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)

2015 Annual Report

* For identification purposes only

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. Cong Jianmao *(Redesignated as Executive Director on 20 March 2015)*
Mr. Lu Dongshang *(Retired on 26 February 2016)*

Non-executive Directors

Mr. Liang Xinjun *(Vice Chairman)*
Mr. Li Shousheng *(Appointed on 26 February 2016)*
Mr. Xu Xiaoliang
Mr. Gao Min *(Appointed on 26 February 2016)*
Mr. Cong Jianmao *(Redesignated as Executive Director on 20 March 2015)*
Mr. Kong Fanhe *(Resigned on 20 March 2015)*
Mr. Wu Yijian *(Appointed on 20 March 2015 and retired on 26 February 2016)*

Independent Non-executive Directors

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao *(Appointed on 26 February 2016)*
Mr. Shen Shifu *(Appointed on 26 February 2016)*
Mr. Xie Jiyuan *(Retired on 26 February 2016)*
Mr. Nie Fengjun *(Retired on 26 February 2016)*

Supervisory Committee Members

Mr. Wang Xiaojie *(Chairman of the Supervisory Committee)*
Ms. Jin Ting
Ms. Zhao Hua *(Appointed on 26 February 2016)*
Mr. Chu Yushan *(Ceased to be a supervisor on 26 February 2016)*

Secretary to the Board

Mr. Wang Ligang

Company Secretary

Ms. Mok Ming Wai

* *For identification purpose only*

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. Choy Sze Chung Jojo
Mr. Gao Min *(Appointed on 26 February 2016)*
Mr. Xu Xiaoliang *(Ceased to be a member on 26 February 2016)*

Strategic Committee Members

Mr. Weng Zhanbin *(Chairman of the Strategic Committee)*
Mr. Li Shousheng *(Appointed on 26 February 2016)*
Mr. Xu Xiaoliang (appointed on 26 February 2016)
Mr. Lu Dongshang *(Retired and ceased to be a member on 26 February 2016)*
Mr. Liang Xinjun *(Ceased to be a member on 26 February 2016)*

Nomination and Remuneration Committee Members

Mr. Choy Sze Chung Jojo *(Chairman of Nomination and Remuneration Committee)*
Mr. Cong Jianmao
Mr. Liang Xinjun
Ms. Chen Jinrong
Mr. Wei Junhao *(Appointed on 26 February 2016)*
Mr. Nie Fengjun *(Retired and ceased to be a member on 26 February 2016)*

Geological and Resources Management Committee Members

Mr. Wei Junhao *(Chairman of Geological and Resources Management Committee) (Appointed on 26 February 2016)*
Mr. Li Shousheng *(Appointed on 26 February 2016)*
Mr. Shen Shifu *(Appointed on 26 February 2016)*
Mr. Weng Zhanbin *(Ceased to be a member on 26 February 2016)*
Mr. Xie Jiyuan *(Retired and ceased to be a member on 26 February 2016)*
Mr. Nie Fengjun *(Retired and ceased to be a member on 26 February 2016)*

Safety and Environment Protection Committee Members

Mr. Li Xiuchen
(Chairman of the Safety and Environment Protection Committee)
Mr. Cong Jianmao
Mr. Shen Shifu
(Appointed on 26 February 2016)
Mr. Xie Jiyuan *(Retired and ceased to be a member on 26 February 2016)*

Auditors

International Auditor:

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

PRC Auditor:

BDO China Shu Lun Pan
Certified Public Accountants LLP
(Removed on 29 September 2015)
4/F, New Whampoa Finance Building
No. 61 Nanjing Road East
Shanghai
PRC

Ernst & Young Hua Ming LLP
(Special General Partnership)
(Appointed on 29 September 2015)
16/F, Ernst & Young Building,
Dongfang Square
No. 1 Changan Road
Dongcheng District
Beijing
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 Adviser:

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

Registered Office

No. 299 Jinhui Road
Zhaoyuan City
Shandong Province
PRC

Principal Place of Business in Hong Kong

36th Floor
Tower Two
Times Square
1 Matheson Street
Causeway Bay
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") and having obtained the approval from 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 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 technologies and facilities are the leading in the PRC and of advanced international standards.

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

Recently, the Company insists focusing 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 in increasing gold reserves, production volume and corporate efficiency every year. As at 31 December 2015, the Company owns a number of subsidiaries, joint ventures and associates nationwide, with their businesses covering major gold production regions in the PRC. As at 31 December 2015, in accordance with the standard set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), our gold ore resources reserve were approximately 39,481.4 kozs (as at 31 December 2014: approximately 26,080 kozs), and our recoverable gold reserves were approximately 17,494.2 kozs (as at 31 December 2014: approximately 11,980 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, leading 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 profits and become one of the top and leading gold production enterprises in the PRC and in the world so as to repay the shareholders of the Company ("Shareholders") and society with the best results.

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

Financial Summary

Summary of Operating Results

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**5,886,845**	5,606,182	6,344,124	7,603,745	5,741,105
Gross profit	**2,231,092**	2,172,407	2,240,495	3,691,668	3,052,520
Share of profit of associates	**6,819**	6,597	12,977	10,166	6,940
Share of profit/(loss) of a joint venture	**(3,443)**	19,236	7,536	(8,292)	16,820
Profit before tax	**554,513**	683,024	993,557	2,661,852	2,285,920
Profit attributable to equity holders of the Company	**308,140**	455,388	734,085	1,923,521	1,661,578
Earnings per share (RMB)	**0.10**	0.15	0.25	0.66	0.57

Summary of Assets

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**31,054,259**	26,400,310	23,372,457	17,917,038	13,255,843
Cash and cash equivalents	**2,033,203**	1,254,916	1,035,825	1,349,084	1,237,921
Total liabilities	**(17,413,145)**	(16,650,346)	(14,049,659)	(8,669,415)	(6,258,396)
Net assets	**13,641,114**	9,749,964	9,322,798	9,247,625	6,997,447
Net assets per share (RMB)	**4.60**	3.29	3.14	3.17	2.40

The above earnings per share and net assets per share for 2015 are based on the weighted average number of ordinary shares of 2,965,827,000 (2011: 2,914,860,000, 2012: 2,919,107,000, 2013: 2,965,827,000, 2014: 2,965,827,000) in issue during the year.

Chairman's Statement

Weng Zhanbin
Chairman

To Shareholders,

I am pleased to present the annual report of the Group for the year ended 31 December 2015 (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 on behalf of the Board and all staff members.

