease of approximately 62.12% as compared to the previous year.

Analysis of Results

The substantial drop in profit was primarily attributable to the drop in gold prices, which led to a drop in the selling price of gold and corresponding impairment provision upon the decline in inventory value of products during the Year.



Distribution Proposal

The Board proposed the payment of a cash dividend of RMB0.1 (tax included) per share (2012: RMB0.24 (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 2013 ("2013 AGM"), which will be held on Monday, 26 May 2014.

If the distribution proposal is approved at the 2013 AGM, it is expected that the final dividend for the year ended 31 December 2013 will be paid on or before Monday, 30 June 2014 to the shareholders whose names appear on the register of members of the Company on Tuesday, 3 June 2014.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold and pay the 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, 3 June 2014.

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, 3 June 2014. 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) (《國家税務總局關於印發〈非居民享受税收協議待遇管理辦法（試行）〉的通知》(國税發[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 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, 3 June 2014. 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, 3 June 2014 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, 29 May 2014. 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 the failure of any non-resident enterprises and individual shareholders to lodge the relevant documents within the prescribed timeframe as mentioned above.

Market Overview

The year 2013 was meant to be an extraordinary year for gold, for the volatile price fall became the key tone in the price trend throughout the year. In year 2013, the international gold price opened at US$1,676.1/oz and reached its highest price of US$1,692.7/oz on 22 January during the year, and since then the falling price trend that lasted throughout the year kicked off. The entire second quarter became the largest decline stage, during which the international gold price experienced a cliff fall and declined by 26% in the quarter. Although there was slight rebound supported by the production cost thereafter, the downward trend did not reverse. Finally the gold price closed at US$1,205.65/oz for the year, with an accumulated decline of approximately 28% for the year. The average price for the year was US$1,410.89/oz. The international gold price recorded the greatest extent of fall in the past 30 years in 2013 and became the first year in which the gold price dropped since 2000. The opening price of the "9995 gold" in the Shanghai Gold Exchange ("SGE") was RMB331.50 per gram and reached the highest at RMB340.20 per gram and the lowest at RMB235.84 per gram while the closing price was RMB237.84 per gram. The annual average price for the year was approximately RMB279.69 per gram.

Management Discussion and Analysis

According to the statistics from the China Gold Association, gold production of China for 2013 reached 428.163 tonnes, representing an increase of approximately 6.23% as compared to the previous year. This represented another record in the history and made the nation remaining the No. 1 gold production country in the world for seven consecutive years.

Business Review

Harden skills and Improve Risk-resisting Abilities

In 2013, in the face of the impact from the fall in gold price, we insisted on strengthening the internal management and enhancing our skills, in order to fully respond to market risks and challenges. Through substantially reducing non-productive expenses and halting and postponing some investments projects, whilst managing upgrade standards as focus, the Company intensively carried out activities such as benchmarking management, site management, logistics energy management so as to improve budgeting, saving cost, enhancing efficiencies and keep improving our comprehensive management efficiency.

With Scientific Organization, Gold Output Hit New Peak

In 2013, we continued to optimize and adjust the entire company's production capacity layout and play the supporting and leading role of large key enterprises. The Company carried out in-depth skills transformation, process optimization, labor competition and other activities, actively overcame difficulties in production and management and successfully completed the annual production plan. As at 31 December 2013, the Company's total output of gold amounted to 927,532 ozs (approximately 28,849.5kg), representing an increase of approximate 4.23% as compared to the previous year. Among which, 646,574 ozs (approximately 20,110.7 kg) of gold was mine-produced gold, representing a rise of approximately 11.19% as compared to the previous year; 486,338 ozs (approximately 15,126.8 kg) of gold was self-produced gold, representing a rise of approximately 12.11% as compared to the previous year, and; 280,959 ozs (approximately 8,738.8 kg) was smelted and processed gold, representing a decrease of approximately 8.89% as compared to the previous year.

Make Breakthroughs in Major Areas and Enhance Resource Reserves

In 2013, the Company vigorously implemented the breakthrough strategy by mine prospecting and achieved significant results in prospecting and increasing reserves in major target areas like Xiadian Gold Mine, Dayingezhuang Gold Mine and Zaozigou Gold Mine, etc. The Company accumulated investments in prospecting of RMB215 million, tunneling of 51,799 meters, drilling of 325,873 meters and additional gold resources of 116.17 tons. As at 31 December 2013, according to JORC standards, the Group's gold resource amounted to 791.35 tons (approximately 25.442 million ozs), representing an increase of approximately 14.66% as compared to the previous year; the estimates mineable reserves amounted to 382.20 tons (approximately 12.288 million ozs), representing an increase of approximately 7.43% as compared to the previous year. Meanwhile, the Company adhered to invest on the value investing and promote external development more cautiously. With investment of RMB178.5 million, we successfully acquired Inner Mongolia Yuantong Mining and acquired 2.78 square kilometers of mining rights area and 14.673 tons of gold reserves, which will provide new room for us to enter Inner Mongolia mining development business.

Work Together and Steadily Push forward Infrastructure and Technology Reform

In 2013, the Company accumulated investments of RMB1.312 billion, implemented 38 infrastructure and technology reform projects and successfully completed schedule plans. Among which, Xinjiang Smelting, Canzhuang Gold Mine, Liyuan Gold Mine, Fengling Jinlong and Gold Eagle and other metallurgical projects completed the annual target ahead of schedule; the construction of main shaft mine of Canzhuang Gold Mine, the construction of ramps of Xiadian Gold Mine and the reform of west wind mine of Tonghui Mining all completed the annual construction goal in advance. The 2,000 tons of mining and reform project of Gansu smelting and Dripping copper mine had fulfilled the conditions of trial commissioning on standalone basis. A number of key projects were rapidly progressing, which will lay a solid foundation for the Company to extend production and increase production capacities.

Innovation Driven, Science and Technology Continue to Spring Up

In 2013, the Company invested RMB73.7368 million to the science and technology innovation funds for the Year, implemented 57 scientific research projects, completed 533 minor reforms, received 4 provincial scientific and technical awards, applied for 7 invention patents and 40 utility model patents. The Company's technology center was promoted to National Technology Center. Resource utilization core projects such as hot oxidation and chlorination roasting new technology research has made new progress.

Increase Investment, Safety and Environmental Protection Remains Stable

In 2013, the Company insisted on the concept of safe development, green development and harmony development, vigorously promoting the construction of safety and environmental protection, investing RMB110 million in safety and environmental protection throughout the year, and thus avoided major safety and environmental incidents. Dayingezhuang Gold Mine, Zhaojin Baiyun and Hedong Gold Mine were awarded "National Green Mines Experimental Units". As at the end of the year 2013, 8 enterprises in the entire company has received the above title.

Financial Analysis

Revenue

For the year ended 31 December 2013, the Group's revenue was approximately RMB6,344,124,000 (2012: RMB7,603,745,000), representing a decrease of approximately 16.57% (2012: an increase of 32.43%) as compared to the previous year. Such decrease was primarily attributable to the fall in the gold price.

Cost of Sales

For the year ended 31 December 2013, the Group's cost of sales was approximately RMB4,103,629,000 (2012: RMB3,912,077,000), representing an increase of approximately 4.9% (2012: an increase of 45.96%) as compared to the previous year. Such increase was primarily attributable to the increase of sales quantity and unit cost of self-produced gold during the Year.

Gross Profit and Gross Profit Margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB2,240,495,000 (2012: RMB3,691,668,000) and approximately 35.32% (2012: 48.55%), respectively, representing a decrease in gross profit of approximately 39.31% (2012: an increase of approximately 20.60%) and a decrease in gross profit margin of approximately 27.25% (2012: a decrease of 4.77%), respectively, as compared to the previous year. The decrease in gross profit and gross profit margin were due to the sharply decrease in gold price during the Year as compared to the previous year.

Other Revenue and Gains

During the Year, the Group's other revenue and gains were approximately RMB156,771,000 (2012: RMB122,592,000), representing an increase of approximately 27.88% (2012: an increase of 2.08%) from the previous year. The increase in other revenue and gains was mainly due to the increase of the sales of auxiliary material and fair value gain on gold leasing business and gold forward contracts.

Selling and Distribution Costs

For the year ended 31 December 2013, the Group's selling and distribution costs were approximately RMB97,273,000 (2012: RMB74,059,000), representing an increase of approximately 31.35% (2012: an increase of 33.07%) 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 RMB984,826,000 during the Year (2012: RMB861,686,000), representing an increase of approximately 14.29% (2012: an increase of 15.90%) from 2012. Such increase was mainly attributable to the increase in staff cost due to the business expansion and adjustment of salary level of staff, and the inventory provision accrued since the fall in gold price.

Finance Costs

or the year ended 31 December 2013, the Group's finance costs were approximately RMB342,123,000 (2012: RMB218,537,000), representing an increase of approximately 56.55% (2012: an increase of 123.28%) from 2012. 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 2013, the Group's income tax expenses decreased by approximately RMB388,877,000 when compared with the previous year. It is attributable to the decrease in profit before taxation of the Group. During the Year, income tax of corporate inside PRC has been provided at a rate of 25% (2012: 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% (2012: 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 22.76% during the Year (2012: 23.11%).

Profit Attributable to Owners of the Parent

For the year ended 31 December 2013, the Group's profit attributable to the owners of the parent was approximately RMB734,085,000, representing an decrease of approximately 61.84 % (2012: an increase of 15.76%) from approximately RMB1,923,521,000 in 2012.

Liquidity and Capital Resources

The working capital and funds required by the Group are mainly derived from its cash flows generated from operations and borrowings, while the Group's capital for operating activities resources are mainly utilized to provide funding to acquisition activities, capital expenditures, and repayment of borrowings of the Group.

Cash Flows and Working Capital

The Group's cash and cash equivalents have decreased from approximately RMB1,349,084,000 as at 31 December 2012 to approximately RMB1,035,825,000 as at 31 December 2013. The decrease was mainly attributable to the net cash inflows from operating activities and financing activities are less than the net cash outflows used in investing activities, mainly used in acquisition activities and capital expenditure.

As at 31 December 2013, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB19,043,000 (2012: RMB15,461,000) and those denominated in United States dollars amounted to approximately RMB7,945,000 (2012: RMB13,374,000). All other cash and cash equivalents held by the Group are denominated in RMB.

Borrowings

As at 31 December 2013, the Group had outstanding bank and other borrowings of approximately RMB6,447,070,000 (2012: RMB3,224,553,000), of which approximately RMB5,330,507,000(2012: RMB3,167,645,000) shall be repaid within one year, approximately RMB1,047,203,000 (2012: RMB45,832,000) shall be repaid within two to five years, inclusive and approximately RMB69,360,000 (2012: RMB11,076,000) shall be repaid after five years. As at 31 December 2013, the Group had outstanding corporate bonds of approximately RMB2,686,046,000 (2012: RMB2,682,886,000), of which approximately RMB1,494,375,000 (2012: Nil) was classified as current liabilities of the Group because the Company did not have an unconditional right to defer settlement of the liability for at least twelve months after 31 December 2013 according to the offering memorandum of the 2009 Zhaojin Bond which is redeemable at the option of bondholders on 23 December 2014. Other parts of corporate bonds of approximately RMB1,191,671,000 (2012: RMB2,682,886,000) should be repaid within two to five years. The increase in the Group's borrowings during the Year was mainly attributable to the resource acquisition activities, capital expenditures and working capital of the operating activities of the Group.

As at 31 December 2013, except for secured bank loans of the RMB78,623,000 and RMB30,661,000 (2012: Nil) denominated in Hong Kong dollars and United States dollars respectively, all borrowings are denominated in RMB. As at 31 December 2013, approximately 55.10% of the interest bearing bank and other 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 bonds, financial liabilities arose from the gold leasing business less cash and cash equivalents. As at 31 December 2013, the gearing ratio of the Group was 50.9% (2012: 33.0%). Following the business expansion of the Group, the gearing ratio of the Group for the Year 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 and copper which can affect the Group's results of operations.

During the Year, under certain circumstances, the Group entered into AU (T+D) arrangements, which substantially are forward commodity contracts, in 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 and substantially the entire forward commodity contracts of the Group were settled through physical delivery of the gold.

The Group also entered into copper cathode forward contracts in Shanghai Futures Exchange ("SHFE") and gold forward contracts in SGE for the sale of copper and gold leasing business.

The price range of the forward commodity contracts is closely monitored by management. Accordingly, a reasonable possible fluctuation of 10% in commodity prices would have no significant 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, 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 fixed or floating rates and manages the exposure from all of its interest-bearing bank and other borrowings and corporate bonds 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

Substantially 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.

Business Outlook

In 2014, the Company will step on the new starting point of re-establishment and further development. We will follow the overall deployment of the Board, to further innovate thinking, enhance the state, focus on the center of quality and efficiency, with the goal of construction of our mines with "Four Features" and the main line of accelerating the transformation of development mode. We change from rapid extension to inner management optimization, concentrating on steady growth, controlling risk, improving quality and increasing efficiency, so as to further release creative energy that bring along the power of change. In the new round of industrial structure re-adjustment and large-scale integration, we firmly grasp the initiative and priority of the development, and put efforts to promote the Company's transformation and upgrading and courageously create a new situation of scientific development.

Intensify Reform Adjustment, Stimulate Internal Dynamics

The Company will strive to improve the capacity and quality of development. By identifying the direction of reform on the internal market, we implement flexible and diversified internal operating strategies, and boldly explore new contracting pattern of mining operations. With regards to the current conditions of different enterprises, we adopt diversified incentives appraisal approaches such as internal contracting agreement, economic responsibility undertaking, performance appraisal etc., according to the principle of "One Enterprise One Approach". For management innovation, we further implement management hierarchy reduction, streamline administration and decentralization, and establish a classification management system with a combination of review, approval and filing efforts and our focus on effective control to stimulate vibrancy.

Focus on Quality and Efficiency, Boost the Creation of Value

The Company is committed to promote the optimization and upgrading of production scale and maximize its capacity. The Company strives to stabilize production, increase production and create effectiveness, as driven by the goal of stabilizing output within Zhaoyuan city and expanding outside Zhaoyuan city. The planned annual total output of gold amounts to 950,500 ozs (29,562.5 kg), representing an increase of approximately 2.47%, mined gold amounts to 646,800 ozs (20,117.9 kg), representing an increase of approximately 0.04%, and self-produced gold amounts to 536,300 ozs (16,680.4 kg), representing an increase of approximately 10.27%. Meanwhile, the Company will highlight its management on quality and efficiency by strictly adhering to the principle of "Cost is King". With the expansion of project management, process management, logistics and energy management, energy conservation and reduced consumption, the Company strengthens the promotion on four new technologies which comprise of a series of effective measures, so as to continue to consolidate and maximize the low-cost advantage of Zhaojin.

Implement Innovative Drive, Expedite Transformation and Upgrading

In 2014, the Company plans to invest RMB51.56 million in implementing 37 scientific research and technological innovation projects. The Company focuses on leveraging our advantages and implement key projects, as driven by the top ten key projects and top ten innovative projects. We establish a high-end platform for the national-level technology center, fully integrate technological innovation resources of the Company, expedite the model infrastructure development for integrated utilization of gold resources, and increase the impact of Zhaojin on technological research and development in the industry. Through its platform for sharing technological resources, the Company recruits external expertise to fully capitalize the joint efforts of both external professionals and corporate internal professionals in conducting our major scientific research projects. Regarding the geological exploration sector, the Company will continue to carry out breakthroughs in exploration, by means of strengthening its geological scientific research efforts, mobilizing inventories and drilling potential, with emphasis on reserves upgrade and enhance output, so as to continue to maximize the result of geological exploration. Within Zhaoyuan city, with Zhaoping fault zone and Lingbei area as our key targets, the Company will further expand the mining identification capacity at Xiadian Gold Mine, Jintingling Mining and Daqinjia Gold Mine. Outside Zhaoyuan city, with Xiqinlingcheng Mine as out key target, the Company will expand the mining identification capacity of Minxian Tianhao and Liangdang Zhaojin, and also devote more efforts to promote the mine finding projects of old mines. The planned annual total investment amounts to RMB150 million, whereas new gold resource reserves amounts to 50 tonnes.

Accelerate Construction of Projects, Improve Investment Returns

The planned annual investment in implementing 34 projects amounts to RMB985 million. With ongoing production and mining ancillary works as our key task, we focus on accelerating the process of our key projects, such as the model project of exploration and utilization in a safe and effective way under high temperature and pressure environment in the Xiadian Gold Mine, the optimization and transformation project of production system of Tonghui Copper Mining, as well as the construction project of mining and processing 2,000 tonnes/day by Zaozigou Gold Mine and Zhaojin Baiyun, aiming to exert all our strengths to develop construction projects with top quality. Meanwhile, by intensifying our comprehensive budget management and carrying out project completion and acceptance, project audits, arrangement of meeting our project production target in a sound manner, the investment costs will be further reduced.

Stricter Risk Management and Control to Achieve Steady and Sustainable Development

The Company strives to establish a comprehensive risk control system. Through implementing measures like adjusting debt structure and broadening low-cost financing channels, the Company is able to reduce financial risk effectively and protect cash flow. In respect of project mergers and acquisitions, the Company will consider its capability, observe before acting and proceed in a prudent manner. The Company's focus in China refers to regions such as Xinjiang, Gansu, Shaanxi and Inner Mongolia. For overseas mining development, the Company will focus on countries and regions which possess abundant resources, political stability and close relations with China. Our planned total investment in 2014 amounts to RMB500 million, with the acquisition of mining rights area of 2 square kilometers, exploration area of 30 square kilometers, and the acquisition of over 10 tonnes of gold reserves. The Company will further enhance risk control on sales, establish a scientifically reasonable sales model, strictly implement its principle with both production and sales acting in the same pace and reduce inventories.