Annual Review

In 2015, confronting with a complex situation such as slowdown in global economic growth, sluggish gold and bulk commodity market with a downward trend, and the combined effect of various contradictory factors, all members of the Company kept a close eye on the objective of "quality, efficiency, compliance, stability", while putting the new operational concept and initiative of "austerity, rule of law, being strict with officials, caring for people, attracting talents" into practice, and achieved the annual targets through concerted efforts. For the year ended 31 December 2015, the Company made a new record on the major production indicators, with a total output of gold amounted to 1,091,800 ozs (33,958.16 kg), representing an increase of 3.20% as compared with the corresponding period of last year. Among which, 651,849.79 ozs (approximately 20,274.81 kg) of gold was mine-produced gold, representing an increase of approximately 0.88% as compared to the same period of last year. By investing and acquiring Haiyu Gold Mine, the largest gold mine in China with reserve of more than ten million ounces, the gold resource of the Group amounted to over 39,000,000 ozs and the Company's sustainable development capability was further reinforced.

Outlook

The year 2016 marks a critical point in our comprehensive efforts to further reform, as well as a critical year for making breakthrough in elevating quality and efficiency of development. The Company will make concrete efforts to implement the five concepts of development, namely "innovation, coordination, green, openness and sharing", while adhering to keynote of our strategy of "reform and innovation, integrity and revolution", and comprehensively deepen the internal market-oriented reform conforming to three requirements, namely "enhancing working quality and efficiency, improving management standards and effectiveness, and improving wages and staff welfare". The Company will launch the "1+3+N" reform plan, and use its best endeavours to realize three reform objectives of "contractor operation" ("承包合作"), "merger of institutions" ("機構合併") and "streamlining administration and delegating power" ("簡政放權"); The Company will constantly grant incentive bonus and implement four innovation projects, namely "value investment", "capital operation", "leading technology", "management enhancement", to boost up the morale. Meanwhile, the Company will reinforce the infrastructure of compliance operation and keep tight control the four "red lines" for "safety, ecology and environmental friendly", "corporate governance in accordance with the laws", "promoting Corruption-free Party and Government" and "management of public opinion"; In addition, the Company promotes transformation and realize the evolution tasks in the four areas, namely "talent management", "headquarters construction", "deepening cultural development" and "harmonious and stable environment for development" and vigorously create a new mode of efficient operation and sustainable development.

Acknowledgement

The production capacity of gold by the Group grew steadily in 2015. The reserves increased significantly and the growth was maintained in a stable manner. These results 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 of the Shareholders, and the enormous support from the public to the Group.

I would like to express my sincere gratitude to all Shareholders and the public the care about the Group. I would also like to extend my sincere respect to all dedicated Directors and all diligent employees. The Group will continue to fulfill the mission of constructing four model mines that are "ecological and environmental friendly", "efficient in development", "safe and healthy", "welcomed by staff, Shareholders, government and the community", striving to maximize values for Shareholders.

Weng Zhanbin
Chairman

25 March 2016

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 2015, the Group's total output of gold amounted to 33,958.16 kg (approximately 1,091,779.38 ozs), representing an increase of approximately 3.20% as compared to the previous year. Among which, 20,274.81 kg (approximately 651,849.79 ozs) of gold was mine-produced gold, representing an increase of approximately 0.88% as compared to the previous year, and 13,683.35 kg (approximately 439,929.59 ozs) was smelted and processed gold, representing a rise of approximately 6.84% as compared to the previous year.

Copper Output

For the year ended 31 December 2015, the Group's total output of copper amounted to 15,633.695 tons, representing a decrease of approximately 14.32% as compared to the previous year.

Revenue

For the year ended 31 December 2015, the Group's revenue was approximately RMB5,886,845,000 (2014: RMB5,606,182,000), representing an increase of approximately 5.01% as compared to the previous year.

Net Profit

For the year ended 31 December 2015, the Group's net profit was approximately RMB399,583,000 (2014: RMB506,741,000), representing a decrease of approximately 21.15% as compared to the previous year.

Earnings Per Share

For the year ended 31 December 2015, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.10 (2014: RMB0.15), representing a decrease of approximately 33.33% as compared to the previous year.

Analysis of Results

The drop in profit was primarily attributable to the drop in gold price during the Year, which led to a drop in the selling price of gold.

Distribution Proposal

The Board proposed the payment of a cash dividend of RMB0.04 (tax included) per share (2014: RMB0.05 (tax included)) to all Shareholders.

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

The distribution proposal for the Year is subject to the approval of the Shareholders at the annual general meeting of the Company for the year ended 31 December 2015 (the "2015 AGM"), which will be held on Wednesday, 8 June 2016.

If the distribution proposal is approved at the 2015 AGM, it is expected that the final dividend for the year ended 31 December 2015 will be paid on or before Thursday, 30 June 2016 to the Shareholders whose names appear on the register of members of the Company on Monday, 20 June 2016.

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 Monday, 20 June 2016.

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 Monday, 20 June 2016. Individual H Shareholders are entitled to certain tax preferential treatments according to the bilateral tax treaties between countries where the individual H Shareholders reside in and China and the bilateral tax treaties between mainland China and Hong Kong or Macau. The Company will 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 that entered into agreements with China for personal income tax rates in respect of dividend of lower than 10%, the Company will make applications on their behalf for entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協議待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)). For individual H Shareholders who are residents of those countries having bilateral tax treaties with China for personal income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the actual tax rate. For individual H Shareholders who are residents of those countries without any bilateral tax treaties with China or having bilateral tax treaties with China for personal income tax in respect of dividend of 20% and for 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 Monday, 20 June 2016. 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 Monday, 20 June 2016 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 Tuesday, 14 June 2016. 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 non-resident enterprises and individual Shareholders to lodge the relevant documents within the prescribed timeframe as mentioned above.

Market Overview

In 2015, under the pressure of strong United States ("US") dollars, the price of gold decreased during the whole year. Since the publication of the US Non-farm Payrolls data in early 2015, the expectation from the market as to the increase in the interest rate by the US Federal Reserve Board gradually increased. Although the price of gold rebounded since the end of 2014 to US$1,308/oz in the second half of January 2015, it began to slide since then, falling from US$1,308/oz to US$1,142/oz. Due to the disappointment arising from the decision of unchanged interest rate made by the Federal Reserve Board in March 2015, gold price slightly rebounded to US$1,232/oz, but maintained the downward trend subsequently. Gold price had decreased to US$1,072/oz in September 2015, hitting the lowest price in the recent three years. Subsequently, gold price began to rise gradually. Due to the poor data of September and October 2015 published by the United States, gold price rose to US$1,100/oz from US$1,072/oz, with the highest price reaching US$1,191/oz. By the end of 2015, gold price finally closed at the price of US$1,061/oz, resulting from the better employment data and the earlier-than-expected increase in interest rate.

In 2015, the international gold price opened at US$1,183.96/oz and reached the highest price of US$1,307.59/oz during the year on 22 January 2015. Its closing price was US$1,061.25/oz for the year, representing an accumulated decline of approximately 10.35% throughout the Year. The average price for the Year was US$1,160/oz. The opening price of the "Au9995" in the Shanghai Gold Exchange ("SGE") was RMB240.60/g with the highest at RMB280.00/g and the lowest at RMB210.79/g. The closing price was RMB222.86/g and the annual average price was approximately RMB234.16/g, representing a decrease of approximately 6.01% as compared with the corresponding period of last year.

According to the statistics from the China Gold Association, China's gold output reached 450.053 tons in 2015. China ranked as the number one gold producer in the world for nine consecutive years.

Business Review

Enhancing on the Reformation of Production Capacity, Optimizing the Resource Production and Further Improvement on Quality Development

Under the challenge of various unfavorable factors in 2015, the Company recorded an increase in production, the annual targets of self-produced gold and smelted and processed gold were achieved ahead of time. Its total output of gold amounted to 1,091,779.38 ozs (approximately 33,958.16 kg), representing an increase of approximately 3.20% as compared to the same period of last year. Among which, 651,849.79 ozs (approximately 20,274.81 kg) of gold was mine-produced gold, representing an increase of approximately 0.88% as compared to the same period of last year; 439,929.59 ozs (approximately 13,683.35 kg) of gold was smelted and processed gold, representing an increase of approximately 6.84% as compared to the same period of last year. The Company invested RMB802 million to enhance the quality and speed of infrastructure and technological transformation projects. At the same time, key projects including chlorination and volatilization, calcined capacity expansion, smelting technology improvement and construction of demonstrative base were carried forward as scheduled, which accumulated strength for the Company's improvement of production and efficiency. In the meantime, as for mining, the Company invested RMB134 million for geological mine exploration, 69.20 tons of gold resources and 30 tons reserve upgrading metal were explored respectively. Notably in terms of resources possession, the Company successfully acquired the largest single pit gold mine (the Haiyu Project) in China, the resources increased by 470 tons and the future value provides room for further expansion. As at 31 December 2015, the Company owned 36 mining rights and 41 exploration rights in total, with areas of 137.3281 km^2 and 745.6 km^2 respectively. According to standards set out in JORC Code, the Company's gold resource amounted to 1,228.01 tons (approximately 39.4814 million ozs), and the mineable reserves amounted to 544.13 tons (approximately 17.4942 million ozs).

Table 1: Statistics of Zhaojin's Mineral Resources (as at 31 December 2015)

No.	Name of the mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
1	Xiadian Gold Mine	Gold	Ore (Mt)	34.927	9.891
			Grade (g/t)	2.93	3.12
			Metal (t)	102.26	30.89
2	Hedong Gold Mine	Gold	Ore (Mt)	2.406	2.646
			Grade (g/t)	4.08	3.77
			Metal (t)	9.82	9.97
3	Dayinggezhuang Gold Mine	Gold	Ore (Mt)	59.414	35.873
			Grade (g/t)	2.55	2.41
			Metal (t)	151.70	86.49
4	Jinchiling Gold Mine	Gold	Ore (Mt)	0.321	0.772
			Grade (g/t)	4.94	5.77
			Metal (t)	1.58	4.45
5	Jintingling Mining	Gold	Ore (Mt)	2.133	3.467
			Grade (g/t)	3.19	6.10
			Metal (t)	6.80	21.16
6	Canzhuang Gold Mine	Gold	Ore (Mt)	2.916	5.453
			Grade (g/t)	3.12	4.46
			Metal (t)	9.10	24.34
7	Daqinjia Mining	Gold	Ore (Mt)	0.598	0.453
			Grade (g/t)	4.12	3.79
			Metal (t)	2.46	1.72
8	Jishan Mining	Gold	Ore (Mt)	0.327	0.042
			Grade (g/t)	4.18	3.40
			Metal (t)	1.37	0.14
9	Ruihai Mining	Gold	Ore (Mt)	43.398	69.604
			Grade (g/t)	5.09	3.83
			Metal (t)	220.90	266.81
10	Zhaojin North Xin Jiang	Gold	Ore (Mt)	1.464	2.530
			Grade (g/t)	4.94	4.11
			Metal (t)	7.23	10.40
11	Minxian Tianhao	Gold	Ore (Mt)	4.161	1.417
			Grade (g/t)	2.29	2.58
			Metal (t)	9.53	3.66
12	Zhaojin Kunhe	Gold	Ore (Mt)	0.137	0.130
			Grade (g/t)	4.90	5.26
			Metal (t)	0.67	0.68
13	Fuyun Zhaojin	Gold	Ore (Mt)	0.158	1.505
			Grade (g/t)	3.01	4.83
			Metal (t)	0.47	7.27
14	Fengningjinlong	Gold	Ore (Mt)	1.877	2.192
			Grade (g/t)	3.55	3.72
			Metal (t)	6.66	8.16
15	Zaozigou Gold Mine	Gold	Ore (Mt)	5.082	9.858
			Grade (g/t)	4.32	2.98
			Metal (t)	21.98	29.39
16	Xinhe Mining	Gold	Ore (Mt)	0.202	0.125
			Grade (g/t)	3.49	2.96
			Metal (t)	0.70	0.37

No.	Name of the mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
17	Liangdang Zhaojin	Gold	Ore (Mt)	1.122	8.415
			Grade (g/t)	2.45	2.13
			Metal (t)	2.75	17.96
18	Zhaojin Baiyun	Gold	Ore (Mt)	0.791	17.662
			Grade (g/t)	2.72	2.78
			Metal (t)	2.15	49.08
19	Qinghe Mining	Gold	Ore (Mt)	3.293	1.117
			Grade (g/t)	6.59	4.87
			Metal (t)	21.70	5.45
20	Longxin Mining	Gold	Ore (Mt)	1.219	2.127
			Grade (g/t)	5.28	2.75
			Metal (t)	6.43	5.86
21	Hezhengxinyuan	Gold	Ore (Mt)	0.232	0.736
			Grade (g/t)	5.97	5.20
			Metal (t)	1.38	3.83
22	Xinrui Mining	Gold	Ore (Mt)	2.975	5.299
			Grade (g/t)	2.62	2.46
			Metal (t)	7.79	13.02
23	Zhaojin Zhengyuan	Gold	Ore (Mt)	0.062	0.654
			Grade (g/t)	5.79	3.65
			Metal (t)	0.36	2.39
24	Liyuan Gold Mine	Gold	Ore (Mt)	0.961	0.551
			Grade (g/t)	5.95	4.79
			Metal (t)	5.72	2.64
25	Subei Jinying	Gold	Ore (Mt)	0.196	1.756
			Grade (g/t)	4.96	5.96
			Metal (t)	0.97	10.47
26	Sanfengshan Gold Mine	Gold	Ore (Mt)	–	0.578
			Grade (g/t)	–	3.77
			Metal (t)	–	2.18
		Copper	Ore (Mt)	0.412	0.324
			Grade (%)	2.98	2.07
			Metal (Kt)	12.26	6.71
27	Yuantong Mining	Gold	Ore (Mt)	0.369	0.822
			Grade (g/t)	5.95	5.54
			Metal (t)	2.20	4.55
28	Tonghui Mining	Copper	Ore (Mt)	4.449	1.773
			Grade (%)	2.02	1.50
			Metal (Kt)	89.82	26.61
29	Dishui Copper Mine	Copper	Ore (Mt)	1.590	28.145
			Grade (%)	0.92	1.06
			Metal (Kt)	14.65	298.65
	Mine Total	Gold	Ore (Mt)	170.742	185.675
			Grade (g/t)	3.54	3.36
			Metal (t)	604.69	623.32
		Copper	Ore (Mt)	6.450	30.24
			Grade (%)	1.81	1.10
			Metal (Kt)	116.73	331.97