Enhance Safety and Environmental Protection, Secure Harmonious and Stable Development

The Company plans to invest an annual sum of RMB166 million to enhance safety and environmental protection standards. By improving the level of safety and environmental management, the Company continues to create its core eco-mining culture based on its mines with "Four Features" as a model of eco-mining in the industry. Meanwhile, the Company attache great importance to environmental safety issues. By focusing on tailings, safety protection, zero-emission etc., the Company continues at exchanging for sustainable development at the minimal expense of environmental damage, so as to achieve green, ecological and harmonious development.

Fulfill Social Responsibilities, Optimize Business Environment

In 2014, the Company will fully utilize the advantages it possesses in aspects like technology, management, shareholders' resources and region so as to let the enterprise become bigger and stronger. On the other hand, the Company will continue to ensure integration of culture, recognition of different values, and relationship among shareholders, business and community. The Company focuses on the establishment of new community relations, placing high importance of community building in our business operations and management, which enables the Company to create a favorable external operating environment, and to achieve development with mutual success in harmony.

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. Weng Zhanbin was born in March 1966. He 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. He is an Executive Director and the chairman of the Company. Currently, Mr. Weng is the director of Sparky International Trade Company Limited and the director (legal representative) of Xinjiang Ruoqiang County Changyun Sanfengshan Gold Mine Limited Liability Company. Mr. Weng has 25 years of experience in the gold production industry. Mr. Weng 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 a Non-executive Director of the Company since February 2010, and has been an Executive Director and the president of the Company since November 2010. He has been the vice chairman of the Company since June 2013, and has resigned from the position of vice chairman and president and served as the chairman of the Company since January 2014. 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.

Directors, Supervisors and Senior Management Profile

Mr. Li Xiuchen was born in November 1963. He graduated from Shenyang Institute of Gold Technology majoring in mine engineering with the qualification of a senior engineer. He is an Executive Director and president of the Company. Currently, Mr. Li is 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. Mr. Weng has 32 years of experience in the gold production industry. 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 has been the vice president of the Company since February 2007 and served as the Executive Director of the Company since March 2012, and served as the executive president of the Company since February 2013. He has resigned from the position of executive president and served as the president of the Company since January 2014. Mr. Li has been granted numerous honorary awards, such as Science & Technology Outstanding Contribution Award of National Gold Industry in the 8th Five-Year Plan Period, Advanced Workers of Technology Management of National Gold Industry, National Excellent Workers of Facilities Management, Science and Technology Grade I Award by the China Gold Association, Shandong Gold Science and Technology Advancement Grade I Award, Yantai Science & Technology Pacesetter, and Zhaoyuan Outstanding Entrepreneur.

Mr. Lu Dongshang was born in July 1961. He 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. He is an Executive Director 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 is also the director of Sparky International Trade Company Limited. 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 been an Executive Director and the chairman of the Company since April 2004, and had resigned from the position of the chairman of the Company in January 2014. 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.

Non-executive Directors

Mr. Liang Xinjun was born in October 1968. He graduated from genetic engineering of Fudan University and obtained an MBA degree in 2007 from Cheung Kong Graduate School of Business. 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. Mr. Liang is a member of the 12th Shanghai Committee of Chinese People's Political Consultative Conference; vice chairman of the 11th Shanghai United Youth Association; vice chairman of China Young Entrepreneurs Association; executive vice chairman of China Science and Technology Private Entrepreneurs Association; chairman of Taizhou Chamber of Commerce in Shanghai, executive chairman of Shanghai Fudan University Alumni Association; executive vice chairman of Cheung Kong Graduate School of Business Alumni Association, and a member of APEC Business Council and a committee member of the Management Committee of APEC Business Council. Mr. Liang has been a Non-executive Director of the Company since April 2007. Mr. Liang Xinjun has been awarded the "Directors of the Year Awards 2013" by The Hong Kong Institute of Directors, named a "Chinese Economic Leader 2013", awarded the "Outstanding Zhejiang Entrepreneur Award" at The Second World Zhejiang Entrepreneurs Convention, recognized as one of "Top 10 PE Capitalists in China for 2012", "Top 10 Leaders in Finance Industry in Shanghai for 2012", awarded "Chinese Business Leader of the Year 2011" at the Seventh Horasis, "China Youth Entrepreneur Management Innovation Award 2008" and named a "Ten Outstanding Young People in Shanghai 2008".

Mr. Cong Jianmao was born in January 1963. He graduated from Shandong TV University and Shandong Business Administration Institute. 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 has been a Non-executive Director of the Company since December 2005.

Mr. Xu Xiaoliang was born in February 1973. He graduated from East China Normal University School of Business Management and was awarded a master's degree. He is a Non-executive Director of the Company, and is the president of Fosun Property Holding, the chairman of Xinghong Capital and Xingyu Capital, and a member of Shanghai Youth Federation and the vice president of China Real Estate Chamber of Commerce, the chairman of the Shanghai Yuyuan Tourist Mart Co., Ltd., a company listed on the Shanghai Stock Exchange, and a non-executive director of Shanghai Zendai Property Limited, a company listed on the Stock Exchange. He has over 17 years of experience in real estate distribution services and investment development, and had previously served as the assistant to the general manager of Forte (Group) Co. Ltd, the chairman of Shanghai Ceyuan Property Consultants Limited, and the president of Fosun Property Holding – Shanghai Fosun Industrial Technology Development Co., Ltd. since October 2012. He was successively granted the "Shanghai 4 May Youth Medal" and the "Shanghai Top Ten Youth Business People". Mr. Xu has been a Non-executive Director of the Company Since January 2014.

Mr. Kong Fanhe was born in November 1967. He graduated from Nanjing University of Science and Technology with a master's degree in economics. He is a Non-executive Director of the Company and also the vice president and chief investment officer of Shanghai Yuyuan. Mr. Kong has extensive experience in investment. 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 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 graduated from Beijing College of Geosciences majoring in geological survey and mine exploration. 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 has been an independent Non-executive Director of the Company since April 2007. Mr. Ye received National Awards for Technological Development for various achievements in scientific research and was awarded the 9th Li Siguang Awards for Geosciences.

Ms. Chen Jinrong was born in October 1959. She graduated from Renmin University of China and is an associate professor. She is qualified as an accountant in China and an independent director. She is 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 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. She has solid experience in aspects such as corporate restructuring, comprehensive corporate; budget management, capital operations and corporate internal control. 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 been an independent Non-executive Director of the Company since April 2007. 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.

Mr. Choy Sze Chung Jojo was born in April 1959. He obtained his Master of Business Administration Degree from University of Wales, Newport and his Master of Business Law Degree from Monash University, Australia. 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 Orient Securities Limited. 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 has been an independent Non-executive Director of the Company since May 2007.

Mr. Xie Jiyuan was born in November 1934. He graduated from Industrial College of Jilin University majoring in organic chemistry, and is a professor-level senior engineer. He is currently an independent Non-executive Director of the Company. Mr. Xie has more than 30 years' experience in the gold and non-ferrous metals industry. 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. 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.

Directors, Supervisors and Senior Management Profile

The profiles of outgoing Directors during 2013 and for the period from 1 January 2014 to the date of this annual report are as follows:

Mr. Ye Kai was born in December 1962. Mr. Ye has held positions of the deputy general manager and the secretary to board of directors of Shanghai Friendship Group Incorporated Company, the deputy general manager of Shanghai Friendship Department Store Co., Ltd., the general manager and the chairman of Shanghai Bailian Xijiao Shopping Mall, the assistant to general manager and the deputy general manager of Shanghai Bailian Group Company Limited, the general manager of the retail commercial real estate department of Shanghai Fuxing High-tech (Group) Company Limited, the senior assistant president of Shanghai Fuxing High-tech (Group) Company Limited and the vice chairman and chairman of Shanghai Yu Garden. Mr. Ye ceased to be as an non-executive Director and member of Audit Committee of the with effect from 24 January 2014.

Mr. Yan Hongbo was born in 1940. He graduated from the Beijing Institute of Steel (currently known as University of Science and Technology Beijing). Mr. Yan has served as the department head of the construction department of the State Administration for Gold, the chief engineer of the China Gold Company, the chairman of the expert committee of CITIC Guoan Gold Company Limited. Mr. Yan ceased to be as an independent non-executive Director, member of Geological and Resources Management Committee, member of Nomination and Remuneration Committee and member of Safety and Environmental Protection Committee of the Company since February 2013.

Supervisors

Mr. Wang Xiaojie was born in April 1973. He 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. He is currently the chairman of the Supervisory Committee of the Company, the deputy secretary of the Party Committee 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 has been a Supervisor of the Supervisory Committee of the Company since April 2007.

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

Mr. Chu Yushan was born in April 1966. He graduated from Shandong Institute of Business and Technology majoring in mining. 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 has been a supervisor of the Company since April 2004.

Secretary to the Board

Mr. Wang Ligang was born in July 1972. He 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 a master degree in engineering and an EMBA degree from Tsinghua University. He is currently 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 has been the Secretary to the Board since December 2007 and has served as the vice president of the company since February 2013.

Senior Management

Mr. Li Xiuchen, his biographical details are set out on page 20 of this annual report.

Mr. Sun Xiduan was born in September 1965. He graduated from China University of Geosciences, majoring in geology, and qualified as an engineer. He is currently the Vice President of the Company. Mr. Sun 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 has been the Vice President of the Company since February 2010.

Mr. Cong Peizhang was born in March 1963. He graduated from Shandong Mining Institute (currently known as Shandong University of Science and Technology) majoring in geology exploration and has the qualification of senior engineer. He is currently the Vice President of the Company. Mr. Cong 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 has been the Vice President of the Company since March 2012.

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

Mr. Dong Xin was born in February 1966. He 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. 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 of Xinjiang Xingta Mining Company Limited and production director of the Company. Mr. Dong has served as the vice president of the company since February 2013.

Mr. Qiu Shoucai was born in October 1972. He graduated from Shijiazhuang University of Economics majoring in accounting. He is currently the chief financial officer of the Company. Mr. Qiu has 15 years of financial experience in large-scale A share and H share listed companies, and obtained extensive experience in financial execution and management aspects. Mr. Qiu served as the accountant at the headquarter of Zijin Mining Group, the chief accountant of Zijinshan Gold and Copper Mine, the finance division head of Zijinshan Gold and Copper Mine, the deputy manager of corporate finance department of Zijin Mining Group, chief financial officer of Shandong Jintai Gold Company Limited under Zijin Mining Group, the general manager of finance department of Zijin Mining Group, the chief financial officer of Zijinshan Gold and Copper Mine, the general manager of finance department of Zijin Mining Group and chief financial officer of Zijinshan Gold and Copper Mine, the senior chief financial officer of the mineral resources division of Fosun Group. Mr. Qiu has served as the chief financial officer of the Company since November 2013.

Report of the Directors

The Board hereby presents its report, together with the audited consolidated financial statements for the year ended 31 December 2013.

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 150 to 155 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 2013 are set out on pages 83 to 84 of the consolidated income statement in this annual report.

Management Contracts

During the year, the Company did not enter or have any contracts regarding the overall management or the management or administration work of the Group's any major business.

Report of the Directors

Profit Distribution

As of the date of this annual report, the final dividend for the financial year ended 31 December 2012 paid by the Company was approximately RMB711,798,526.8 (2012: RMB612,120,600).

The Board proposes the payment of a final cash dividend to all shareholders for 2013 of RMB0.1 (tax included) (2012: RMB0.24 (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 26 May 2014).

The proposed distributions are subject to the approval by the Shareholders at the 2013 AGM of the Company to be held on 26 May 2014.

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 92.98% (2012: 92.15%) 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% (2012: 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 of Hong Kong Limited ("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 2013 are set out on page 87 of this annual report.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2013 are set out in note 39 to the financial statements on pages 183 to 184 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 2013, 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 RMB3,061,398,964.94 (2012: RMB3,165,548,465.97), of which approximately RMB296,582,719.5 are proposed to be the final cash dividend of the Year (2012: dividend of RMB711,799,000).

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 138 to 141 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 38 to the financial statements on page 182 of this annual report.

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 2013 to the date of this annual report.

Charity Donation

During the Year, the Group made various kinds of charitable donation amounted to RMB9,853,700 (2012: RMB12,360,000) in total. Details of the donation were set out in the section headed "Corporate Social Responsibility" on page 77 of this annual report.

Bank Borrowings

Details of bank borrowings of the Company and the Group are set out in note 33 to the financial statements on pages 175 to 177 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 135 to 136 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 2013, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the year ended 31 December 2013 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. Weng Zhanbin (*Chairman*) (appointed as the Chairman of the Company with effect from 24 January 2014 and resigned as the Vice Chairman and the President of the Company)
Mr. Li Xiuchen (*President*) (appointed as the President of the Company with effect from 24 January 2014)
Mr. Lu Dongshang (resigned as the Chairman of the Company with effect from 24 January 2014)

Non-executive Directors

Mr. Liang Xinjun *(Vice Chairman)*
Mr. Cong Jianmao
Mr. Ye Kai (resigned as a Non-executive Director of the Company with effect from 24 January 2014)
Mr. Xu Xiaoliang (appointed as a Non-executive Director of the Company with effect from 24 January 2014)
Mr. Kong Fanhe

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 19 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 130 to 134 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 Material 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.

Material Contracts in Which Controlling Shareholder Have Interests

Particulars of the material contracts entered between the Company and a controlling shareholder or any of its subsidiaries were disclosed in the section "Connected Transactions and Continuing Connected Transactions" in the Report of the Directors of this Annual Report.

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

As at 31 December 2013, 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 of the Company 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 three Directors. Full details of the five highest-paid personnel's remuneration are set out in note 8 to the financial statements on pages 133 to 134 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 2013, the Company had a total of 6,952 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 RMB2.10 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 2013 are as follows:

Classification	Number of Shareholders
Domestic shares	6
Overseas-listed foreign shares – H shares	1,964
Total number of shareholders	1,970

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 2013, 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 5)*	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 *(Notes 1&2)*	0.71	1.01	–	Long position
3	Shanghai Fosun Industrial Investment Co., Ltd.	Domestic shares	Beneficial owner	106,000,000 *(Notes 1&3)*	3.57	5.07	–	Long position
4	Shanghai Fosun High Technology (Group) Company Limited	Domestic shares	Beneficial owner	106,000,000 *(Notes 1&3)*	3.57	5.07	–	Long position
5	Fosun International Limited	Domestic shares	Beneficial owner	106,000,000 *(Notes 1&3)*	3.57	5.07	–	Long position
6	Fosun Holdings Limited	Domestic shares	Beneficial owner	106,000,000 *(Notes 1&3)*	3.57	5.07	–	Long position
7	Fosun International Holdings Ltd.	Domestic shares	Beneficial owner	106,000,000 *(Notes 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
8	Guo Guangchang	Domestic shares	Interest of controlled corporation	106,000,000 *(Notes 1&3)*	3.57	5.07	–	Long position
9.	The Bank of New York Mellon Corporation	H shares	Interest of controlled corporation *(note 4)*	57,722,568 57,722,568	1.95 1.95	– –	6.60 6.60	Long position Lending pool
10.	Market Vectors ETF – Market Vectors Gold Miners ETF	H shares	Beneficial owner	48,743,000	1.64	–	5.57	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 Bank of New York Mellon Corporation directly holds 100% of equity interests in The Bank of New York Mellon, and is therefore deemed to have an interest in the 57,722,568 shares held by The Bank of New York Mellon Corporation.

(5) 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 2013, 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.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.

(6) On 9 April 2013, the Company and Shandong Zhaojin Motian Co., Ltd. ("Zhaojin Motian", a subsidiary in which Zhaojin Group holds 55% equity) entered into the Framework Agreement on supplying filter membrane, equipment and water treatment engineering services for the Company from 9 April 2013 to 31 December 2015. According to the Framework Agreement, as of 31 December 2013, 31 December 2014 and 31 December 2015, the annual caps related to water treatment business are RMB30,000,000, RMB40,000,000 and RMB50,000,000 respectively.

Zhaojin Group is the controlling Shareholder of the Company and Zhaojin Motian is a subsidiary in which Zhaojin Group holds 55% equity. Zhaojin Motian is therefore a connected person of the Company and the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) (as defined under Rule 14.07 of the Listing Rules) in respect of the Framework Agreement are more than 0.1% but less than 5%, the Framework Agreement and the proposed transactions thereunder are subject to the annual review, reporting and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcements of the Company dated 9 April 2013 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

(7) On 9 April 2013, the Company and Zhao Jin Futures Co., Ltd ("Zhao Jin Futures", non-wholly owned subsidiary of Zhaojin Group in which Shandong Zhaojin Gold and Silver Refinery Company Limited, a subsidiary of Zhaojin Group holds 49.96% equity) entered into the futures brokerage contract in relation to the provision of futures brokerage services in the PRC by Zhao Jin Futures to the Company from 9 April 2013 to 31 December 2015. According to the futures brokerage contract, as of 31 December 2013, 31 December 2014 and 31 December 2015, the maximum amount of the security deposit amount place by the Company with Zhao Jin Futures are RMB200,000,000, RMB230,000,000 and RMB265,000,000 and the transaction fees payable by the Company and its subsidiaries to Zhao Jin Futures are RMB550,000, RMB650,000 and RMB750,000.

Zhaojin Group is the controlling Shareholder of the Company and Zhao Jin Futures is a non-wholly-owned subsidiary of Zhaojin Group in which Zhaojin Group holds 49.96% equity. Zhao Jin Futures is therefore a connected person of the Company and the transactions contemplated under the futures brokerages contract constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the amount of security deposit to be placed by the Company with Zhao Jin Futures together with the transaction fees on an annual basis contemplated under the futures brokerage contracts exceed 0.1% but less than 5%, the futures brokerage contracts constitute continuing connected transactions of the Company and is subject to reporting and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcements of the Company dated 9 April 2013 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) 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. 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 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 becomes 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.

(2) 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 0.432km^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.

On 28 June 2013, the registration procedures associated with the equity transfer with relevant industry and commerce authority were completed.

CITIC Mining and the Company are the shareholders of Ruoqiang County Changyun Sanfengshan Gold Mine Limited Liability Company, each of which holds 50% equity interests in Ruoqiang County Changyun Sanfengshan Gold Mine Limited Liability Company, and therefore, CITIC Mining is a connected person of the Company. The transaction constitutes a connected transaction of the Company, but is exempt from the reporting, announcement and independent Shareholders' approval requirements.

Further details of the continuing connected transactions and other connected transactions above are included in note 43 to the financial statements on pages 190 to 191 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 Stock Exchange.

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.

During the Year, the Independent Non-executive Directors have expressed their independent opinions regarding the connected transactions of the Framework Agreement entered into between the Group and Zhaojin Motian and the futures brokerage contract entered into between the Group and Zhaojin Futures.

The Company has also received a statement under the Non-competition agreement from Zhaojin Group on 2 January 2014, 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 2013.

Directors' Interests in Competing Businesses

Save as disclosed in this report, as at 31 December 2013, 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.

Acquisition

On 17 October 2013, the Company entered into an equity transfer agreement with Zhang Xueqin and Zhang Zhiling, pursuant to which the Company agreed to acquire 70% equity interests in Ejinaqi Yuantong Mining Company Limited (額濟納旗圓通礦業有限責任公司) at a consideration of RMB178,500,000. The Company acquired 2.78 square kilometers of mining rights areas and 14.673 tons of gold reserve.

As at 6 November 2013, the registration procedures associated with the equity transfer with relevant local industry and commerce authority were completed.

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

Significant Events

1. On 27 May 2013, the 2012 annual general meeting of the Company discussed and passed, among other things, the following resolutions:

   (1) the Company's profit distribution proposal for the year ended 31 December 2012 to distribute a cash dividend of RMB0.24 (tax included) per share to all shareholders. On 25 June 2013, the Company distributed the 2012 cash dividend of RMB0.24 (tax included) per share to all shareholders;

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

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

   (4) amending Article 3.4, Article 9.8 and Article 10.1 of the Articles of Association, which are mainly related to the requirements of overseas listing of unlisted shares, the scenarios that are not applicable to the voting of class shareholders and adjustment of the number of vice chairmen.

   Relevant details were set out in the circular, notice, supplemental notice and announcement of the Company dated 8 April 2013, 9 May 2013 and 27 May 2013 respectively 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 27 May 2013, the following proposals (among other things) were reviewed at the domestic shares class meeting and H shares class meeting respectively:

   (1) authorizing the Board to repurchase H shares of up to a maximum of 10% of the aggregate nominal value of the issued H share capital of the Company as at the date of passing such resolution;

   (2) amending Article 3.4 of the Articles of Association, which is mainly related to the requirements of overseas listing of unlisted shares;

   (3) amending Article 9.8 of the Articles of Association, which is mainly related to the scenarios that are not applicable to the voting of class shareholders.

   All the three proposals were approved at the domestic shares class meeting and the H shares class meeting.

   Relevant details were set out in the circular, notice, supplemental notice and announcement of the Company dated 8 April 2013, 9 May 2013 and 27 May 2013 respectively 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 Debt Financial Instruments

On 29 November 2013, the resolution regarding the non-public issue of debt financial instruments with a principal amount of no more than RMB1,000,000,000 was reviewed and passed by the second extraordinary general meeting in 2013.

Relevant details were set out in the circular, notice and announcement of the Company dated 15 October 2013 and 29 November 2013 respectively 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 "2009 Zhaojin Bond" for the Year 2013

On 23 December 2013, the Company has distributed the interest of "2009 Zhaojin Bond" in an aggregate sum of RMB75,000,000 for the fourth distributing year from 23 December 2012 to 22 December 2013.

Relevant details were set out in the announcement of the Company dated 16 December 2013 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Distribution of Interest of "2012 Zhaojin Bond" for the Year 2013

On 16 November 2013, the Company has distributed the interest of "2012 Zhaojin Bond" in an aggregate sum of RMB59,880,000 for the first distributing year from 16 November 2012 to 15 November 2013.

Relevant details were set out in the announcement of the Company dated 12 November 2013 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Election of the Board and Changes in Composition of the Board

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

The Company held the fourth meeting of the fourth session of the Board on 7 June 2013 and elected Mr. Weng Zhanbin as the Vice Chairman of the Company.

Relevant details of the changes in the composition of the Board were set out in the circular, notice and announcement of the Company dated 12 January 2013 respectively and 26 February 2013 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

The Company held the eighth meeting of the fourth session of the Board on 24 January 2014, at which the Company agreed Mr. Ye Kai to resign from his position as a non-executive Director and a member of the Audit Committee due to reallocation of work arrangement, with effect from 24 January 2014. Mr. Ye confirmed that they have no disagreement with the Board and there is no matter relating to Mr. Ye'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 of the Company, the Board appointed Mr. Xu Xiaoliang as a non-executive Director and a member of the Audit Committee of the Company.

Relevant details of the changes in the composition of the Board were set out in the announcement of the Company dated 27 January 2014 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. Changes in Senior Management

The Company held the first meeting of the fourth session of the Board on 26 February 2013. Being nominated by the Chairman, the Board appointed Mr. Weng Zhanbin as President of the Company for a term commencing from 26 February 2013 until the expiry of the current session of the Board. Being nominated by the president, the Board appointed Mr. Li Xiuchen as Executive President of the Company, whereas Mr. Sun Xiduan, Mr. Cong Peizhang, Mr. Wang Ligang and Mr. Dong Xin were appointed as Vice Presidents of the Company for a term commencing from 26 February 2013 to the expiry of the current session of the Board. Being nominated by the Chairman, the Board agreed to appoint Mr. Wang Ligang as secretary to the Board for a term commencing from 26 February 2013 to the expiry of the current session of the Board.

The Company held the fifth meeting of the fourth session of the Board on 26 August 2013. The Board approved the resignation of Ms. Ma Sau Kuen Gloria as company secretary and authorized representative as required pursuant to Hong Kong Companies Ordinance with effect from 26 August 2013. Ms. Ma has confirmed that she has no disagreement with the Board and that there are no other matters that need to be brought to the attention of the Stock Exchange and the Shareholders of the Company. The Board approved the appointment of Ms. Mok Ming Wai as company secretary and authorized representative as required pursuant to Hong Kong Companies Ordinance with effect from 26 August 2013. Ms. Mok is a director of KCS Hong Kong Limited. She has over 15 years of professional and in-house experience in the company secretarial field. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

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

The Company held the seventh meeting of the fourth session of the Board on 26 October 2013. Being nominated by the President, Mr. Qiu Shoucai appointed as Chief Financial Officer of the Company by the Board for a term commencing from 26 October 2013 until the expiry of the current session of the Board.

The Company held the eighth meeting of the fourth session of the Board on 24 January 2014, at which the Board agreed Mr. Lu Dongshang to resign from being the Chairman and authorised representative of the Company due to reallocation of work arrangement, with effect from 24 January 2014. Mr. Weng Zhangbin was appointed as the Chairman of the current session of the Board and he resigned from his positions as the Vice Chairman of the Board and the President of the Company with effect from 24 January 2014. As nominated by the Chairman, the Board agreed to appoint Mr. Li Xiuchen as the President of the Company, for a term commencing from 24 January 2014 to the end of the term of the current session of the Board. The position will be released upon the expiry of the term and will be re-appointed at the next session of the Board. At the same time, in accordance with the requirements of the articles of association of the Company, the Board appointed Mr. Li Xiuchen as an authorised representative of the Company.

Relevant details were set out in the announcement of the Company dated 27 January 2014 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

8. Election of the Supervisory Committee

The Company held the 2013 First Extraordinary General Meeting on 26 February 2013 and elected Mr. Wang Xiaojie and Ms. Jin Ting 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 supervisors have a term of three years commencing from 26 February 2013.

Relevant details were set out in the circular, notice and announcement of the Company dated 12 January 2013 and 26 February 2013 respectively 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.

Report of the Directors

Compliance with the Corporate Governance Code

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (collectively the "Code") during the period from 1 January 2013 to 31 December 2013. No Director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the Code by the Company at any time during the Year.

For details of the Corporate Governance Report, please refer to pages 48 to 76 of this annual report.

Compliance with the Model Code

The Company has adopted the Model Code set out in Appendix 10 of 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 the standards required according to the Model Code set out in Appendix 10 of the Listing Rules during the Year.

Audit Committee

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 Audit Committee of the fourth session of the Board of the Company comprises 1 Non-executive Director and 2 independent Non-executive Directors, namely Mr. Ye Kai, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. Each member of the Audit Committee is appointed for a term of three years and its Chairman is Ms. Chen Jinrong.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2013, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2013 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The Company held the eighth meeting of the fourth session of the Board on 24 January 2014, at which the Company agreed Mr. Ye Kai to resign from his position as a member of the Audit Committee, and appointed Mr. Xu Xiaoliang as a member of the Audit Committee of the Company.

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 24 January 2014. 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 2013 AGM, the H shares registrar and transfer office will be closed from 26 April 2014 to 26 May 2014, 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 2013, the H shares registrar and transfer office will be closed from 30 May 2014 to 3 June 2014, both days inclusive, during which no transfer of shares will be registered.

For qualifying to attend and vote at the 2013 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 address 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, 25 April 2014.

For qualifying to receive the final dividend for the year 2013, 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 address 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, 29 May 2014.

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 2013 AGM.

By the order of the Board
Weng Zhanbin
Chairman

21 March 2014

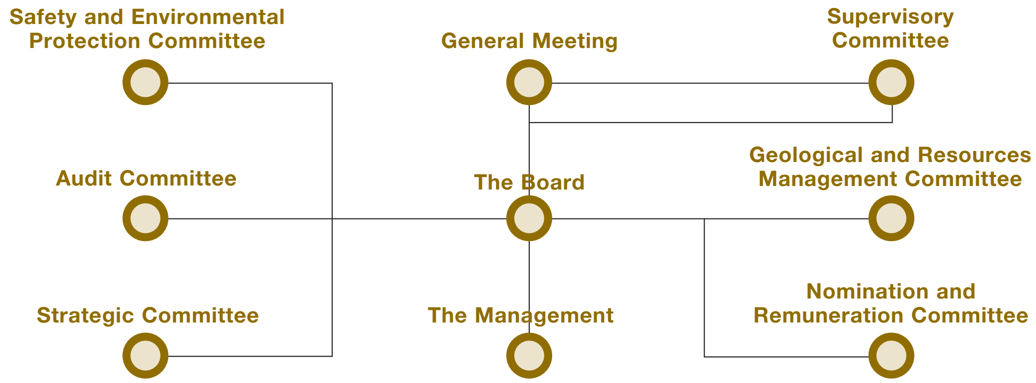
Corporate Governance Report

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

During the Year, the Company had complied with all the code provisions of the Code with no deviation, and had adopted certain recommended best practices in the Code where applicable.

For the year ended 31 December 2013, 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 2013. 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. The Company held the eighth meeting of the fourth session of the Board on 24 January 2014, at which the Company agreed Mr. Ye Kai to resign from his position as a Non-executive Director and a member of the Audit Committee of the Company, and appointed Mr. Xu Xiaoliang as a Non-executive Director and a member of the Audit Committee of the Company.

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. Weng Zhanbin, the Chairman of the Company, Mr. Li Xiuchen, the President of the Company and Mr. Lu Dongshang, an 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.

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 24 January 2014, 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 seven Board meetings of the fourth 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					
Weng Zhanbin *(Chairman)*	7	7	(0)	5	4
Li Xiuchen	7	7	(0)	5	4
Lu Dongshang	7	7	(0)	5	5
Non-executive Directors					
Liang Xinjun	7	3	(4)	5	5
Cong Jianmao	7	7	(0)	5	5
Ye Kai *(Note)*	7	7	(0)	5	5
Kong Fanhe	7	7	(0)	5	5
Independent Non-executive Directors					
Yan Hongbo *(resigned with effect from 26 February 2013)*	7	(0)	(0)	5	(0)
Ye Tianzhu	7	7	(0)	5	5
Chen Jinrong	7	7	(0)	5	5
Choy Sze Chung Jojo	7	7	(0)	5	5
Xie Jiyuan *(appointed with effect from 26 February 2013)*	7	7	(0)	5	5

Note: Mr. Ye Kai resigned on 24 January 2014, and Mr. Xu Xiaoliang was appointed as 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.

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 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. Weng Zhanbin, the Chairman of the Board, is responsible for setting the Group's overall corporate development directions and formulating business development strategies. Mr. Weng is also responsible for ensuring the establishment, implementation and execution of sound corporate governance practices and procedures. Mr. Li Xiuchen, 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. Xu Xiaoliang 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

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 is 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 from that day onwards.

The terms of reference of the Nomination and Remuneration Committee 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.

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.

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. Nomination and Remuneration Committee members can seek professional advice when necessary;

8. remuneration of Directors and Supervisors for the year ended 31 December 2013 are detailed in note 8 to the financial statements on pages 130 to 134 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*) (resigned with effect from 26 February 2013)	1	1
Choy Sze Chung Jojo (*Chairman*) (appointed with effect from 26 February 2013)	1	1
Liang Xinjun	1	1
Cong Jianmao	1	1
Ye Tianzhu	1	1
Chen Jinrong	1	1

In 2013, the Nomination and Remuneration Committee reviewed and passed the following resolutions:

The resolution to nominate candidates for directorship of the fourth session of the Board, pursuant to which: Mr. Lu Dongshang, Mr. Weng Zhanbin, Mr. Li Xiuchen, Mr. Liang Xinjun, Mr. Cong Jianmao, Mr. Ye Kai, Mr. Kong Fanhe, Mr. Xie Jiyuan, Mr. Ye Tianzhu, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo were nominated as the Directors of the fourth session of the Board of the Company, being proposed at the general meeting for election.

The resolution to nominate candidates for Supervisors of the fourth session of the Supervisory Committee Shareholder Representatives, pursuant to which: Mr. Wang Xiaojie and Ms. Jin Ting were nominated as the Supervisors of the fourth session of the Supervisory Committee of the Company, being proposed at the general meeting for election.

Diversity policy of the Board

The Board had adopted its diversity policy on 26 February 2013. The Company regards the diversification in its Board members an essential factor supporting the Company to achieve strategic objectives and maintain sustainable development. In determining the composition of its Board members, the Company shall consider from a variety of aspects to achieve a diversified composition of its Board members, including, but not limited to, sex, age, culture, education background, race, professional experiences, skills, expertise and years of service. All appointments made by the Board are based on merits for which the candidates are selected on from objective criteria. The benefits from diversification of Board members will also be fully taken into consideration.

Senior management's remuneration

The annual emoluments of the senior management fell within the following bands:

	Number of Individuals	
	2013	2012
Below HK$1,000,000 (equivalent to RMB786,200)	**2**	0
HK$1,000,001 – HK$1,500,000 (approximately equivalent to RMB786,201 – RMB1,179,300)	**4**	5
Total	**6**	5

(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 RMB2,760,000 (2012: RMB2,400,000).

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. The Audit Committee was re-elected at the first 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. Xu Xiaoliang. The Company held the eighth meeting of the fourth session of the Board on 24 January 2014, at which the Company agreed Mr. Ye Kai to resign from his position as a member of the Audit Committee, and appointed Mr. Xu Xiaoliang as a member of the Audit Committee of the Company. 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.

The working system and terms of reference of the Audit Committee are 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
Ye Kai (Resigned on 24 January 2014)	2	1
Xu Xiaoliang (Appointed on 24 January 2014)	0	0

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 2013;

2. reviewed the Group's interim report and interim results announcement for the six-month period ended 30 June 2013;

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 2014; 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.

(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 2013, 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 2013, 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. 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 2013, the fourth 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. Xie Jiyuan. 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 Mr. Ye Tianzhu, the chairman of the committee to discuss the amount of new geological reserves of the Company in 2013, 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
Xie Jiyuan	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. For the year ended 31 December 2013, the Safety and Environmental Protection Committee of the Fourth session of the Board was chaired by Mr. Li Xiuchen, with other members namely Independent Non-executive Director Mr. Xie Jiyuan, Non-executive Director Mr. Cong Jianmao. 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 Mr. Li Xiuchen, the chairman of the committee. The committee reviewed and passed the Summary of Safety and Environmental Protection Work in 2013 and reviewed and passed the Plan on Safety and Environmental Protection Work in 2014.

The record of attendance of each member of the committee is set out below:

	Number of meeting	Attendance
Li Xiuchen *(Chairman)*	1	1
Cong Jianmao	1	1
Xie Jiyuan	1	1

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 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. 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 an 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 fourth 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 management of the Company 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

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 2013, the Company had convened one annual general meeting, one domestic shares class meeting, one H shares class meeting and two extraordinary general meetings.