Table 2: Statistics of Zhaojin's Recoverable Reserve (as at 31 December 2015)

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
1	Xiadian Gold Mine	Gold	Ore (Mt)	3.672	31.256	34.927	9.891	3.675	31.286	34.962
			Grade (g/t)	3.02	2.92	2.93	3.12	2.77	2.67	2.68
			Metal (t)	11.09	91.16	102.26	30.89	10.17	83.55	93.72
2	Hedong Gold Mine	Gold	Ore (Mt)	0.743	1.664	2.406	2.646	0.749	1.677	2.425
			Grade (g/t)	4.04	4.10	4.08	3.77	3.83	3.89	3.87
			Metal (t)	3.00	6.82	9.82	9.97	2.87	6.51	9.38
3	Dayinggezhuang Gold Mine	Gold	Ore (Mt)	7.003	52.411	59.414	35.873	6.983	52.260	59.243
			Grade (g/t)	2.52	2.56	2.55	2.41	2.43	2.46	2.46
			Metal (t)	17.64	134.06	151.70	86.49	16.94	128.70	145.64
4	Jinchiling Gold Mine	Gold	Ore (Mt)	–	0.321	0.321	0.772	–	0.358	0.358
			Grade (g/t)	–	4.94	4.94	5.77	–	4.19	4.19
			Metal (t)	–	1.58	1.58	4.45	–	1.50	1.50
5	Jintingling Mining	Gold	Ore (Mt)	–	2.133	2.133	3.467	–	2.108	2.108
			Grade (g/t)	–	3.19	3.19	6.10	–	3.06	3.06
			Metal (t)	–	6.80	6.80	21.16	–	6.44	6.44
6	Canzhuang Gold Mine	Gold	Ore (Mt)	0.540	2.376	2.916	5.453	0.549	2.414	2.963
			Grade (g/t)	2.79	3.19	3.12	4.46	2.65	3.03	2.96
			Metal (t)	1.51	7.59	9.10	24.34	1.45	7.33	8.78
7	Daqinjia Mining	Gold	Ore (Mt)	0.053	0.545	0.598	0.453	0.055	0.570	0.626
			Grade (g/t)	2.14	4.31	4.12	3.79	1.93	3.88	3.71
			Metal (t)	0.11	2.35	2.46	1.72	0.11	2.21	2.32
8	Jishan Mining	Gold	Ore (Mt)	0.151	0.176	0.327	0.042	0.157	0.182	0.339
			Grade (g/t)	4.39	4.00	4.18	3.40	3.65	3.33	3.48
			Metal (t)	0.66	0.70	1.37	0.14	0.57	0.61	1.18
9	Ruihai Mining	Gold	Ore (Mt)	–	43.398	43.398	69.604	–	40.577	40.577
			Grade (g/t)	–	5.09	5.09	3.83	–	4.63	4.63
			Metal (t)	–	220.90	220.90	266.81	–	187.76	187.76
10	Zhaojin North Xin Jiang	Gold	Ore (Mt)	0.054	1.410	1.464	2.530	0.058	1.520	1.578
			Grade (g/t)	5.33	4.92	4.94	4.11	4.59	4.24	4.25
			Metal (t)	0.29	6.94	7.23	10.40	0.27	6.44	6.71
11	Minxian Tianhao	Gold	Ore (Mt)	–	4.161	4.161	1.417	–	4.636	4.636
			Grade (g/t)	–	2.29	2.29	2.58	–	2.01	2.01
			Metal (t)	–	9.53	9.53	3.66	–	9.30	9.30
12	Zhaojin Kunhe	Gold	Ore (Mt)	0.016	0.120	0.137	0.130	0.017	0.121	0.138
			Grade (g/t)	5.45	4.82	4.90	5.26	5.00	4.42	4.49
			Metal (t)	0.09	0.58	0.67	0.68	0.08	0.54	0.62
13	Fuyun Zhaojin	Gold	Ore (Mt)	–	0.158	0.158	1.505	–	0.163	0.163
			Grade (g/t)	–	3.01	3.01	4.83	–	2.62	2.62
			Metal (t)	–	0.47	0.47	7.27	–	0.43	0.43
14	Fengningjinlong	Gold	Ore (Mt)	1.456	0.421	1.877	2.192	1.507	0.435	1.943
			Grade (g/t)	3.54	3.56	3.55	3.72	3.04	3.05	3.04
			Metal (t)	5.16	1.50	6.66	8.16	4.58	1.33	5.91
15	Zaozigou Gold Mine	Gold	Ore (Mt)	–	5.082	5.082	9.858	–	5.153	5.153
			Grade (g/t)	–	4.32	4.32	2.98	–	3.91	3.91
			Metal (t)	–	21.98	21.98	29.39	–	20.16	20.16
16	Xinhe Mining	Gold	Ore (Mt)	–	0.202	0.202	0.125	–	0.212	0.212
			Grade (g/t)	–	3.49	3.49	2.96	–	3.15	3.15
			Metal (t)	–	0.70	0.70	0.37	–	0.67	0.67
17	Liangdang Zhaojin	Gold	Ore (Mt)	–	1.122	1.122	8.415	–	1.119	1.119
			Grade (g/t)	–	2.45	2.45	2.13	–	2.31	2.31
			Metal (t)	–	2.75	2.75	17.96	–	2.58	2.58
18	Zhaojin Baiyun	Gold	Ore (Mt)	–	0.791	0.791	17.662	–	0.789	0.789
			Grade (g/t)	–	2.72	2.72	2.78	–	2.47	2.47
			Metal (t)	–	2.15	2.15	49.08	–	1.95	1.95