Corporate Governance Report

Controlling Shareholder

At the end of 2013, 1,137,481,195 domestic shares and 16,510,000 H shares were 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. Mok Ming Wai was appointed as Company Secretary. She is a director of KCS Hong Kong Limited. 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 2013, Company Secretary Ms. Mok 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 310 customers in addition to the Company as at 31 December 2013 (as at 31 December 2012: approximately 280 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 180 customers in addition to the Company as at 31 December 2013 (31 December 2012: approximately 163 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).

In 2012, 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.

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 2014, 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 2013.

Investor Relations

The Board recognises the importance of good communications with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to disclosure corporate information truly, accurately, correctly and timely to its shareholders and public investors, and ensures that all shareholders shall have equal opportunities in accessing all kinds of the Company's information. The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and announcements. This annual report had provided a lot of business information about the Company for the year ended 31 December 2013. During the year, the Company improved the content of its website regarding investor relations, and added links to research reports compiled by major investment banks on the Company's website. This allowed investors to collection and have access to investment analysis report issued by various investment banks on the Company. The Chairman, President, Chief Financial Officer and Secretary of the Board and other senior management officers of the Company attended annual results press conference and non-trading roadshows in Hong Kong during the time when the annual results are to be published, who took the initiative to communicate with investors on the Company's development strategies, operating conditions, financial condition and significant events, and leave a rigorous and responsible impression to the public investors. During the year, the Company received 31 investor visitors. On 17 September 2013, the Company was included in the list for gold stocks on the New York Stock Exchange ("NYSE"), which was also first non-ADR being included to the index. In November 2013, the Company was once again being awarded "Best Listed Companies" and "Best Investment Value of Listed Companies" of China Securities Golden Bauhinia Award subsequent to the earlier awarded made in 2011. Moreover, the Company was also included in the "Fortune" Top 500 Chinese enterprises for the year, which endorsed the recognition from the market and the professionals.

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, to study advanced model of corporate governance around the globe, and to promote enterprise development by enhancing the management level. On 17 September 2013, the Company was included in the list for gold stocks on the NYSE, which was also first non-ADR being included to the index. In November 2013, the Company was once again being awarded “Best Listed Companies” and “Best Investment Value of Listed Companies” of China Securities Golden Bauhinia Award subsequent to the earlier awarded made in 2011. Moreover, the Company was also included in the “Fortune” Top 500 Chinese enterprises for the year, which endorsed the recognition from the market and the professionals. The awards that we won demonstrate the industry’s acknowledgement of our tireless pursuit of good corporate governance. The Company will continue 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.

Articles of Association

The Company reviewed and approved the revision of Articles 3.4, 9.8 and 10.1 of the Articles of Association at the annual general meeting, H Shares Class Meeting and Domestic Shares Class Meeting held on 27 May 2013. 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 28 June 2013.

Training for the directors

As stipulated by the Listing Rules, the directors are required to acquaint their respective responsibilities. In order to provide better assistance to the directors for discharging their duties, the Company will, pursuant to the requirements of the regulators, actively arrange the directors to participate in various training programmes such as the business of a listed company and corporate governance. Moreover, the Company will provide the directors with written information on specific policies and regulations issued by the regulators so as to enable them to comprehend relevant laws, regulations and policies instantly during the process of discharging their respective duties, thereby assisting the directors to better set the Company’s production and business objectives. After the newly appointed directors assume the position, the Company will provide them written information which covers laws, regulations and other details related to the director’s duties to enable them to clearly acquaint their duties as required by laws and regulations, and to discharge related duties accordingly. The directors will be invited to conduct on-site inspections on the Company’s projects in response to the Company’s development, and to make reasonable suggestions and comments to the Company based on their respective areas of expertise.

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.

Details of the training attended by the directors in 2013 are set out below:

Director	Position	Participation of Training Types	Training Types
Weng Zhanbin	Chairman	A,B,C,D	A. Training provided by regulators
Li Xiuchen	Director	A,B,C,D	B. Attending seminars/forums
Lu Dongshang	Director	A,B,C,D	C. Reading economic, financial and business articles, as well as articles and information related to the duties of a director and the Company
Liang Xinjun	Director	A,B,C,D	D. Conducting on-site inspections on the Company's businesses
Cong Jianmao	Director	C,D	
Xu Xiaoliang	Director	A,B,C,D	
Kong Fanhe	Director	A,B,C,D	
Ye Tianzhu	Independent Director	B,C,D	
Chen Jinrong	Independent Director	A,B,C,D	
Xie Jiyuan	Independent Director	A,B,C,D	
Choy Sze Chung Jojo	Independent Director	B,C,D	

Corporate Social Responsibility

As a resource-based group of enterprises, the Company has always aimed at building a mine with four distinctive features, namely "ecological and environmental protection, efficient development, safety and health, and satisfaction from staff, shareholders, the government and community". While focusing on resource conservation and community stability, we adhere to the environmental protection concept of "prioritizing environmental protection over gold/silver mining"; while developing mineral resources and creating social values, we adhere to the safety concept of "gold is precious but life is priceless", with an aim to educate employees on safety in their daily operations and to maximize their awareness on safety. Since its establishment, we have always borne our social responsibilities in mind while striving to achieve corporate development and improving economy of scales. We have adhered to embrace with our ultimate goals of benefiting the society through scientific developments, and committed to the mission of corporate citizenship and the performance of social responsibilities.

Supporting Community Development, Accelerating Local Economic Prosperity

In 2013, the Company and its associates are committed to make contributions to the society, with a mission of supporting local economic and social development, we proactively adhere to the concept of coordinating the development of "enterprise, employees and community", and to actively fulfill our social responsibilities with the target of building a mine with four distinctive features. The Company has been undergoing operations subject to laws and in full compliance with all taxes required, resulting in an efficient increase in the employment rate of the Company itself and communities nearby respective mines. Consequently, economic and social development of areas surrounding those mines are substantially driven, with total annual taxes in 2013 amounted to RMB646 million.

In 2013, while focusing on exploitation of mineral resources and supporting the local economic development, the Company continues 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, drinking water as well as the construction of new villages under socialism, which significantly accelerated the development of the local communities. During the Year, the Company invested a total of RMB9,853,700 for supporting education development and community building, having turned the social responsibilities of "corporate citizen" into actions, and made an effort in making contributions to the society, which further consolidate the local community relations.

Practice of "Production Safety" and Environmental Protection

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. The Company also improves the safety production liability system by establishing various safety production management procedures and safety operational rules, and offers safety education and safety skills training to employees, with safety production professionals obtaining certificate-for-job. During the reporting period, the Company continues to invest in safety production, carries out constant efforts on safety production, and earnestly implements corporate safety production liability system, so as to strengthen management on the liability of construction projects, with an annual total investment in safety cost of RMB74,000,000. We eliminated major casualties, fire, explosion accidents, achieving safety development.

We manage our mine the same way as eco-landscape, integrating the development of ecological mining into the concept of production and operation. In adherence to the principle of environmental protection, we strive to establish a production system without pollution, solid waste and waste gas, and to reduce the damage to the ecological environment and promptly restore the ecological environment by implementing "Green Concept" in the process of design, mining and transportation, in order to prevent ecological concerns. The exploitation of mineral resources becomes more scientific, by leveraging on technological innovation and improving technologies, the ore cut-off grade is lowering, whereas mining recovery, mining dilution and milling recovery are all meeting the requirements of the exploitation proposal for mineral resources. We proactively promote the use of new energy-saving technologies, new technologies, and continuously improve the utilization of mineral resources, utilization of waste recycling, resulting in an enhancement of economic efficiency of resources consumption as calculated by tonnes. During the Year, the Company invested a total of RMB36,000,000 into environmental management funds, maintaining no occurrence of environmental pollution incidents and no penalty on environmental protection. This enables us to achieve a promising outlook for green production.

Corporate Social Responsibility

Protection of Investors' Interests and Standardization of the Company's Operation

The Company 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 RMB2,615,202,106.8. The Company paid a total of cash dividend of RMB711,798,526.8 in 2013, with a cash dividend payout ratio of 40.23%.

The Company also cared seriously about protecting the interests of our creditors. We recorded a gearing ratio of 50.9% as of 31 December 2013. 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 2013. 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 66 announcements in 2013, with 29 initiative disclosures and on-site meeting with 31 investors. 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.

Awards to the Company in 2013

Rated as Fortune's Top 500 Enterprises in China of 2013
Honorary title of "Best Listed Company Award" and "Listed Company with Most Investment Value "in Golden Bauhinia Award 2013
"National Labor Day Medal"

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 1st Meeting of the Fourth Session of the Supervisory Committee on 26 February 2013
Reviewing and passing the election of Supervisor Wang Xiaojie as the Chairman of the Fourth Session of the Supervisory Committee.

(2) The 2nd Meeting of the Fourth Session of the Supervisory Committee on 21 March 2013
Reviewing and passing Board report, financial report, the proposal of profits allocation in 2012 and other resolutions, and reviewing the annual report of the Supervisory Committee 2012.

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.

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 2014, 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

21 March 2014

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 83 to 208, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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.

Independent Auditors' Report

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 2013, 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
21 March 2014

Consolidated Income Statement

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated*)
REVENUE	5	**6,344,124**	7,603,745
Cost of sales		**(4,103,629)**	(3,912,077)
Gross profit		**2,240,495**	3,691,668
Other income and gains	5	**156,771**	122,592
Selling and distribution costs		**(97,273)**	(74,059)
Administrative expenses		**(820,636)**	(767,345)
Other expenses		**(164,190)**	(94,341)
Finance costs	6	**(342,123)**	(218,537)
Share of profits and losses of:			
– Associates		**12,977**	10,166
– A joint venture		**7,536**	(8,292)
PROFIT BEFORE TAX	7	**993,557**	2,661,852
Income tax expense	9	**(226,157)**	(615,034)
PROFIT FOR THE YEAR		**767,400**	2,046,818
Attributable to:			
Owners of the parent	10	**734,085**	1,923,521
Non-controlling interests		**33,315**	123,297
		767,400	2,046,818
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year (RMB)		**0.25**	0.66

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

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 2.2 and Note 48.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR	**767,400**	2,046,818
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(379)**	6
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(379)**	6
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**–**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(379)**	6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**767,021**	2,046,824
Attributable to:		
Owners of the parent	**733,706**	1,923,527
Non-controlling interests	**33,315**	123,297
	767,021	2,046,824

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated*)	1 January 2012 RMB'000 (Restated*)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**9,475,509**	7,311,824	4,890,055
Prepaid land lease payments	14	**379,682**	240,815	236,604
Goodwill	15	**932,792**	813,942	586,674
Other intangible assets	16	**3,883,204**	3,647,966	2,480,078
Investment in a joint venture	18	**116,064**	108,528	116,820
Investments in associates	19	**273,154**	45,830	42,220
Available-for-sale investments	20	**26,586**	–	–
Deferred tax assets	21	**311,123**	203,994	159,196
Loans receivable	22	**825,000**	35,000	–
Long-term deposits	23	**90,729**	31,729	24,856
Other long-term assets	24	**2,120,989**	1,112,548	761,635
Total non-current assets		**18,434,832**	13,552,176	9,298,138
CURRENT ASSETS				
Inventories	25	**2,503,942**	2,009,289	2,125,380
Trade and notes receivables	26	**190,106**	139,616	44,484
Prepayments, deposits and other receivables	27	**973,901**	814,464	516,821
Equity investments at fair value through profit or loss	28	**34,351**	32,409	8,732
Derivative financial instruments		**–**	–	9,367
Pledged deposits	29	**164,500**	–	–
Loans receivable	22	**35,000**	20,000	15,000
Cash and cash equivalents	29	**1,035,825**	1,349,084	1,237,921
Total current assets		**4,937,625**	4,364,862	3,957,705
CURRENT LIABILITIES				
Trade payables	30	**648,338**	405,417	1,535,398
Other payables and accruals	31	**1,503,685**	996,691	497,289
Financial liabilities at fair value through profit or loss	32	**1,574,512**	–	–
Interest-bearing bank and other borrowings	33	**5,330,507**	3,167,645	1,510,160
Tax payable		**125,744**	318,728	341,613
Provisions	36	**20,431**	20,095	19,827
Corporate bonds	34	**1,494,375**	–	–
Current portion of other long-term liabilities	37	**25,000**	19,421	–
Total current liabilities		**10,722,592**	4,927,997	3,904,287
NET CURRENT (LIABILITIES)/ASSETS		**(5,784,967)**	(563,135)	53,418
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,649,865**	12,989,041	9,351,556

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 2.2 and Note 48.

Consolidated Statement of Financial Position

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated*)	1 January 2012 RMB'000 (Restated*)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	33	**1,116,563**	56,908	158,109
Corporate bonds	34	**1,191,671**	2,682,886	1,491,047
Deferred tax liabilities	21	**596,443**	597,036	447,850
Deferred income	35	**335,534**	248,635	149,372
Provisions	36	**66,986**	70,631	77,731
Other long-term liabilities	37	**19,870**	85,320	30,000
Total non-current liabilities		**3,327,067**	3,741,416	2,354,109
Net assets		**9,322,798**	9,247,625	6,997,447
EQUITY				
Equity attributable to owners of the parent				
Issued capital	38	**2,965,827**	2,965,827	2,914,860
Reserves	39	**5,163,513**	4,726,390	3,056,674
Proposed final dividend	11	**296,583**	711,799	612,121
		8,425,923	8,404,016	6,583,655
Non-controlling interests		**896,875**	843,609	413,792
Total equity		**9,322,798**	9,247,625	6,997,447

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 2.2 and Note 48.

Weng Zhanbin
Director

Li Xiuchen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the parent									
	Issued capital RMB'000 *(note 38)*	Capital reserve RMB'000 *(note 39)*	Special reserve-safety fund RMB'000	Statutory and distributable reserve RMB'000 *(note 39)*	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 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	–	–	–	–	–	–	–	–	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	–	–	–	–	–	–	(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
At 1 January 2013	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
Profit for the year	–	–	–	–	–	734,085	–	734,085	33,315	767,400
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	(379)	–	–	(379)	–	(379)
Total comprehensive income for the year	–	–	–	–	(379)	734,085	–	733,706	33,315	767,021
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(76,133)	(76,133)
Acquisition of subsidiaries *(note 15 and 40)*	–	–	–	–	–	–	–	–	96,084	96,084
Transfer to reserves	–	–	4,937	110,520	–	(115,457)	–	–	–	–
Dividends										
– 2013 final proposed *(note 11)*	–	–	–	–	–	(296,583)	296,583	–	–	–
– 2012 final paid *(note 11)*	–	–	–	–	–	–	(711,799)	(711,799)	–	(711,799)
At 31 December 2013	**2,965,827**	**1,209,435***	**18,122***	**726,325***	**(8,305)***	**3,217,936***	**296,583**	**8,425,923**	**896,875**	**9,322,798**

* These reserve accounts comprise the consolidated reserves of RMB5,163,513,000 (2012: RMB4,726,390,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated*)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**993,557**	2,661,852
Adjustments for:			
Finance costs	6	**342,123**	218,537
Share of profit of associates		**(12,977)**	(10,166)
Share of (profit)/loss of a joint venture		**(7,536)**	8,292
Bank interest income	5	**(16,043)**	(16,050)
Net loss on disposal of items of property, plant and equipment		**3,529**	7,722
Fair value (gains)/losses, net:			
– Equity investments at fair value through profit or loss	7	**17,306**	(2,264)
– Commodity derivative contracts	7	**11,132**	–
– Gold leasing business and gold forward contracts	7	**(17,442)**	–
Loss on disposal of equity investments at fair value through profit or loss	7	**2,276**	–
Gain on return of gold for gold leasing business	7	**(2,626)**	–
Depreciation of property, plant and equipment	7	**495,020**	320,414
Amortisation of mining rights and reserves	7	**105,364**	87,628
Amortisation of prepaid land lease payments	7	**16,550**	12,378
Write-off of other intangible assets	7	**11,842**	–
(Reversal)/provision of impairment of receivables	7	**(7,599)**	16,347
Impairment loss of inventories	7	**62,246**	–
Deferred income recognised	5, 35	**(44,715)**	(48,077)
		1,952,007	3,256,613
(Increase)/decrease in inventories		**(545,148)**	231,347
Increase in trade and notes receivables		**(53,494)**	(95,132)
Increase in prepayments and other receivables		**(172,374)**	(246,674)
Increase in pledged deposits		**(48,000)**	–
Increase/(decrease) in trade payables		**236,314**	(1,145,035)
Increase in other payables and accruals		**59,812**	407,928
Decrease in provisions		**(3,309)**	(6,828)
CASH GENERATED FROM OPERATIONS		**1,425,808**	2,402,219
Income taxes paid		**(551,301)**	(697,645)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**874,507**	1,704,574

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 2.2 and Note 48.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated*)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**16,043**	16,050
Dividend received from an associate		**8,995**	6,555
Purchases of items of property, plant and equipment		**(2,300,128)**	(2,337,808)
Proceeds from disposal of items of property, plant and equipment		**8,402**	17,353
Increase in land lease payments		**(78,604)**	(20,443)
Receipt of government grants		**115,114**	143,864
Increase in other intangible assets		**(251,138)**	(108,133)
Acquisition of subsidiaries	40	**(182,557)**	(202,440)
Acquisition of an associate		**(183,659)**	–
Advance paid for acquisition of subsidiaries		**(768,000)**	(836,000)
Payment for acquisition of non-controlling interests		**–**	(11,577)
Purchase of equity investments at fair value through profit or loss		**(21,524)**	(21,413)
Deposit paid for other investments		**–**	(26,286)
Addition of the loans receivable		**(805,000)**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(4,442,056)**	(3,380,278)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**10,301,685**	7,826,202
Repayment of bank and other borrowings		**(7,131,543)**	(5,262,518)
Capital contribution from non-controlling shareholders of a subsidiary		**–**	135,000
Receipts from gold leasing business		**1,614,348**	–
Deposits paid for gold forward contracts in relation to gold leasing business		**(166,815)**	–
Repayments of gold leasing business		**(30,900)**	–
Dividends paid		**(807,140)**	(627,678)
Increase in pledged deposits for short-term bank borrowings		**(116,500)**	–
Receipt from a third party for financing activities		**83,895**	–
Interest paid		**(492,740)**	(284,139)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**3,254,290**	1,786,867
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(313,259)**	111,163
Cash and cash equivalents at beginning of year		**1,349,084**	1,237,921
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,035,825**	1,349,084

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 2.2 and Note 48.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000 (Restated*)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**1,035,325**	1,344,084
Non-pledged time deposits with original maturity of less than three months when acquired	29	**500**	5,000
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,035,825**	1,349,084

* Certain amounts shown here do not correspond to condensed consolidated financial statements as at 31 December 2012 and reflect adjustments made as detailed in Note 2.2 and Note 48.

Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,483,433**	2,920,745
Prepaid land lease payments	14	**120,794**	124,748
Goodwill	15	**84,333**	84,333
Other intangible assets	16	**1,189,774**	1,071,784
Investments in subsidiaries	17	**4,661,569**	3,979,146
Investment in a joint venture	18	**100,000**	100,000
Investment in an associate	19	**34,650**	34,650
Deferred tax assets	21	**83,461**	51,575
Loans receivable	22	**3,187,437**	2,325,049
Long-term deposits	23	**46,949**	30,483
Other long-term assets	24	**250,867**	185,729
Total non-current assets		**13,243,267**	10,908,242
CURRENT ASSETS			
Inventories	25	**1,370,373**	829,385
Trade and notes receivables	26	**92,585**	107,584
Prepayments, deposits and other receivables	27	**1,851,312**	1,204,672
Equity investments at fair value through profit or loss	28	**26,433**	–
Pledged deposits	29	**116,500**	–
Loans receivable	22	**2,731,630**	1,224,500
Cash and cash equivalents	29	**393,409**	652,795
Total current assets		**6,582,242**	4,018,936
CURRENT LIABILITIES			
Trade payables	30	**532,974**	146,987
Other payables and accruals	31	**509,686**	803,544
Financial liabilities at fair value through profit or loss	32	**1,563,380**	–
Interest-bearing bank and other borrowings	33	**4,745,273**	2,857,645
Tax payable		**69,416**	199,742
Provisions	36	**16,480**	16,197
Corporate bonds	34	**1,494,375**	–
Total current liabilities		**8,931,584**	4,024,115
NET CURRENT LIABILITIES		**(2,349,342)**	(5,179)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,893,925**	10,903,063

Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**1,004,249**	4,957
Corporate bonds	34	**1,191,671**	2,682,886
Deferred tax liabilities	21	**82,865**	85,377
Deferred income	35	**228,518**	187,751
Provisions	36	**49,026**	51,947
Total non-current liabilities		**2,556,329**	3,012,918
Net assets		**8,337,596**	7,890,145
EQUITY			
Issued capital	38	**2,965,827**	2,965,827
Reserves	39	**5,075,186**	4,212,519
Proposed final dividend	11	**296,583**	711,799
Total equity		**8,337,596**	7,890,145

Weng Zhanbin
Director

Li Xiuchen
Director

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 and processing of copper and the 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 2013, 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. 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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and 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 – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Trans*ition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 11, HKFRS 12, HKFRS 13, HKAS 1 Amendments, HKAS 36 Amendments and *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) 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. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

2.2 Changes in Accounting Policies and Disclosures (Continued)

(a) (Continued)

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the Group's investments in Ruoqiang Changyun Sanfengshan Mining Company Limited ("Sanfengshan"), which were previously classified as jointly-controlled entities under HKAS 31 and were accounted for using the proportionate consolidation method, should be classified as joint ventures under HKFRS 11 and be accounted for using the equity method. The change in accounting for investments in joint ventures has been applied retrospectively. The opening balances as at 1 January 2012 and comparative information for the year ended 31 December 2012 have been restated in the consolidated financial statements. The quantitative impact on the financial statements is summarised below:

Impact on the consolidated statement of profit or loss:

	Year ended 31 December 2012 RMB'000
Increase in the revenue	785
Increase in the cost of sales	(4,093)
Decrease in gross profit	**(3,308)**
Decrease in other income and gains	(2,167)
Decrease in administrative expenses	10,034
Decrease in other operating expenses	694
Increase in operating profit	**5,253**
Decrease in finance costs	310
Increase in share of loss of a joint venture	(8,292)
Decrease in profit before tax	**(2,729)**
Decrease in income tax expense	2,729
Net impact on profit for the year	**–**
Net impact on profit for the year and earnings per share	**–**
Net impact on other comprehensive income	**–**

2.2 Changes in Accounting Policies and Disclosures (Continued)

(a) (Continued)

Impact on the consolidated statement of financial position:

	As at 31 December 2012 RMB'000	As at 1 January 2012 RMB'000
Increase in net investment in a joint venture	108,528	116,820*
Decrease in cash and cash equivalents	(1,566)	(7,951)
Decrease in total assets (except for cash and cash equivalents)	(157,570)	(144,113)
Decrease in total liabilities	50,608	35,244
Impact on net assets and equity	**–**	**–**

* The Group recognised the initial investment in a joint venture as at 1 January 2012 at the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated.

Impact on the consolidated statement of cash flows:

	Year ended 31 December 2012 RMB'000
Decrease in net cash flows from operating activities	(43,987)
Decrease in net cash flows used in investing activities	48,942
Increase in net cash flows used in financing activities	1,430
Net increase in cash and cash equivalents	**6,385**

2.2 Changes in Accounting Policies and Disclosures (Continued)

(b) HKFRS 12 sets out 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. Details of the disclosures for subsidiaries, a joint venture and associates are included in notes 17, 18 and 19 to the financial statements.

(c) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in notes 45 to the financial statements.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(e) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Discloses about the Group's impaired non-financial assets are included in note 15 to the financial statements.

2.2 Changes in Accounting Policies and Disclosures (Continued)

(f) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- 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 comparative to the financial statements when it voluntarily provides 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.

- 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.

2.3 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 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 Fin*ancial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
HKFRS 14	*Regulatory Deferral Accounts*[4]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2016

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

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.

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

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 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.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 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.

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.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss 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.

Investments in associates and a joint venture

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures 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.

2.4 Summary of Significant Accounting Policies (Continued)

Investments in associates and a joint venture (Continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

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.

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.

2.4 Summary of Significant Accounting Policies (Continued)

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 Summary of Significant Accounting Policies (Continued)

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 of disposal, 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 statement of profit or loss 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 statement of profit or loss 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 (i) to (vii) 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).

2.4 Summary of Significant Accounting Policies (Continued)

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. 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation (Continued)

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.

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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 statement of profit or loss. 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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, financial liabilities at fair value through profit or loss, 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:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

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 statement of profit or loss 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 statement of profit or loss.

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

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.

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 statement of profit or loss.

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.

Derivative financial instruments

The Group uses derivative financial instruments, mainly include commodity derivative contracts (standardised copper cathode future contracts on the Shanghai Futures Exchange (“SHFE”)) to hedge its price fluctuation risk and gold forward contracts on the SHFE and the Shanghai Gold Exchange (“SGE”) in accordance with the quantity, specification and repayments terms of gold to be returned to banks in the future to hedge certain risks arising from gold price fluctuation from the gold leasing business. 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 statement of profit or loss.

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

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 statement of profit or loss.

Provisions for the Group's obligations for land reclamation are based on estimates of required expenditure at the mines in accordance with the 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 the asset are recognised at the appropriate discount rate.

2.4 Summary of Significant Accounting Policies (Continued)

Provisions (Continued)

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 a jointly venture, 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.

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 a jointly venture, 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.

2.4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

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 statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

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.

2.4 Summary of Significant Accounting Policies (Continued)

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.

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 statement of profit or loss 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 4.21% and 6.56% has been applied to the expenditure on the individual assets.

2.4 Summary of Significant Accounting Policies (Continued)

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.

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 statement of profit or loss.

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 measured. 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 statements of profit or loss 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 statement of profit or loss.

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 2013 was approximately RMB311,123,000 (2012: RMB203,994,000). Further details are contained in note 21 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 2013 was RMB932,792,000 (2012: RMB813,942,000). 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 2013 was RMB13,358,713,000 (2012: RMB10,959,790,000).

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 6.0% to 6.6% (2012: 6.2% to 6.6%). Changes in assumptions could significantly affect these estimates. The aggregate carrying value of provisions at 31 December 2013 was RMB87,417,000 (2012: RMB90,726,000). 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.

(f) Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2013, no impairment loss has been recognised for available-for-sale assets (2012: Nil). The carrying amount of available-for-sale assets was RMB26,586,000 (2012: Nil).

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 or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or 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, financial liabilities at fair value through profit or loss – gold leasing business and gold forward contracts, 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.

4. Operating Segment Information (Continued)

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

Year ended 31 December 2013

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenues from external customers	5,483,902	836,252	23,970	6,344,124
Segment results	1,098,630	256,824	(35,817)	1,319,637
Reconciliation:				
Interest income				16,043
Finance costs				(342,123)
Profit before tax				993,557
Segment assets	19,040,690	2,705,394	279,425	22,025,509
Reconciliation:				
Corporate and other unallocated assets				1,346,948
Total assets				23,372,457
Segment liabilities	2,401,033	229,088	126,599	2,756,720
Reconciliation:				
Corporate and other unallocated liabilities				11,292,939
Total liabilities				14,049,659
Other segment information				
Capital expenditure *	2,790,470	473,823	33,054	3,297,347
Investments in associates	273,154	–	–	273,154
Investment in a joint venture	116,064	–	–	116,064
Impairment losses recognised in the statement of profit or loss	53,471	1,176	–	54,647
Share of profits and losses of				
– associates	12,977	–	–	12,977
– a joint venture	7,536	–	–	7,536
Depreciation and amortisation	559,208	55,492	2,234	616,934
Write-off of other intangible assets	11,842	–	–	11,842
Fair value loss on equity investments at fair value through profit or loss	–	–	17,306	17,306
Fair value loss on commodity derivate contracts	10,795	337	–	11,132
Loss on disposal of equity investments at fair value through profit or loss	–	–	2,276	2,276

* 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 2012

	Gold operations RMB'000	Copper operations RMB'000 (Restated)	Others RMB'000	Total RMB'000 (Restated)
Segment revenue				
Revenues from external customers	6,818,659	785,086	–	7,603,745
Segment results	2,592,971	276,182	(4,814)	2,864,339
Reconciliation:				
Interest income				16,050
Finance costs				(218,537)
Profit before tax				2,661,852
Segment assets	13,870,756	2,434,051	59,153	16,363,960
Reconciliation:				
Corporate and other unallocated assets				1,553,078
Total assets				17,917,038
Segment liabilities	1,957,648	191,065	16,225	2,164,938
Reconciliation:				
Corporate and other unallocated liabilities				6,504,475
Total liabilities				8,669,413
Other segment information				
Capital expenditure *	2,776,109	1,490,519	2	4,266,630
Investment in an associate	45,830	–	–	45,830
Investment in a joint venture	108,528	–	–	108,528
Impairment losses recognised in the statement of profit or loss	15,827	520	–	16,347
Share of profits and losses of				
– an associate	10,166	–	–	10,166
– a joint venture	(8,292)	–	–	(8,292)
Depreciation and amortisation	395,044	25,358	18	420,420

* 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)

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 approximate RMB4,530,497,000 (71% of the total sales) (2012: RMB5,985,000,000, 79% of the total sales) 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 allowances 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:

	2013 **RMB'000**	2012 RMB'000 (Restated)
Revenue		
Sale of goods:		
Gold	**5,148,596**	6,370,246
Copper	**798,600**	738,578
Silver	**210,241**	280,154
Sulphur	**57,476**	82,381
Other by-products	**158,210**	142,665
Rendering of services:		
Processing of gold and silver	**33,032**	32,325
Others	**23,970**	–
	6,430,125	7,646,349
Less:		
Government surcharges	**(86,001)**	(42,604)
Revenue	**6,344,124**	7,603,745

5. Revenue, other Income and Gains (Continued)

	2013 RMB'000	2012 RMB'000 (Restated)
Other income and gains		
Government grants	**44,715**	48,077
Sale of auxiliary materials	**57,202**	47,145
Interest income	**16,043**	16,050
Fair value gains, net:		
– Equity investments at fair value through profit or loss	**–**	2,264
– Gold leasing business and gold forward contracts	**17,442**	–
Gain on return of gold for gold leasing business	**2,626**	–
Others	**18,743**	9,056
Other income and gains	**156,771**	122,592

6. Finance Costs

An analysis of finance costs is as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Interest on bank and other borrowings		
– wholly repayable within five years	**241,327**	171,209
– repayable over five years	**199**	228
Interest on short-term bonds	**51,861**	39,494
Interest on corporate bonds	**138,317**	84,318
Interest on gold leasing business	**21,443**	–
Subtotal	**453,147**	295,249
Less: Interest capitalised	**(117,040)**	(82,837)
Incremental interest on provisions	**6,016**	6,125
Total	**342,123**	218,537

7. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting) the following:

	2013 RMB'000	2012 RMB'000 (Restated)
Cost of inventories sold and services provided	**4,103,629**	3,912,077
Staff costs:		
Wages and salaries (including directors' remuneration set out in note 8)	**666,335**	538,724
Early retirement benefits	**19,736**	14,557
Defined contribution fund:		
– Retirement costs	**101,502**	79,785
– Other staff benefits	**96,986**	93,337
Total staff costs	**884,559**	726,403
Auditors' remuneration	**2,760**	2,400
Amortisation of prepaid land lease payments*	**16,550**	12,378
Amortisation of mining rights and reserves*	**105,364**	87,628
Depreciation	**495,020**	320,414
Net loss on disposal of items of property, plant and equipment	**3,529**	7,722
Operating land lease rentals	**10,798**	9,648
(Reversal)/provision of impairment loss of receivables	**(7,599)**	16,347
Impairment loss of inventories	**62,246**	–
Write-off of other intangible assets	**11,842**	–
Fair value (gains)/losses, net:		
– Equity investments at fair value through profit or loss	**17,306**	(2,264)
– Commodity derivative contracts	**11,132**	–
– Gold leasing business and gold forward contracts	**(17,442)**	–
Loss on disposal of equity investments at fair value through profit or loss	**2,276**	–
Gain on return of gold for gold leasing business	**(2,626)**	–

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

8. Directors' and Supervisors' Remuneration

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 **RMB'000**	2012 RMB'000
Fees:		
– Non-executive directors	**–**	–
– Independent non-executive directors	**640**	640
– Supervisors	**–**	–
	640	640
Salaries, allowances and benefits in kind	**583**	622
Performance related bonuses	**3,047**	3,436
Pension scheme contributions	**106**	159
	3,736	4,217
	4,376	4,857

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 2013					
Executive directors:					
– Weng Zhan Bin	–	165	1,012	35	1,212
– Li Xiu Chen	–	145	1,015	36	1,196
– Lu Dong Shang	–	188	1,019	–	1,207
	–	498	3,046	71	3,615
Non-executive directors:					
– Liang Xin Jun	–	–	–	–	–
– Cong Jian Mao	–	–	–	–	–
– Ye Kai (appointed on 23 Mar 2012, resigned on 24 Jan 2014)	–	–	–	–	–
– Kong Fan He	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Jin Ting	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Chu Yu Shan	–	86	–	36	122
	–	86	–	36	122
	–	584	3,046	107	3,737

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 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, resigned on 24 Jan 2014)	–	–	–	–	–
– 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) (ii) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 **RMB'000**	2012 RMB'000
Yan Hong Bo (resigned on 26 Feb 2013)	**40**	160
Cai Si Cong	**160**	160
Chen Jin Rong	**160**	160
Ye Tian Zhu	**160**	160
Xie Ji Yuan (appointed on 26 Feb 2013)	**120**	–
	640	640

There were no other emoluments payable to the independent non-executive directors during the year (2012: 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:

	2013	2012
Directors	**3**	3
Non-director and non-supervisor employees	**2**	2
	5	5

Details of directors' remuneration are set out in note 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-supervisor highest paid employees are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	255	236
Performance related bonuses	1,299	1,457
Pension scheme contributions	80	76
	1,634	1,769

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

	Number of employees	
	2013	2012
Nil to HK$1,000,000 (Equivalent to RMB786,200)	–	–
HK$1,000,001 to HK$2,000,000 (Equivalent to RMB786,201 to RMB1,572,400)	2	2

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% (2012: 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% (2012: 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:

	2013 **RMB'000**	2012 RMB'000 (Restated)
Group:		
Current – Hong Kong	**–**	–
Current – Mainland China		
– Charged for the year	**358,316**	694,905
Deferred tax *(note 21)*	**(132,159)**	(79,871)
Total tax charge for the year	**226,157**	615,034

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:

	2013 %	2013 RMB'000	2012 %	2012 RMB'000 (Restated)
Profit before tax		**993,557**		2,661,852
Tax at the statutory tax rates	**25.0 or 16.5**	**250,315**	25.0 or 16.5	665,602
Reconciling items:				
Lower tax rate for specific entities	**(2.8)**	**(28,085)**	(1.4)	(37,365)
Expenses not deductible for tax	**1.7**	**16,641**	0.1	3,221
Income not subject to tax	**(0.8)**	**(7,979)**	(0.1)	(1,332)
Adjustment in respect of current tax of previous periods	**(4.1)**	**(40,370)**	(1.1)	(28,480)
Tax losses not recognised	**4.1**	**40,763**	0.5	13,941
Effect on opening deferred tax of decrease in rate of certain subsidiaries	**–**	**–**	0.1	1,989
Profits and losses attributable to associates and a joint venture	**(0.5)**	**(5,128)**	(0.1)	(2,542)
Total tax charge for the year	**22.8**	**226,157**	23.1	615,034

The share of tax attributable to associates and a joint venture amounting to RMB4,987,000 (2012: RMB6,775,000) is included in "Share of profits and losses of associates" and "Share of profits and losses of a joint venture" in the consolidated statement of profit or loss.

10. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a profit of RMB648,490,000 (2012: RMB1,412,251,000) which has been dealt with in the financial statements of the Company (note 39).

11. Dividend

	2013 RMB'000	2012 RMB'000
Ordinary:		
Proposed final – RMB0.1 per share (2012: RMB0.24 per share)	**296,583**	711,799

The board of directors recommends a cash dividend to all shareholders on the basis of RMB0.1 per share (tax included) (2012: RMB0.24 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 2,965,827,000 (2012: 2,919,107,000) 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 2013 and 2012, as no diluting events existed during these years.

The calculations of basic and diluted earnings per share are based on:

	2013 RMB'000	2012 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**734,085**	1,923,521

	2013 '000	2012 '000
Shares:	**2,965,827**	2,965,827
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**2,965,827**	2,919,107

13. Property, Plant and Equipment

Group

31 December 2013

	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 2013	2,187,663	1,485,480	132,413	199,800	3,330,714	1,797,060	9,133,130
Additions	112,612	103,861	25,482	27,256	51,101	2,150,312	2,470,624
Transferred from CIP	792,795	139,546	41	2,209	886,306	(1,820,897)	–
Acquisition of subsidiaries *(note 40)*	85,974	59,563	580	7,643	30,731	15,521	200,012
Transfer to CIP	(22,017)	(12,737)	(404)	(5)	–	27,835	(7,328)
Reclassification	(147,880)	(19,853)	1,638	646	165,449	–	–
Disposals/write-off	(1,542)	(18,278)	(2,637)	(11,912)	(13,490)	–	(47,859)
At 31 December 2013	3,007,605	1,737,582	157,113	225,637	4,450,811	2,169,831	11,748,579
Accumulated depreciation:							
At 1 January 2013	405,070	437,893	67,517	96,181	814,645	–	1,821,306
Charge for the year	87,040	136,946	21,801	29,242	219,991	–	495,020
Transfer to CIP	(3,070)	(4,008)	(245)	(5)	–	–	(7,328)
Reclassification	1,875	(896)	617	283	(1,879)	–	–
Disposals/write-off	(201)	(13,540)	(1,768)	(9,964)	(10,455)	–	(35,928)
At 31 December 2013	490,714	556,395	87,922	115,737	1,022,302	–	2,273,070
Net book value:							
At 31 December 2013	2,516,891	1,181,187	69,191	109,900	3,428,509	2,169,831	9,475,509

13. Property, Plant and Equipment (Continued)

Group

31 December 2012 (Restated)

	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	1,492,304	1,223,092	105,986	165,532	2,435,752	1,007,245	6,429,911
Additions	169,823	112,021	21,515	29,968	157,616	1,891,121	2,382,064
Transferred from CIP	444,915	134,823	6,095	3,642	529,016	(1,118,491)	–
Transferred from exploration rights and assets *(note 16)*	–	–	–	–	94,230	–	94,230
Acquisition of subsidiaries	88,999	43,058	878	5,159	135,685	17,185	290,964
Disposals/write-off	(8,378)	(27,514)	(2,061)	(4,501)	(21,585)	–	(64,039)
At 31 December 2012	2,187,663	1,485,480	132,413	199,800	3,330,714	1,797,060	9,133,130
Accumulated depreciation:							
At 1 January 2012	325,688	351,999	52,813	74,046	735,310	–	1,539,856
Charge for the year	84,022	106,547	16,529	25,663	87,653	–	320,414
Disposals/write-off	(4,640)	(20,653)	(1,825)	(3,528)	(8,318)	–	(38,964)
At 31 December 2012	405,070	437,893	67,517	96,181	814,645	–	1,821,306
Net book value:							
At 31 December 2012	1,782,593	1,047,587	64,896	103,619	2,516,069	1,797,060	7,311,824

At 31 December 2013, certain of the Group's plant and machinery with a net carrying amount of approximately RMB116,122,000 (2012: 349,882,000) were pledged to secure certain of the Group's bank borrowings (note 33).

13. Property, Plant and Equipment (Continued)

Company

31 December 2013

	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 2013	926,650	618,999	68,772	82,273	1,668,355	549,921	3,914,970
Disposals to a subsidiary	–	–	–	–	–	(221,983)	(221,983)
Additions	54,593	32,378	8,008	8,667	33,318	818,543	955,507
Transferred from CIP	25,152	33,361	32	847	303,502	(362,894)	–
Reclassification	(44,812)	(2,573)	–	–	47,385	–	–
Other disposals/write-off	(147)	(8,142)	(1,137)	(5,863)	(10,810)	–	(26,099)
At 31 December 2013	961,436	674,023	75,675	85,924	2,041,750	783,587	4,622,395
Accumulated depreciation:							
At 1 January 2013	247,512	249,712	42,353	57,985	396,663	–	994,225
Reclassification	–	(465)	–	–	465	–	–
Charge for the year	32,915	49,944	9,281	9,081	66,475	–	167,696
Disposals/write-off	(128)	(7,240)	(1,099)	(5,623)	(8,869)	–	(22,959)
At 31 December 2013	280,299	291,951	50,535	61,443	454,734	–	1,138,962
Net book value:							
At 31 December 2013	681,137	382,072	25,140	24,481	1,587,016	783,587	3,483,433

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

14. Prepaid Land Lease Payments

Group

	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	**240,815**	236,604
Additions during the year	**95,104**	10,443
Acquisition of subsidiaries *(note 40)*	**60,313**	6,146
Amortised during the year	**(16,550)**	(12,378)
Carrying amount at 31 December	**379,682**	240,815

Company

	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January	**124,748**	130,123
Additions during the year	**1,405**	–
Amortised during the year	**(5,359)**	(5,375)
Carrying amount at 31 December	**120,794**	124,748

The Group's and the Company's leasehold lands are located in Mainland China. 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.

15. Goodwill

Group

	RMB'000
Cost at 1 January 2012, net of accumulated impairment	586,674
Acquisition of subsidiaries	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
Cost at 1 January 2013, net of accumulated impairment	**813,942**
Acquisition of subsidiaries *(note 40)*	**100,700**
Adjustment to the provisional amount in the measurement period for acquisition of a subsidiary*	**18,150**
Cost and net carrying amount at 31 December 2013	**932,792**
At 31 December 2013:	
Cost	**932,792**
Accumulated impairment	**–**
Net carrying amount	**932,792**

* On 19 December 2012, the Group acquired 51% equity interest in Liyuan and recognised goodwill on acquisition of RMB68,347,000. During the year, the Group obtained the additional evidence regarding the fair value of the provisional amount of the acquiree's identifiable assets and accordingly adjusted the incremental of goodwill amounting to RMB18,150,000 and the decrease of the non-controlling interest amounting to RMB17,439,000.

15. Goodwill (Continued)

Company

	RMB'000
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
Cost at 1 January 2013, net of accumulated impairment	**84,333**
Impairment during the year	**–**
Cost and net carrying amount at 31 December 2013	**84,333**
At 31 December 2013:	
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 is 13% (2012: 12.6%).

Assumptions were used in the value in use calculation for 31 December 2013 and 31 December 2012. 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 unit, 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 2013

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Total RMB'000
Cost:			
At 1 January 2013	1,792,648	2,369,400	4,162,048
Additions	226,452	4,687	231,139
Acquisition of subsidiaries *(note 40)*	46,280	75,025	121,305
Disposal/write-off	(11,291)	(700)	(11,991)
At 31 December 2013	2,054,089	2,448,412	4,502,501
Accumulated amortisation:			
At 1 January 2013	39,163	474,919	514,082
Provided during the year	(50)	105,414	105,364
Disposals/written off	–	(149)	(149)
At 31 December 2013	39,113	580,184	619,297
Net book value:			
At 31 December 2013	2,014,976	1,868,228	3,883,204

16. Other Intangible Assets (Continued)

Group

31 December 2012 (Restated)

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Total RMB'000
Cost:			
At 1 January 2012	1,229,932	1,676,601	2,906,533
Additions	307,635	45,469	353,104
Acquisition of subsidiaries	134	647,330	647,464
Acquisition of a subsidiary not accounted for as a business combination	349,177	–	349,177
Transferred to property, plant and equipment *(note 13)*	(94,230)	–	(94,230)
At 31 December 2012	1,792,648	2,369,400	4,162,048
Accumulated amortisation:			
At 1 January 2012	39,163	387,291	426,454
Provided during the year	–	87,628	87,628
At 31 December 2012	39,163	474,919	514,082
Net book value:			
At 31 December 2012	1,753,485	1,894,481	3,647,966

16. Other Intangible Assets (Continued)

At 31 December 2013, certain of the Group's mining rights with a net carrying amount of nil (2012: RMB44,580,000) were pledged to secure certain of the Group's bank borrowings (note 33).

Company

31 December 2013

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Total RMB'000
Cost:			
At 1 January 2013	703,428	605,526	1,308,954
Additions	136,704	600	137,304
At 31 December 2013	840,132	606,126	1,446,258
Accumulated amortisation:			
At 1 January 2013	15,909	221,261	237,170
Provided during the year	–	19,314	19,314
At 31 December 2013	15,909	240,575	256,484
Net book value:			
At 31 December 2013	824,223	365,551	1,189,774

16. Other Intangible Assets (Continued)

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

17. Investments in Subsidiaries

Company

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	**4,661,569**	3,979,146

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") (托裏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") (托裏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 ("Xingta") Company Limited (新疆星塔礦業有限公司)	PRC/Mainland China 24 November 2005	160,000	100	–	Smelting 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		Principal activities
			Direct	Indirect	
		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 and electricity generation
Subsidiary of Guihe:					
Zhaojin Jinhe Technical Company Limited ("Jinhe") (招遠市招金金合科技有限公司)**	PRC/Mainland China 8 January 2013	50,000	–	100	Research of mining and smelting, sale of residue
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

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	%	%	
Xinfengyuan Mining Company Limited ("Xinfengyuan Mining") (鳳城市鑫豐源礦業有限公司)	PRC/Mainland China 12 December 2007	10,000	100	–	Gold mining, exploration and processing of gold products
Hezheng Xinyuan Mining Company Limited ("Hezheng Mining") (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	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
		RMB'000	%	%	
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
Zhaojin Jishan Mining Industry Company Limited ("Jishan") (招遠市招金紀山礦業有限公司)	PRC/Mainland China 26 October 2012	1,000	95	–	Exploration of gold
Subei Jinying Gold Company Limited ("Jinying") (肅北縣金鷹黃金有限責任公司)*	PRC/Mainland China 9 March 1998	50,000	51	–	Gold mining, and processing of gold products
Ejina Yuantong Mining Industry Company Limited ("Yuantong") (額濟納旗圓通礦業有限責任公司)*	PRC/Mainland China 12 May 2004	15,000	70	–	Gold mining, and processing of gold products, smelting
Zhaojin Shunhe International Hotel Limited ("Shunhe") (山東招金舜和國際飯店有限公司)**	PRC/Mainland China 22 January 2013	10,000	100	–	Catering
Sparky International Trade Company Limited ("SIT") (香港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

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	%	%	
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 dollar ("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
Laizhou Sparky International Trade Company Limited ("Laizhou Sparky") (萊州斯派柯國際貿易有限公司) **	PRC/Mainland China 28 May 2013	USD 10,000,000	–	100	Purchase of gold concentrates and iron concentrates

The above subsidiaries established in the PRC are registered as companies with limited liability under PRC law.

* During the year, the Group acquired Jinying and Yuantong under business combinations. Further details of these acquisitions are included in note 40 to the financial statements.

** During the year, the Company established Shunhe with equity investments at RMB10,000,000. Guihe established Jinhe and SIT established Laizhou Sparky with equity investments at RMB50,000,000 and USD10,000,000, respectively.

*** Dishui merged its subsidiary Xinjiang Zhongxiya Mining Company Limited in December 2013.

There is no subsidiary that has non-controlling interest that is material to the Group during the year 2013.

18. Investment in a Joint Venture

Group

	2013 RMB'000	2012 RMB'000
Share of net assets	**116,064**	108,528

Company

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	**100,000**	100,000

Particulars of the joint venture 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 joint venture were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above interest in a joint venture is directly held by the Company.

18. Investment in a Joint Venture (Continued)

The following table illustrates the summarised financial information of Sanfengshan adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2013 RMB'000	2012 RMB'000
Current assets	**30,266**	14,872
Non-current assets	**418,448**	358,398
Current liabilities	**(133,366)**	(59,534)
Non-current liabilities	**(83,220)**	(96,680)
Net assets	**232,128**	217,056

Reconciliation to the Group's interest in the joint venture:

	2013 RMB'000	2012 RMB'000
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**116,064**	108,528
Carrying amount of the investment	**116,064**	108,528
Revenue	**37,466**	6,616
Other income	**101**	2,946
	37,567	9,562
Total expenses	**(21,463)**	(20,688)
Tax	**(1,032)**	(5,458)
Profit/(loss) and total comprehensive income/(loss) for the year	**15,072**	(16,584)
Other comprehensive income	**–**	–
Dividend received	**–**	–

19. Investments in Associates

Group

	2013 RMB'000	2012 RMB'000
Share of net assets	**212,555**	45,830
Goodwill on acquisition	**60,599**	–
	273,154	45,830

Company

	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	**34,650**	34,650

The Group's trade payables balances with the associates are disclosed in note 30 to the financial statements.

Particulars of the associates 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
Jin's Bonanza (Resource) Holding Limited ("JBHL")* (大愚智水（資源）控股有限公司)	BVI 31 October 2011	USD10,000	46.07%	Investment holding

* Starlet acquired 46.07% equity interests of JBHL from a third party for a consideration of RMB223,342,000 in April 2013, of which RMB19,683,000 has not been paid as at 31 December 2013.

19. Investments in Associates (Continued)

The statutory financial statements of the associates 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 in relation to Aletai and JBHL are 38.5% (2012: 38.5%) and 46.07% (2012: Nil), respectively.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013	2012
	RMB'000	RMB'000
Share of the associates' profit for the year	**12,977**	10,166
Share of the associates' total comprehensive income	**12,977**	10,166
Aggregate carrying amount of the Group's investments in the associates	**273,154**	45,830

20. Available-for-sale Investments

Group

	2013	2012
	RMB'000	RMB'000
Listed equity investments, at fair value:		
– Australia	**26,586**	–

21. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Group

31 December 2013

	At 1 January RMB'000 (Restated)	(Charged)/ credited to profit or loss *(note 9)* RMB'000	Arising on acquisition *(note 40)* RMB'000	At 31 December RMB'000
Deferred tax assets:				
Difference on tax depreciation and book value				
– Property, plant and equipment	14,129	31,606	–	45,735
Provision for early retirement and rehabilitation	22,681	(827)	–	21,854
Deferred income	61,899	17,162	–	79,061
Losses available for offsetting against future taxable profits	17,309	20	–	17,329
Other temporary differences				
– Fair value change from commodity derivative contracts	–	1,670	–	1,670
– Others	87,976	57,498	–	145,474
Deferred tax assets	203,994	107,129	–	311,123
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	(566,577)	53,261	(24,437)	(537,753)
Difference on tax depreciation and book value				
– Other intangible assets	(30,459)	(23,870)	–	(54,329)
Other temporary differences				
Fair value change from gold leasing business and gold forward contracts	–	(4,361)	–	(4,361)
Deferred tax liabilities	(597,036)	25,030	(24,437)	(596,443)
Total	(393,042)	132,159	(24,437)	(285,320)

21. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Group

31 December 2012 (Restated)

	At 1 January RMB'000	(Charged)/ credited to profit or loss *(note 9)* RMB'000	Arising on acquisition 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)	65,532	(155,919)	(566,577)
Difference on tax depreciation and book value				
– Other intangible assets	–	(30,459)	–	(30,459)
Deferred tax liabilities	(476,190)	35,073	(155,919)	(597,036)
Total	(316,994)	79,871	(155,919)	(393,042)

21. Deferred Tax (Continued)

The movements in deferred tax assets and liabilities during the year are as follows: (Continued)

Company

31 December 2013

	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	(60,045)	(17,513)	(77,558)
– Property, plant and equipment	(22,641)	(8,646)	(31,287)
Provision for early retirement and rehabilitation	17,036	(659)	16,377
Deferred income	46,938	10,192	57,130
Other temporary differences	70,287	48,512	118,799
Deferred tax assets	51,575	31,886	83,461
Deferred tax liabilities:			
Fair value adjustments arising from merger of subsidiaries	(85,377)	6,641	(78,736)
Fair value change from gold leasing business and gold forward contracts	–	(4,129)	(4,129)
Deferred tax liabilities	(85,377)	2,512	(82,865)
Total	(33,802)	34,398	596

21. 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)

At 31 December 2013, there was no significant unrecognised deferred tax liability (2012: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associates or joint venture 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.