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
19	Qinghe Mining	Gold	Ore (Mt)	–	3.293	3.293	1.117	–	3.893	3.893
			Grade (g/t)	–	6.59	6.59	4.87	–	4.72	4.72
			Metal (t)	–	21.70	21.70	5.45	–	18.36	18.36
20	Longxin Mining	Gold	Ore (Mt)	–	1.219	1.219	2.127	–	1.207	1.207
			Grade (g/t)	–	5.28	5.28	2.75	–	4.80	4.80
			Metal (t)	–	6.43	6.43	5.86	–	5.79	5.79
21	Hezhengxinyuan	Gold	Ore (Mt)	–	0.232	0.232	0.736	–	0.221	0.221
			Grade (g/t)	–	5.97	5.97	5.20	–	5.33	5.33
			Metal (t)	–	1.38	1.38	3.83	–	1.18	1.18
22	Xinrui Mining	Gold	Ore (Mt)	–	2.975	2.975	5.299	–	2.908	2.908
			Grade (g/t)	–	2.62	2.62	2.46	–	2.28	2.28
			Metal (t)	–	7.79	7.79	13.02	–	6.62	6.62
23	Zhaojin Zhengyuan	Gold	Ore (Mt)	–	0.062	0.062	0.654	–	0.065	0.065
			Grade (g/t)	–	5.79	5.79	3.65	–	5.24	5.24
			Metal (t)	–	0.36	0.36	2.39	–	0.34	0.34
24	Liyuan Gold Mine	Gold	Ore (Mt)	–	0.961	0.961	0.551	–	0.715	0.715
			Grade (g/t)	–	5.95	5.95	4.79	–	5.40	5.40
			Metal (t)	–	5.72	5.72	0.26	–	3.86	3.86
25	Subei Jinying	Gold	Ore (Mt)	–	0.196	0.196	1.756	–	0.193	0.193
			Grade (g/t)	–	4.96	4.96	5.96	–	4.72	4.72
			Metal (t)	–	0.97	0.97	10.47	–	0.91	0.91
26	Sanfengshan Gold Mine	Gold	Ore (Mt)	–	–	–	0.578	–	–	–
			Grade (g/t)	–	–	–	3.77	–	–	–
			Metal (t)	–	–	–	2.18	–	–	–
27	Yuantong Mining	Gold	Ore (Mt)		0.369	0.369	0.822		0.348	0.348
			Grade (g/t)		5.95	5.95	5.54		5.81	5.81
			Metal (t)	–	2.20	2.20	4.55	–	2.02	2.02
28	Tonghui Mining	Copper	Ore (Mt)	0.131	4.317	4.449	1.773	0.130	4.271	4.401
			Grade (%)	1.29	2.04	2.02	1.50	1.23	1.95	1.93
			Metal (Kt)	1.69	88.13	89.82	26.61	1.60	83.13	84.73
29	Sanfengshan Gold Mine	Copper	Ore (Mt)	0.116	0.296	0.412	0.324	0.115	0.292	0.406
			Grade (%)	2.17	3.29	2.98	2.07	2.06	3.12	2.82
			Metal (Kt)	2.53	9.74	12.26	6.71	2.36	9.10	11.46
30	Dishui Copper Mine	Copper	Ore (Mt)	0.821	0.769	1.590	28.145	0.819	0.767	1.586
			Grade (%)	0.89	0.95	0.92	1.06	0.80	0.85	0.82
			Metal (Kt)	7.33	7.32	14.65	298.65	6.54	6.53	13.07
	Mine Total	Gold	Ore (Mt)	13.689	157.054	170.742	185.675	13.750	155.132	168.882
			Grade (g/t)	2.89	3.60	3.54	3.36	2.69	3.27	3.22
			Metal (t)	39.56	565.13	604.69	623.32	37.04	507.09	544.13
		Copper	Ore (Mt)	1.069	5.382	6.450	30.242	1.064	5.330	6.393
			Grade (%)	1.08	1.95	1.81	1.10	0.99	1.85	1.71
			Metal (Kt)	11.55	105.18	116.73	331.97	10.50	98.76	109.26

Notes: 1. The gold consumption ore reserve in 2015 was 7,763,867 tons. The grade was 2.67 gram per ton. 734 gold exploration drill holes were conducted, 41,847 meters of tunneling footage and 204,152 meters of drilling footage were completed.

2. The copper consumption ore reserve in 2015 was 1,092,036 tons. The grade was 1.49%. 66 copper exploration drill holes were conducted, 3,079 meters of tunneling footage and 7,520 meters of drilling footage were completed.

3. For the assumptions adopted for the annual update of resources/reserves in the above tables, please refer to "Assumptions Adopted for the Annual Update of Resources and/or Reserves" on pages 16 and 17 of this annual report.

Assumptions Adopted for the Annual Update of Resources and/or Reserves

The same assumptions as those applied in the 2014 Annual Report in accordance with the standards set out in JORC Code were adopted in Tables 1 and 2 above. Relevant updates were made according to our new exploration work and based on the historical data used by technical consultants. As confirmed by the Company's internal experts, there has been no material change to our level of resources and reserves and the changes were mainly attributable to adjustment for production consumption.

Assumptions adopted for the annual update of resources and/or reserves are set out as below:

1. Gold ore resource estimates

a. Mineral resource estimates

Premising on the level of mineral resources as at the end of 2014, Beijing Haidiren Resources Consulting Co., Ltd., ("Beijing Haidiren"), an independent third party resources assessor, updated the estimates by incorporating the mining consumption of gold mineral resources between January to December 2015, and changes in mineral resources from prospecting and exploration during that period. The verification was carried out on the analysis of the core, geological record and tests in this period.

b. Recoverable reserve estimate

i. When calculating the recovery rate and the dilution rate using the level of recoverable reserve recognised by the JORC Code, the grade of country rock dilution is assumed to be 0;

ii. Zhaojin Mining adopted several mining methods in the productive mines, the average of the respective mines' actual mining recovery rate and dilution rate for the latest three years is adopted;

iii. For mines that are yet to commence mining activities, verified information from development and utilization proposals or assessment reports, geological reports is adopted;

iv. The average recovery rate of Zhaojin Mining's 19 gold productive mines was approximately 92.3%, while the dilution rate was approximately 9.8%; and

v. Beijing Haidiren converted the mineral resources of economically measured and indicated grades into proved and probable reserve according to the overall dilution rate and recovery rate of mining.

2. Copper ore resource estimates

a. Mineral resource estimates

Premising on the level of mineral resources as at the end of 2014, Beijing Haidiren updated the estimates by incorporating the mining consumption of copper mineral resources between January to December 2015, and changes in mineral resources from prospecting and exploration during that period. The verification was carried out on the analysis of the core, geological record and tests in this period based on the amount of mineral resources.

b. Recoverable reserve estimates

i. When calculating the recovery rate and the dilution rate using the level of recoverable reserve recognised by the JORC Code, the grade of country rock dilution is assumed to be 0;

ii. Zhaojin Mining adopted several mining methods in the productive mines, the average of the respective mines' actual mining recovery rate and dilution rate for the latest three years is adopted;

iii. The average recovery rate of Zhaojin Mining's 2 copper mines (Dishui Copper Mine stopped production) was approximately 94.1%, while the dilution rate was approximately 5.0%; and

iv. Beijing Haidiren converted the mineral resources of economically measured and indicated grades into proved and probable reserve according to the overall dilution rate and recovery rate of mining.