Deferred tax assets have not been recognised in respect of the tax losses of RMB271,256,000 as at 31 December 2013 as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. Loans Receivable

Group

		2013 RMB'000	2012 RMB'000 (Restated)
Loans receivable due from			
– a joint venture	(a)	**55,000**	55,000
– an associate	(a)	**5,000**	–
– a third party	(b)	**800,000**	–
Less: Due within 12 months		**(35,000)**	(20,000)
Due after 12 months		**825,000**	35,000

Company

		2013 RMB'000	2012 RMB'000
Entrustment loans due from			
– subsidiaries	(a)	**5,859,067**	3,494,549
– a joint venture	(a)	**55,000**	55,000
– an associate	(a)	**5,000**	–
Less: Due within 12 months		**(2,731,630)**	(1,224,500)
Due after 12 months		**3,187,437**	2,325,049

(a) Pursuant to the entrustment loan agreements, the Company extended loans to its subsidiaries, a joint venture and an associate through a bank. The loans are unsecured, bear interest at fixed rates ranging from nil to 7.65% per annum and have maturity dates from 2014 till 2015.

(b) On 12 April 2013, a subsidiary of the Company signed an entrusted loan framework agreement to provide loans of RMB800 million to a third party through a bank and the concrete drawdown date would be determined by two parties later. Pursuant to the agreement, the third party drawdowned RMB800 million from a subsidiary of the Company through the bank from 1 August 2013 to 30 August 2013. The loan is unsecured, bears interest at a fix rate of 6% per annum and is collectible after two years commencing from the drawdown date.

23. 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 2013.

24. Other Long-term Assets

Group

	2013	2012
	RMB'000	RMB'000
		(Restated)
Advance and deposits paid for acquisition of subsidiaries and exploration rights	**1,628,000**	886,000
Advance payment for purchases of property, plant and equipment	**492,989**	226,548
	2,120,989	1,112,548

Company

	2013	2012
	RMB'000	RMB'000
Advance and deposits paid for acquisition of subsidiaries and exploration rights	**177,000**	86,000
Advance payment for purchases of property, plant and equipment	**73,867**	99,729
	250,867	185,729

The outstanding commitments in relation to the above acquisitions and purchases are disclosed in note 42.

25. Inventories

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Raw materials	115,470	128,685
Work in progress	2,318,352	1,535,476
Finished goods	132,366	345,128
	2,566,188	2,009,289
Less: impairment	(62,246)	–
	2,503,942	2,009,289

Company

	2013 RMB'000	2012 RMB'000
Raw materials	40,598	47,176
Work in progress	1,316,241	611,891
Finished goods	51,569	170,318
	1,408,408	829,385
Less: impairment	(38,035)	–
	1,370,373	829,385

26. Trade and Notes Receivables

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Trade receivables	170,290	139,616
Notes receivable	19,816	–
	190,106	139,616

26. Trade and Notes Receivables (Continued)

Group (Continued)

An ageing analysis of the trade and notes receivables, based on the invoice date, is as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Outstanding balances due within 1 year	**190,106**	139,616

Trade and notes receivables due from related parties included in the trade and notes receivables of the Group are as follows:

	2013 RMB'000	2012 RMB'000
Amounts due from related parties		
– Subsidiaries of Zhaojin Group	**75,403**	82,925

The amounts due from related parties are unsecured, interest-free and expected to be settled within 60 days.

Company

	2013 RMB'000	2012 RMB'000
Trade receivables	**85,074**	105,557
Notes receivable	**7,511**	2,027
	92,585	107,584

26. Trade and Notes Receivables (Continued)

Company (Continued)

An ageing analysis of the trade and notes receivables, based on the invoice date, is as follows:

	2013 RMB'000	2012 RMB'000
Outstanding balances due within 1 year	**92,585**	107,584

Trade and notes receivables are non-interest-bearing. As 71% (2012:79%) of the sales of the Group for the year ended 31 December 2013 were made through SGE, so there were no significant receivables that were overdue or impaired.

27. Prepayments, Deposits and Other Receivables

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Prepayments	**497,690**	313,877
Other receivables	**504,361**	539,340
	1,002,051	853,217
Less: impairment	**(28,150)**	(38,753)
	973,901	814,464

Prepayments and other receivables due from related parties included in the prepayments and other receivables of the Group are as follows:

	2013 RMB'000	2012 RMB'000
Amounts due from related parties:		
– Zhaojin Group	**13,008**	6,390
– Subsidiaries of Zhaojin Group	**7,624**	17,548
	20,632	23,938

The amounts due from related parties are unsecured, interest-free and have no fixed terms of settlement.

27. Prepayments, Deposits and Other Receivables (Continued)

Company

	2013 RMB'000	2012 RMB'000
Prepayments	433,920	223,852
Other receivables	1,429,951	994,406
	1,863,871	1,218,258
Less: impairment	(12,559)	(13,586)
	1,851,312	1,204,672

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

	2013 RMB'000	2012 RMB'000
At 1 January	38,753	22,406
Impairment losses recognised	–	16,347
Impairment losses reversed	(10,603)	–
At 31 December	28,150	38,753

Company

	2013 RMB'000	2012 RMB'000
At 1 January	13,586	11,793
Impairment losses recognised	–	1,793
Impairment losses reversed	(1,027)	–
At 31 December	12,559	13,586

28. Equity Investments at Fair Value Through Profit or Loss

Group

	2013 RMB'000	2012 RMB'000
Listed equity investments at market value		
– Mainland China	**26,433**	–
– Australia	**7,918**	25,186
– Hong Kong	**–**	7,223
	34,351	32,409

Company

	2013 RMB'000	2012 RMB'000
Listed equity investments at market value		
– Mainland China	**26,433**	–

29. Cash and Cash Equivalents

Group

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Cash and bank balances		**1,035,325**	1,344,084
Time deposits		**165,000**	5,000
		1,200,325	1,349,084
Less: Pledged time deposits			
– Pledged for short-term bank loans	33(b)	**(116,500)**	–
– Pledged for bills payable		**(48,000)**	–
		1,035,825	1,349,084

29. Cash and Cash Equivalents (Continued)

Company

	2013 RMB'000	2012 RMB'000
Cash and bank balances	**393,409**	652,795
Time deposits	**116,500**	–
	509,909	652,795
Less: Pledged time deposits for short-term bank loans	**(116,500)**	–
	393,409	652,795

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK$") amounted to RMB19,043,000 (2012: RMB15,461,000) and those denominated in USD amounted to RMB7,945,000 (2012: RMB13,374,000). 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 at 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 (except for pledged 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 2013, the balance of trade payables mainly represents the amount regarding the unsettled procurement of gold concentrates. 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

	2013	2012
	RMB'000	RMB'000
		(Restated)
Within one year	**584,202**	389,182
Over one year but within two years	**54,642**	11,774
Over two years but within three years	**5,784**	2,275
Over three years	**3,710**	2,186
	648,338	405,417

Trade payables due to related parties included in the trade payables of the Group are as follows:

	2013	2012
	RMB'000	RMB'000
Amounts due to related parties		
– An associate – Aletai	**–**	4,579
– Subsidiaries of Zhaojin Group	**26,759**	–

The amounts due to related parties are unsecured, interest-free and expected to be settled within 60 days, which represents credit terms similar to those offered from the related parties to their major suppliers.

Company

	2013	2012
	RMB'000	RMB'000
Within one year	**527,610**	141,892
Over one year but within two years	**2,117**	2,357
Over two years but within three years	**1,129**	1,240
Over three years	**2,118**	1,498
	532,974	146,987

31. Other Payables and Accruals

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Accrued taxes other than income tax	255,092	193,634
Accrued expenses and other payables	422,083	381,997
Capital expenditure payables	826,510	421,060
	1,503,685	996,691

Other payables due to related parties included in the other payables and accruals of the Group are as follows:

	2013 RMB'000	2012 RMB'000
Amounts due to related parties		
– Zhaojin Group	10,487	4,489
– Subsidiaries of Zhaojin Group	19,438	2,017
	29,925	6,506

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

Company

	2013 RMB'000	2012 RMB'000
Accrued taxes other than income tax	42,065	133,764
Accrued expenses and other payables	292,945	622,048
Capital expenditure payables	174,676	47,732
	509,686	803,544

Other payables are non-interest-bearing and have an average term ranging from 30 to 60 days.

32. Financial Liability at Fair Value Through Profit or Loss

Group

		2013 RMB'000	2012 RMB'000
Gold leasing business	(a)	**1,439,425**	–
Derivative financial liabilities:			
– Gold forward contracts	(b)	**123,955**	–
– Commodity derivative contracts	(c)	**11,132**	–
		1,574,512	–

Company

		2013 RMB'000	2012 RMB'000
Gold leasing business	(a)	**1,439,425**	–
Derivative financial liabilities			
– Gold forward contracts	(b)	**123,955**	–
		1,563,380	–

(a) The Group financed through leases of gold from banks and subsequently sold through the SGE. On maturity, the Group would return gold with the same quantity and specification purchased through SGE, and pay rental fees to banks. The maturity periods range from 180 days to 1 year. As at 31 December 2013, unrealised gains on changes in fair value of the financial liabilities at fair value through profit or loss were RMB141,397,000 (31 December 2012: Nil).

(b) The Group has engaged in gold forward contracts on the SGE and SHFE in accordance with the quantity, specification and repayment terms of gold to be returned to banks in the future for the purpose of hedging certain risks arising from gold price fluctuation from the gold leasing business. As at 31 December 2013, unrealised losses on changes in fair value arising from derivative financial liabilities were RMB123,955,000 (31 December 2012: Nil).

(c) 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 in SHFE and Au(T+D) contracts in SGE.

The unrealised loss on commodity derivative contracts of RMB11,132,000 was debited to other expenses during the year (2012: Nil).

33. Interest-bearing Bank and Other Borrowings

Group

	2013			2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans-secured (b)	6.00	2014	198,284	5.60-6.00	2013	120,000
Bank loans-guaranteed (c)	6.00	2014	100,000	5.60	2013	70,000
Bank loans-unsecured	1.63-8.00	2014	3,332,460	5.04-6.56	2013	2,976,937
Other borrowings-unsecured	2.55	2014	708	2.55	2013	708
Short-term bonds-unsecured	4.21-4.26	2014	1,699,055	–	–	–
			5,330,507			3,167,645
Non-current						
Bank loans-guaranteed (c)	6.40	2017	43,000	6.40	2017	43,000
Bank loans-unsecured	6.42	2019	60,363	–	–	–
Other borrowings-unsecured (d)	2.55-7.00	2015-2021	1,013,200	2.55	2014-2021	13,908
			1,116,563			56,908
			6,447,070			3,224,553

Notes:

(a) Unutilised limit of bank loans, short-term bonds and gold leasing business

	2013 RMB'000	2012 RMB'000
Banking facilities:		
– Available	11,077,313	7,190,000
– Utilised	(6,672,700)	(2,976,937)
Unutilised	4,404,613	4,213,063

33. 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 and mining rights, which had aggregate carrying values at the end of the reporting period of approximately RMB116,122,000 (2012: RMB349,882,000) and nil (2012: RMB44,580,000), respectively.

(c) As at 31 December 2013, bank loans of the subsidiaries with carrying amounts of RMB180,150,000 (2012: RMB93,650,000) and RMB41,850,000 (2012: RMB19,350,000) are guaranteed by the Company and a non-controlling shareholder of a subsidiary, respectively, among which RMB79,000,000 is also secured by mortgages over the Group's machinery and mining rights.

(d) On 30 December 2013, the Company issued a private placement note to China Construction Back with a par value of RMB1 billion. The note carries interest at 7% per annum with a term of three years. The interest is paid quarterly.

Company

	2013			2012		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans-unsecured	5.21-6.00	2014	3,045,510	5.04-6.56	2013	2,856,937
Other borrowings-unsecured	2.55	2014	708	2.55	2013	708
Short-term bonds-unsecured	4.21-4.26	2014	1,699,055	–	–	–
			4,745,273			2,857,645
Non-current						
Other borrowings-unsecured	2.55-7.00	2015-2021	1,004,249	2.55	2014-2021	4,957
			5,749,522			2,862,602

33. Interest-bearing Bank and Other Borrowings (Continued)

Company

Notes:

(a) Unutilised limit of bank loans, short-term bonds and gold leasing business

	2013 RMB'000	2012 RMB'000
Banking facilities:		
– Available	**10,730,000**	6,990,000
– Utilised	**(6,325,387)**	(2,856,937)
Unutilised	**4,404,613**	4,133,063

As at 31 December 2013, except for secured bank loans of the RMB78,623,000 and RMB30,661,000 (2012: Nil) denominated in Hong Kong dollars and United States dollars, respectively, all borrowings are denominated in RMB.

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Analysed into:				
Bank loans and short-term bond repayable:				
Within one year or on demand	**5,329,799**	3,166,937	**4,744,565**	2,856,937
In the second year	**1,370**	–	**–**	–
In the third to fifth years, inclusive	**43,000**	43,000	**–**	–
Beyond five years	**58,993**	–	**–**	–
	5,433,162	3,209,937	**4,744,565**	2,856,937
Other borrowings repayable:				
Within one year	**708**	708	**708**	708
In the second year	**708**	707	**708**	707
In the third to fifth years, inclusive	**1,002,125**	2,125	**1,002,125**	2,125
Beyond five years	**10,367**	11,076	**1,416**	2,125
	1,013,908	14,616	**1,004,957**	5,665
	6,447,070	3,224,553	**5,749,522**	2,862,602

34. Corporate Bonds

Group and Company

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 ("2009 Zhaojin Bond"). 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. According to the offering memorandum of the 2009 Zhaojin Bond, the bond holders are entitled to redeem the bonds at a redemption price equal to the principal amount on the interest payment date of the fifth years since issuance, i.e., 23 December 2014. As at 31 December 2013, the carrying amount of the 2009 Zhaojin Bond of RMB1,494,375,000 was classified as current liabilities in the consolidated financial statements of the Group and the financial statements of the Company because the Company did not have an unconditional right to defer settlement of the liability for at least twelve months after 31 December 2013.

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("2012 Zhaojin Bond"). 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

	2013 **RMB'000**	2012 RMB'000
Corporate bonds at the beginning of the year	**2,682,886**	1,491,047
Corporate bonds issued during the year	**–**	1,190,400
Increase arising from the amortisation method	**3,160**	1,439
Corporate bonds at the end of the year	**2,686,046**	2,682,886

As at 31 December 2013, the bonds issued with carrying amount of RMB2,686,046,000 are guaranteed by the Zhaojin Group.

35. 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	**2013 RMB'000**	2012 RMB'000 (Restated)
At beginning of year		**248,635**	149,372
Received during the year		**131,614**	143,864
Acquisition of a subsidiary		**–**	3,476
Recognised as income during the year	5	**(44,715)**	(48,077)
At end of year		**335,534**	248,635

Company

	2013 RMB'000	2012 RMB'000
At beginning of year	**187,751**	135,270
Received during the year	**68,891**	80,475
Recognised as income during the year	**(28,124)**	(27,994)
At end of year	**228,518**	187,751

36. Provisions

Group

	2013 RMB'000	2012 RMB'000
Provision for rehabilitation		
At beginning of year	**8,187**	10,869
Interest increment *(note 6)*	**373**	794
Change in discount rate	**(484)**	(3,476)
At end of year	**8,076**	8,187
Provision for early retirement		
At beginning of year	**82,539**	86,685
Additional early retirees	**19,624**	14,557
Change in discount rate	**(579)**	1,403
Interest increment *(note 6)*	**5,643**	5,331
Utilised during the year	**(27,886)**	(25,437)
At end of year	**79,341**	82,539
Total	**87,417**	90,726
Analysis of total provisions		
Current	**20,431**	20,095
Non-current	**66,986**	70,631
	87,417	90,726

36. Provisions (Continued)

Company

	2013 RMB'000	2012 RMB'000
Provision for rehabilitation		
At beginning of year	**6,671**	9,402
Interest increment	**306**	663
Change in discount rate	**(503)**	(3,394)
At end of year	**6,474**	6,671
Provision for early retirement		
At beginning of year	**61,473**	62,486
Additional early retirees	**16,927**	16,487
Change in discount rate	**(610)**	906
Interest increment	**4,382**	3,843
Utilised during the year	**(23,140)**	(22,249)
At end of year	**59,032**	61,473
Total	**65,506**	68,144
Analysis of total provisions		
Current	**16,480**	16,197
Non-current	**49,026**	51,947
	65,506	68,144

The provisions are based on estimates of future payments made by management and are discounted at rates in the range of 6.0% to 6.6% (2012: 6.2% to 6.6%). 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, lasts for periods ranging from 1 to 75 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. Other Long-term Liabilities

The balance represents the payable for the commitment of profit distribution to non-controlling shareholders.

38. Share Capital

Group and Company

	2013 RMB'000	2012 RMB'000
Registered, issued and fully paid:		
domestic 2,091,481,195 (2012: 2,091,481,195)		
domestic shares of RMB1.00 each	**2,091,481**	2,091,481
H 874,346,000 (2012: 874,346,000)		
H shares of RMB1.00 each	**874,346**	874,346
	2,965,827	2,965,827

39. Reserves

(i) 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.

(ii) 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 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 and 1 January 2013	1,713,752	2,011	589,465	1,907,291	711,799	4,924,318
Total comprehensive income for the year	–	–	–	1,159,250	–	1,159,250
Transfer to reserves	–	–	110,520	(110,520)	–	–
Dividends						
– 2013 final proposed	–	–	–	(296,583)	296,583	–
– 2012 final paid	–	–	–	–	(711,799)	(711,799)
At 31 December 2013	**1,713,752**	**2,011**	**699,985**	**2,659,438**	**296,583**	**5,371,769**

39. 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 offset 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 the 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 per share.

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.

40. Business Combinations

Acquisitions of subsidiaries during the year were as follows:

(a) On 28 June 2013, the Group acquired 51% equity interests in Jinying, an unlisted company engaged in the mining, processing and sale of gold, for a consideration of RMB91,800,000, 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 Jinying at the date of acquisition were:

	Fair value recognised on acquisition RMB'000
Assets	
Inventories	11,751
Cash and cash equivalents	1,743
Prepayments and other receivables	6,535
Other intangible assets	121,305
Prepaid land lease payments	59,048
Property, plant and equipment	68,601
	268,983
Liabilities	
Interest-bearing bank and other borrowings	(48,620)
Trade payables	(6,608)
Other payables and accruals	(37,376)
Tax payable	(1,495)
Deferred tax liabilities	(24,437)
	(118,536)
Net assets	150,447
Non-controlling interest (49% of the net asset fair value)	(73,720)
Total net assets acquired	76,727
Goodwill on acquisition	15,073
Satisfied by cash	91,800

The fair value of other receivables as at the date of acquisition amounted to RMB1,155,000. The gross contractual amount of other receivables was RMB1,155,000, of which none of these other receivables are expected to be uncollectible.

40. Business Combinations (Continued)

(b) On 6 November 2013, the Group acquired 70% equity interests in Ejina Yuantong, an unlisted company engaged in the mining, processing and smelting of gold, for a consideration of RMB178,500,000, 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 Ejina Yuantong at the date of acquisition were:

	Fair value recognised on acquisition RMB'000
Assets	
Property, plant and equipment	131,411
Prepaid land lease payments	1,265
	132,676
Net assets	132,676
Non-controlling interest (30% of the net asset fair value)	(39,803)
Total net assets acquired	92,873
Goodwill on acquisition	85,627
Satisfied by cash	178,500

An analysis of the cash flows in respect of the acquisition of the above subsidiaries is as follows:

	RMB'000
Cash consideration	(270,300)
Cash and cash equivalents acquired	1,743
Payables as at 31 December 2013	50,000
Payment of a cash deposit made in the year ended 31 December 2012	36,000
Net outflow of cash and cash equivalents included in cash flows from investing activities	(182,557)

Since the acquisition, the above subsidiaries contributed RMB21,164,000 to the Group's turnover and loss of RMB11,640,000 to the Group's profit for the year.

40. Business Combinations (Continued)

Had the combinations taken place at the beginning of the year, the revenue and the profit before tax for the year would have been RMB6,344,124,000 and RMB989,091,000, respectively.

The Group incurred no transaction costs for these acquisitions.

None of the goodwill recognised is expected to be deductible for income tax expenses.

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

	2013 RMB'000	2012 RMB'000
Guarantees provided to banks for loan facilities granted to subsidiaries:		
– Liangdang Mining	79,000	–
– Baiyun Mining	51,150	23,650
– Xingta	50,000	–
– Tonghui	–	70,000
	180,150	93,650

(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.

42. Commitments

(a) Capital commitments

Group

	2013 RMB'000	2012 RMB'000 (Restated)
Contracted, but not provided for:		
– Property, plant and equipment	248,247	90,387
– Prepayment for potential acquisitions	254,683	890,142
	502,930	980,529
Authorised, but not contracted for:		
– Property, plant and equipment	1,032,720	1,696,450
– Exploration and evaluation assets	153,840	243,000
	1,186,560	1,939,450

Company

	2013 RMB'000	2012 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	248,247	90,387
– Unlisted equity investments in subsidiaries	135,000	490,142
	383,247	580,529
Authorised, but not contracted for:		
– Property, plant and equipment	219,500	769,340
– Exploration and evaluation assets	54,100	87,500
	273,600	856,840

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

	2013 **RMB'000**	2012 RMB'000
Within one year	**5,786**	6,398
In the second to fifth years, inclusive	**4,000**	8,435
After five years	**10,000**	11,500
	19,786	26,333

Company

	2013 **RMB'000**	2012 RMB'000
Within one year	**4,435**	4,514
In the second to fifth years, inclusive	**–**	4,435
	4,435	8,949

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:

	2013 RMB'000	2012 RMB'000 (Restated)
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Payment of rental of land use rights	**4,514**	4,583
– Payment of house rental	**80**	290
– Brokerage service fees	**2,549**	1,412
Other transactions:		
– Payment of interest expense	**–**	10,219
(ii) Subsidiaries of Zhaojin Group		
Sales of silver	**160,096**	149,412
Expenses:		
– Fees for refining services	**7,237**	6,787
– Brokerage service fees	**136**	–
Capital transactions:		
– Purchase of exploration services	**65,313**	86,715
– Purchase of digital mine construction technology services	**14,085**	25,452
– Purchase of water treatment engineering services and relevant necessary super filter membrane and equipment	**5,278**	4,635
(iii) Associate – Aletai		
– Purchase of gold concentrates	**128,130**	101,186
(iv) Subsidiary of an associate – Shandong Wucailong Investment Company Limited		
– Entrusted loans	**5,000**	–
(v) Joint venture – Sanfengshan		
– Purchase of copper concentrates	**91,874**	89,722
– Entrusted loans	**–**	40,000

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 2014 to be approximately RMB4,435,000.

(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 2014 to be approximately RMB38,500,000.

(c) Outstanding balances with related parties:

(i) Details of the Group's loans due from its associates and joint venture as at the reporting period are included in notes 22 to the financial statements.

(ii) Details of the Group's trade balances with subsidiaries of Zhaojin Group as at the end of the reporting period are disclosed in notes 26 and 30 to the financial statements.

(iii) Details of the Group's non-trade balances with Zhaojin Group and its subsidiaries as at the end of the reporting period are disclosed in notes 27 and 31 to the financial statements.

(d) Compensation of key management personnel of the Group:

	2013 **RMB'000**	2012 RMB'000
Short-term employee benefits	**7,581**	8,210
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**7,581**	8,210

Further details of directors' emoluments are included in note 8 to the financial statements.

(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 Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

	2013			
	Financial assets at fair value through profit or loss			
	Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade and notes receivables	–	190,106	–	190,106
Financial assets included in other receivables	–	476,211	–	476,211
Available-for-sale investments	–	–	26,586	26,586
Equity investments at fair value through profit or loss	34,351	–	–	34,351
Loans receivable	–	860,000	–	860,000
Pledged deposits	–	164,500	–	164,500
Cash and cash equivalents	–	1,035,825	–	1,035,825
Total	34,351	2,726,642	26,586	2,787,579

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)

Group

Financial liabilities

	2013			
	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	1,439,425	135,087	–	1,574,512
Trade payables	–	–	648,338	648,338
Financial liabilities included in other payables and accruals	–	–	1,016,238	1,016,238
Interest-bearing bank and other borrowings	–	–	6,447,070	6,447,070
Corporate bonds	–	–	2,686,046	2,686,046
Other long-term liabilities	–	–	44,870	44,870
Total	1,439,425	135,087	10,842,562	12,417,074

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)

Group

Financial assets

	2012 (Restated)		
	Financial assets at fair value through profit or loss		
	Financial assets held for trading RMB'000	Loans and receivables RMB'000	Total RMB'000
Trade and notes receivables	139,616	–	139,616
Financial assets included in other receivables	500,587	–	500,587
Equity investments at fair value through profit or loss	–	32,409	32,409
Loans receivable	55,000	–	55,000
Cash and cash equivalents	1,349,084	–	1,349,084
Total	2,044,287	32,409	2,076,696

Financial liabilities

	2012 Financial liabilities at amortised cost RMB'000 (Restated)
Trade payables	405,417
Financial liabilities included in other payables and accruals	469,149
Interest-bearing bank and other borrowings	3,224,553
Corporate bonds	2,682,886
Other long-term liabilities	104,741
Total	6,886,746

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

	2013			2012
		Financial assets at fair value through profit or loss		
	Loans and receivables RMB'000	Held for trading RMB'000	Total RMB'000	Loans and receivables RMB'000 (Restated)
Trade and notes receivables	92,585	–	92,585	107,584
Financial assets included in other receivables	1,417,392	–	1,417,392	980,820
Equity investments at fair value through profit or loss	–	26,433	26,433	–
Loans receivable	5,919,067	–	5,919,067	3,549,549
Pledged deposits	116,500	–	116,500	–
Cash and cash equivalents	393,409	–	393,409	652,795
Total	7,938,953	26,433	7,965,386	5,290,748

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 liabilities

	2013				2012
	Financial liabilities at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000	Financial liabilities at amortised cost RMB'000
Financial liabilities at fair value through profit or loss	1,439,425	123,955	–	1,563,380	–
Trade payables	–	–	532,974	532,974	146,987
Financial liabilities included in other payables and accruals	–	–	239,533	239,533	548,093
Interest-bearing bank and other borrowings	–	–	5,749,522	5,749,522	2,862,602
Corporate bonds	–	–	2,686,046	2,686,046	2,682,886
Total	1,439,425	123,955	9,208,075	10,771,455	6,240,568

45. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000 (Restated)	**2013 RMB'000**	2012 RMB'000 (Restated)
Financial assets				
Equity investments at fair value through profit or loss	**34,351**	32,409	**34,351**	32,409
Available-for-sale investments	**26,586**	–	**26,586**	–
Loans receivable, non-current portion	**825,000**	35,000	**823,226**	35,775
Total	**885,937**	67,409	**884,163**	68,184
Financial liabilities				
Financial liabilities at fair value through profit or loss	**1,574,512**	–	**1,574,512**	–
Interest-bearing bank and other borrowings, non-current portion	**1,116,563**	56,908	**1,128,865**	53,131
Corporate bonds	**2,686,046**	2,682,886	**2,707,560**	2,727,240
Other long-term liabilities, non-current portion	**19,870**	85,320	**19,870**	85,320
Total	**5,396,991**	2,825,114	**5,430,807**	2,865,691

45. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Company

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**26,433**	–	**26,433**	–
Loans receivable, non-current portion	**3,187,437**	2,325,049	**3,187,859**	2,325,049
Total	**3,213,870**	2,325,049	**3,214,292**	2,325,049
Financial liabilities				
Financial liabilities at fair value through profit or loss	**1,563,380**	–	**1,563,380**	–
Interest-bearing bank and other borrowings, non-current portion	**1,004,249**	4,957	**1,019,881**	4,740
Corporate bonds	**2,686,046**	2,682,886	**2,707,560**	2,727,240
Total	**5,253,675**	2,687,843	**5,290,821**	2,731,980

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and notes payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, the current portion of loans receivable, the current portion of interest-bearing bank and other borrowings and the current portion of other long-term liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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 the non-current portion of loans receivable, interest-bearing bank and other borrowings, other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

45. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Company (continued)

The fair values of equity investments at fair value through profit or loss, available-for-sale investments, financial liabilities at fair value through profit or loss and corporate bonds are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000
Equity investments at fair value through profit or loss	34,351
Available-for-sale investments	26,586
Total	60,937

As at 31 December 2012

	Quoted prices in active markets (Level 1) RMB'000
Equity investments at fair value through profit or loss	32,409

Company

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000
Equity investments at fair value through profit or loss	26,433

The Company did not have any financial assets measured at fair value as at 31 December 2012.

45. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

Group

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000
Financial liabilities at fair value through profit or loss	**1,574,512**

The Group did not have any financial liabilities measured at fair value as at 31 December 2012.

Company

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000
Financial liabilities at fair value through profit or loss	**1,563,380**

The Company did not have any financial liabilities measured at fair value as at 31 December 2012.

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 for both financial assets and financial liabilities (2012: Nil).

45. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed:

Group

As at 31 December 2013

	Significant observable inputs (Level 2) RMB'000
Loans receivable, non-current portion	**823,226**

As at 31 December 2012

	Significant observable inputs (Level 2) RMB'000
Loans receivable, non-current portion	35,775

Company

As at 31 December 2013

	Significant observable inputs (Level 2) RMB'000
Loans receivable, non-current portion	**3,187,859**

As at 31 December 2012

	Significant observable inputs (Level 2) RMB'000
Loans receivable, non-current portion	2,325,049

45. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

Group

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	1,128,865	1,128,865
Corporate bonds	2,707,560	–	2,707,560
Other long-term liabilities, non-current portion	–	19,870	19,870
Total	2,707,560	1,148,735	3,856,295

As at 31 December 2012

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	53,131	53,131
Corporate bonds	2,727,240	–	2,727,240
Other long-term liabilities, non-current portion	–	85,320	85,320
Total	2,727,240	138,451	2,865,691

45. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

Company

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	1,019,881	1,019,881
Corporate bonds	2,707,560	–	2,707,560
Total	2,707,560	1,019,881	3,727,441

As at 31 December 2012

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	4,740	4,740
Corporate bonds	2,727,240	–	2,727,240
Total	2,727,240	4,740	2,731,980

46. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives and financial liabilities at fair value through profit or loss, comprise bank loans, corporate bonds, other interest-bearing loans, and cash and time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. In addition, the Group has financial instruments such as equity investments at fair value through profit or loss and available-for-sale investments, which arise directly from its investments activities.

46. Financial Risk Management Objectives and Policies (continued)

The Group also enters into derivative transactions, including gold and copper forward contracts. The purpose is to manage the market price fluctuations on gold and copper from the Group's operations.

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 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2013				
Financial liabilities at fair value through profit or loss	**1,574,512**	**–**	**–**	**1,574,512**
Interest-bearing bank and other borrowings	**5,498,867**	**1,210,653**	**72,821**	**6,782,341**
Trade payables	**433,712**	**214,626**	**–**	**648,338**
Other payables	**1,016,238**	**–**	**–**	**1,016,238**
Corporate bonds	**1,634,880**	**1,379,640**	**–**	**3,014,520**
Other long-term liabilities	**25,000**	**19,870**	**–**	**44,870**
	10,183,209	**2,824,789**	**72,821**	**13,080,819**
2012 (Restated)				
Interest-bearing bank and other borrowings	3,263,030	56,960	11,569	3,331,559
Trade payables	405,417	–	–	405,417
Other payables	469,149	–	–	469,149
Corporate bonds	134,880	3,164,520	–	3,299,400
Other long-term liabilities	19,421	85,320	–	104,741
	1,665,884	3,306,800	11,569	7,610,266

46. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (Continued)

Company

	less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2013				
Financial liabilities at fair value through profit or loss	**1,563,380**	**–**	**–**	**1,563,380**
Interest-bearing bank and other borrowings	**4,823,510**	**1,143,338**	**1,722**	**5,968,570**
Trade payables	**487,876**	**45,098**	**–**	**532,974**
Other payables	**239,533**	**–**	**–**	**239,533**
Corporate bonds	**1,634,880**	**1,379,640**	**–**	**3,014,520**
	8,749,179	**2,568,076**	**1,722**	**11,318,977**
2012(Restated)				
Interest-bearing bank and other borrowings	2,942,001	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
	2,301,427	3,167,931	2,618	6,942,510

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 variable or 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 and copper which can affect the Group's results of operations.

During the year, under certain circumstances, the Group entered into AU (T+D) arrangements, which substantially are forward commodity contracts, in 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 and substantially the entire forward commodity contracts of the Group were settled through physical delivery of the gold.

The Group also entered into copper cathode forward contracts in SHFE and gold forward contracts in SGE and SHFE for the sale of copper and gold leasing business.

The price range of the forward commodity contracts is closely monitored by management. Accordingly, a reasonable possible fluctuation of 10% in commodity prices would have no significant 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 and loans receivable represent the Group's maximum exposure to credit risk attributable to its financial assets.

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 28) as at 31 December 2013 and 2012. The Group's listed equity investments are listed on the Shanghai and Shenzhen stock exchanges, 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 2013.

The Group is currently funding its capital expenditure through corporate bonds and new bank borrowings and gold leasing business. 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 60%. Net debt includes interest-bearing bank and other borrowings, corporate bonds, financial liabilities arose from the gold leasing business, 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

	2013 RMB'000	2012 RMB'000 (Restated)
Interest-bearing bank and other borrowings	**6,447,070**	3,224,553
Corporate bonds	**2,686,046**	2,682,886
Financial liabilities arose from the gold leasing business	**1,563,380**	–
Less: Cash and cash equivalents	**(1,035,825)**	(1,349,084)
Net debt	**9,660,671**	4,558,355
Total equity	**9,322,798**	9,247,625
Total equity and net debt	**18,983,469**	13,805,980
Gearing ratio	**50.9%**	33.0%

47. Event After the Reporting Period

No events occurring after the end of the reporting period that need to be disclosed were noted.

48. Comparative Figures

As further explained in note 2.2 to the financial statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2012 has been presented.

49. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 21 March 2014.

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*
招 金 礦 業 股 份 有 限 公 司