Note: The relevant assumptions estimate adopted to calculate the reserve and resource in 2015 were in line with the same adopted to calculate the reserve and resource estimates disclosed by the Company in previous years, and there has been no material change to the assumptions adopted.

Intensify corporate management and implement innovation-driven operation with further enhanced development efficiency

In 2015, the Company insisted on the direction of "letting a hundred flowers bloom, letting a hundred schools of thought contend" and commenced management innovation compliance and upgrading activity, implemented an assessment mechanism to identify red-light, yellow-light and green-light projects, promoted Zhaojin E office system and TOPS management system to promote a scientific, informative and standardized level of management to a new level, and enhanced a 5 in 1 overall construction of supervisory mechanizations of democratic appraisal, professional examination, audit supervision, financial management and discipline inspection and supervision. In addition, the Company carried out cost and consumption reduction activities in four areas including projects construction, geological exploration, device purchase and energy management and remain having low-cost operation advantage in the industry. The Company insisted on innovation-driven operation, completed its investment of RMB52,370,000 in research and development, launched 25 technological innovations, applied for 46 patents and 37 achievement awards, and obtained 5 invention patents and 11 utility model. In respect of the intergration of assets and financing, the Company commenced a huge amount of fund raising activities such as super short term financing, perpetual middle term notes, offshore financing and corporate bonds with accumulative financing capital of RMB12.4 billion, and the credit rating of the Company reached 3A, all of which provided a strong financial support for the growth of the Company.

Management Discussion and Analysis

Enhance red-line awareness and complete policy guarantee with further consolidated compliance operation base

In 2015, the Company implemented the legal compliance principle and strengthened the development in the Board, promoted information disclosure, three boards operation (三會運作), maintain investor relationship and other important work strictly in accordance with the relevant laws and regulations. The senior management and the annual report of the Company have been awarded with the Chinese Enterprise Management Leadership Awards and International ARC Awards for annual report. In respect of corporate governance, the Company developed internal control culture by establishing a system to manage power, affairs and people, formulated Zhaojin Mining regulations, extensively commenced activities of "learning rules, using rules, behaving well". The Company also enhanced the promotion of anti-corruption behavior, actively improved leaders' work style, commenced the special education of "being strict in morals, power and disciplining oneself; being honest in decisions, business and behavior (三嚴三實)", and enhanced the development process of leaders selection, appointment, evaluation and appraisal. Meanwhile, the Company firmly adheres to the three "red lines" for safety, ecology and environmental protection with accumulative injection of RMB180 million. The Company deepened the governance of hidden danger investigation and develop safety awareness to continuously ensure the safety and stability.

Improve culture awareness and concentrate developing efforts with a stable corporate development

In 2015, the Company implemented measures to take care of its employees and vigorously commenced training education, mentoring scheme, skill competition and other activities, resulting in a constant improvement in the overall quality of our staff. Meanwhile, the Company carried out activities in supporting persons who are in difficulties so to transmit positive energy of humanistic concern to our staff. The Company established mechanism to keep talents with the Company for long term and created new principle of culturing new employees by recruiting college graduates and high-end and high-ended market-oriented talents, which provided powerful intelligent support for the Company's growth. In addition, the Company endeavored to create harmonious mines and held activities including bringing Zhaojin culture into communities, which built a stable background for the Company's operation.

Financial Analysis

Revenue

For the year ended 31 December 2015, the Group's revenue was approximately RMB5,886,845,000 (2014: RMB5,606,182,000), representing an increase of approximately 5.01% (2014: a decrease of approximately 11.63%) as compared to the previous year. Such increase was primarily attributable to the increase in the sales volume of gold.

Cost of Sales

For the year ended 31 December 2015, the Group's cost of sales was approximately RMB3,655,753,000 (2014: RMB3,433,775,000), representing an increase of approximately 6.46% (2014: a decrease of approximately 16.32%) as compared to the previous year. Such increase was primarily attributable to the increase in the sales volume of gold and unit cost of raw material and overhead during the Year.

Gross Profit and Gross Profit Margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB2,231,092,000 (2014: RMB2,172,407,000) and approximately 37.90% (2014: 38.75%), respectively, representing an increase in gross profit of approximately 2.70% (2014: a decrease of approximately 3.04%) and a decrease in gross profit margin of approximately 0.85% (2014: an increase of approximately 9.71%), respectively, as compared to the previous year. The increase in gross profit as compared to 2014 was primarily attributable to the increase in the sales volume of gold. The decrease in gross profit margin as compared to 2014 was mainly attributable to the relatively smaller increase in revenue as compared with the increase in costs.

Other Income and Gains

During the Year, the Group's other income and gains were approximately RMB362,928,000 (2014: RMB260,140,000), representing an increase of approximately 39.51% (2014: an increase of approximately 65.94%) as compared to the previous year. The increase in other revenue and gains was mainly due to the increase in the gains from government grants.

Selling and Distribution Costs

For the year ended 31 December 2015, the Group's selling and distribution costs were approximately RMB98,343,000 (2014: RMB119,709,000), representing a decrease of approximately 17.85% (2014: an increase of approximately 23.06%) as compared to the previous year. Such decrease was mainly due to the decrease in transportation expenses during the Year.

Administrative and Other Expenses

The Group's administrative and other operating expenses were approximately RMB1,418,207,000 during the Year (2014: RMB1,141,241,000), representing an increase of approximately 24.27% (2014: an increase of approximately 15.88%) as compared to 2014. Such increase was mainly attributable to the increase in impairment loss of non-current assets.

Finance Costs

For the year ended 31 December 2015, the Group's finance costs were approximately RMB526,333,000 (2014: RMB514,406,000), representing an increase of approximately 2.32% (2014: an increase of approximately 50.36%) as compared to 2014. Such increase was mainly attributable to the increase in interest accrued from the short-term bonds.

Income Tax Expenses

For the year ended 31 December 2015, the Group's income tax expenses decreased by approximately RMB21,353,000 as compared to the previous year. It was attributable to the decrease in profit before taxation of the Group. During the Year, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2014: 25%) on the taxable income (except for certain subsidiaries of the Group in Xinjiang and Gansu, where corporate income tax is provided at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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 27.94% during the Year (2014: 25.81%).

Profit Attributable to Owners of the Parent

For the year ended 31 December 2015, the Group's profit attributable to the owners of the parent was approximately RMB308,140,000, representing a decrease of approximately 32.33% (2014: a decrease of approximately 37.97%) from approximately RMB455,388,000 in 2014.

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 are mainly utilized to provide funding to acquisition activities, capital expenditures, and repayment of borrowings.

Cash Flows and Working Capital

The Group's cash and cash equivalents have increased from approximately RMB1,254,916,000 as at 31 December 2014 to approximately RMB2,033,203,000 as at 31 December 2015. The increase was mainly attributable to the excess of net cash inflows from operating activities and financing activities over the net cash outflows for investing activities (mainly for acquisition activities and capital expenditure).

As at 31 December 2015, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB431,885,000 (2014: RMB25,609,000) and those denominated in US dollars amounted to approximately RMB61,444,000 (2014: RMB20,747,000). All other cash and cash equivalents held by the Group are denominated in RMB.

Borrowings

As at 31 December 2015, the Group had outstanding bank loans, other borrowings and gold from gold leasing business (the Group financed through leases of gold from bank and subsequently sold through SGE) of approximately RMB9,757,317,000 (2014: RMB10,599,723,000), of which approximately RMB8,024,668,000 (2014: RMB8,425,736,000) shall be repaid within one year, approximately RMB1,728,077,000 (2014: RMB2,164,328,000) shall be repaid within two to five years, and approximately RMB4,572,000 (2014: RMB9,659,000) shall be repaid after five years. As at 31 December 2015, the Group had outstanding corporate bonds of approximately RMB1,498,997,000, which will be repaid in one year (2014: Nil) and approximately RMB2,140,818,000 (2014: RMB2,690,309,000), which shall 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 to maintain operating activities of the Group.

As at 31 December 2015, except for secured and guaranteed bank loans of RMB671,596,000 and RMB32,742,000 (2014: RMB237,901,000 and RMB30,764,000) denominated in Hong Kong dollars and US dollars respectively, all borrowings are denominated in RMB. As at 31 December 2015, approximately 66.43% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

Gearing Ratio

The Group monitors capital by gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, corporate bonds and financial liabilities arising from the gold leasing business less cash and cash equivalents. As at 31 December 2015, the gearing ratio of the Group was 45.4% (31 December 2014: 55.3%). As the Group issued RMB2.1 billion perpetual capital instruments and optimized all kinds of financing channels, the gearing ratio of the Group for the Year recorded a reasonable decrease.

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

The Group's exposure to price risk is primarily due to the fluctuations in the market price of 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 (hereinafter called the "Arrangements"), which are in fact forward commodity contracts, in SGE to hedge potential fluctuations in the price of gold. Under such Arrangements framework, the Group can forward purchase or acquire gold at the current day's price by depositing 10% of the total transaction amount as guarantee after the purchase of the contracts, it can close the deal by either physically delivering the gold or entering into an offsetting arrangement. There is no particular restriction imposed on the settlement period. During the Year, the Group has not entered into any long term AU (T+D) contract framework.

The Group also entered into copper cathode and gold forward contracts in Shanghai Futures Exchange to hedge the fluctuation in price of copper and gold.

The transaction price range of the forward commodity contracts is closely monitored by the management of the Group. 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 and bank deposit, interest-bearing bank and other borrowings and corporate bonds. The Group mainly controls its exposure to interest rate risks associated with certain cash holdings and bank deposit, interest-bearing bank and other borrowings and corporate bonds by placing them into appropriate short-term deposits at fixed or floating rate of interest and at the same time by borrowing loans at a mixture of fixed or floating rate of interest.

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

Foreign Exchange Risk

Most of the Group's transactions were carried out in RMB. The fluctuation in the RMB/US dollars exchange rate may affect the international and local gold price, which may therefore affect the Group's operating results. Fluctuations in the exchange rate may have an adverse effect on net assets and earnings of and any dividend declared by the Group in Hong Kong dollars. Furthermore, the Group has not entered into any hedge activities during the Year due to fluctuations in foreign exchange rate.

Pledge

As at 31 December 2015, except for the following assets pledged for the bank borrowings and notes payable of the Group, the Group has not pledged any assets: (1) property, plant and equipment and mining rights with net carrying amount of approximately RMB175,149,000 (31 December 2014: RMB210,027,000); (2) pledged deposits of RMB133,572,000 (31 December 2014: RMB388,388,000).

Management Discussion and Analysis

Business Outlook

The year of 2016 is a crucial year for the Company to accelerate the transformation from the traditional mining company to the mining investment company and improve the quality and efficiency. The Company will follow the principle of "reform and innovation, maintenance of positive evolution" and focus on quality and efficiency to accelerate the transformation and upgrading of the Company.

Promote the internal market-oriented reform and add new force to the transformation of the Company

In 2016, the Company will introduce the market-oriented concept into internal management. In accordance with the principle of separating ownership and operational rights, it will deliver part of the operational right of the enterprise to the contractor within a certain period of time, set the contract base so that the contractor can operate independently and assume sole responsibility for the profit and loss. The Company will further optimize the allocation of human resources and carry out the action of "fitness and health". It will also implement the large department system, comprehensive workshop, and comprehensive department system and carry out the deputy part-time system of management. At the same time, it will implement the plans to downsize the number of staff of concentrater and auxiliary production workshops and promote the localization of employment out of town. The Company will promote the management system reform, streamline administration and delegate power to the lower levels, implement the system of parallel approval, time limit for approval and online approval system, implement mobile office system and improve management efficiency and level. In order to ensure the smooth implementation of reform, the Company will pay much more attention to operation quality in terms of production organization, strengthen high-quality asset, increase geological exploration, and improve security capacity of resources. At the same time, we will pay more attention to supervision and regulation over operation control, uphold the rules and systems and carry out financing, auditing, legal, discipline inspection and supervision.

Implement the innovation-driven strategy and release the new potential for the transformation and upgrading of the Company

In 2016, the Company will be innovative in making investment to establish and improve the new investment model of the strict decision-making, efficient information and risk control, and set up a specialized investment committee. With regard to project investment, the Company will invest RMB789 million to implement 27 construction projects; with regard to science and technology investment, it will invest RMB78.68 million to implement 56 scientific research and innovation projects, and put more efforts in tacking the mineralization pattern, safe and efficient mining technology, new cyanide flotation smelting technology, comprehensive utilization technology of tailings, and green environmental protection technology; with regard to exploration investment, it will put prospecting funds of RMB104 million to accomplish prospecting gold reserves of 50 tons, copper resources reserves of more than 2,000 tons. At the same time, the Company will expand counter-cyclical mining investment; based on domestic and foreign resource markets, the Company will screen and capture the low-lying land of valuable investment and plan to acquire the gold resource reserves of more than 20 tons at a consideration of RMB500 million. With regard to innovation in the combination of industry and finance, the Company will strengthen equity financing, debt financing and the construction of financial company, further optimize the capital structure, reduce financing cost, and accelerate the development of the Company by taking the opportunity of China's financial market reform, reserve requirement ratio and interest rate cuts, liberalization of the interest rate marketization. At the same time, the Company will make innovations in the post-investment management, intensify efforts in the marketing risk control, establish the sales system combining unity and liberation, and strengthen the guidance on hedging business.

Strict Compliance and upgrade the Company for the transformation

The Company will adhere to the value orientation of "engaging in the right business", persist in the development strategy of pure gold, strengthen main business investment in the mining industry, expand the backbone enterprise strategy, and with a plan to complete the total gold production of 1.082 million ozs for the Year. At the same time, it will pay close attention to cost reduction, quality improvement, efficiency improvement, management innovation, technological innovation, personnel training, prospecting for reserves increase, and safety production, and improve core competitiveness of the good quality and efficient development of the Company. The Company shall adhere to the value orientation of "following the correct path", strengthen the construction of engineering projects, tendering, purchase of goods, payment of taxes and other important key control, adhere to democratic centralism and the decision-making system of "Three Importance and One Greatness policy-making system", strict rules of procedure and decision-making procedures to ensure lawful operations. At the same time, it will guide the leaders and workers to comply with the laws and disciplines. In addition, the Company should adhere to the value orientation of the "spread of positive energy", vigorously carry out the construction of enterprise culture of working together and unite the joint efforts for the development of general business.

Constantly grow and evolve and reinforce the new foundation for the transformation and upgrading of the Company

The Company on one hand shall improve the management by using internet technology and new thinking to upgrade the management level, actively and steadily carry out administration streamlining and management power delegation, in order to optimize the approval process and delegate the powers and make the data available to the management; it should make use of internet technology to ensure that the data and behavior of the internal management can be visualized. On the other hand, it will upgrade the technical facilities in production and process to improve the level of automation and intelligence. It will rely on the intelligence and automation to improve production process, and ensure that the level of automation equipment is upgraded to version 2.0 and stand at the leading position of the industry.

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, aged 50, was born in 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 (斯派柯國際貿易有限公司). Mr. Weng has more than 20 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 an Executive Director of the Company. Mr. Weng has been a Non-executive Director of the Company since February 2010, and has been re-designated as 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.

Mr. Li Xiuchen, aged 53, was born in 1963. He graduated from Shenyang Institute of Gold Technology majoring in mine engineering with the qualification of a professor-level senior engineer. He is an Executive Director and the President of the Company. Currently, Mr. Li is the chairman (legal representative) of Shandong Ruiyin Mining development Company Limited (山東瑞銀礦業發展有限公司), the chairman (legal representative) of Laizhou City Mining Company Limited (萊州市瑞海礦業有限公司). Mr. Li has more than 30 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, Labour Model of National Gold Industry in the 11th Five-Year Plan Period, National Equipment Management Outstanding Leader, and National Special Contribution Award of Equipment Management Outstanding Worker.

Mr. Cong Jianmao, aged 53, was born in 1963. He graduated from Shandong TV University and Shandong Business Administration Institute. He is an Executive Director and the deputy secretary of the Communist Party of the Company. 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 (招遠市國有資產經營有限公司), the chairman of the supervisory committee of Zhaojin Group, and the deputy director of Zhaoyuan Municipal Finance Bureau. Mr. Cong has been a Non-executive Director of the Company since December 2005. He has been an Executive Director of the Company since 20 March 2015. Mr. Cong is the chairman (legal representative) of Zhaoyuan City Jintingling Mining Company Limited (招遠市金亭嶺礦業有限公司) and Zhaoyuan City Zhaojin Jishan Mining Company Limited (招遠市招金紀山礦業有限公司).

Non-executive Directors

Mr. Liang Xinjun, aged 48, was born in 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 Business Alumni Association of Cheung Kong Graduate School, 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 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 the "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. Li Shousheng, aged 52, was born in 1964. Mr. Li graduated from Kunming Institute of Technology with a degree in mining geology. He is an engineering technology application researcher, a safety production expert of Yantai City, and a member of Shandong safety production management association. He is the current director, general manager and deputy secretary of Communist Party of Zhaojin Group. Mr. Li held positions of director of operation department of Luoshan Gold Mine, deputy manager of Dayingezhuang Gold Mine, product manager, chief engineer and vice-general manager of Zhaojin Group. He also served as the chairman of Tuoli County Zhaojin Beijiang Mining Industry Co,. Ltd, Shandong Goldsoft Technology Co,. Ltd, and Shandong Zhaojin Gold and Silver Refining Co,. Ltd. Mr. Li has 33 years of experience in the gold production industry and excellent contribution in technology and management. He got 44 achievements in scientific research as a leader of enterprise technology center, academician workstation and postdoctoral workstation of Zhaojin Group. He has been granted numerous honorary awards, such as Science and Technology Model of National Gold Industry in the tenth Five-year Plan, Labour Model of National Gold Industry in the 11th Five-Year Plan Period Science & Technology Outstanding Contribution Award of National Gold Industry, Foregoer of Enterprise Technology Innovation of Shandong Provincial and Shandong Provincial Excellent Entrepreneur. Mr. Li has been a Non-executive Director of the Company since February 2016.

Directors, Supervisors and Senior Management Profile

Mr. Xu Xiaoliang, aged 43, was born in 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 an executive director and the vice president of Fosun Group, the chairman of Fosun Property Holding (復星地產控股), and the joint chairman of the Zhejiang chamber of commerce real estate association, a member of Shanghai Youth Federation and the vice president of China Real Estate Chamber of Commerce, the chairman of Shanghai Yuyuan Tourist Mart Co., Ltd., a company listed on the Shanghai Stock Exchange ("SSE"), and a non-executive director of Shanghai Zendai Property Limited (上海證大房地產有限公司), a company listed on the Stock Exchange. He has over 18 years of experience in real estate distribution services and investment development, and had previously served as the assistant to the general manager of Forte Land (Group) Co. Ltd (復地（集團）股份有限公司), the chairman of Shanghai Ceyuan Property Consultants Limited, and the president of Fosun Property Holding Group. 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. Gao Min, aged 43, was born in 1973. He is the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd., a company listed on the SSE and a director, external management consultant and guest lecturer of the Shanghai Steel Group Corporation (Group) Co., Ltd. (Code: 300226) (上海鋼聯股份(集團)有限公司), a company listed on the Shenzhen Stock Exchange. Mr. Gao previously served as an assistant to the president and the general manager for human resources of Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), the vice president of the group of Forte Land (Group) Co., Ltd (復地(集團)股份有限公司) and the chairman of the board of its subordinate company in charge of human resources and corporate universities. Mr. Gao graduated in 1995 from Shanghai Normal University with a bachelor's degree in English and American literature studies, and in 2001 obtained the China Europe International Business School MBA degree. Mr. Gao has been a Non-executive Director of the Company since February 2016.

Independent Non-executive Directors

Ms. Chen Jinrong, aged 57, was born in 1959. She graduated from Renmin University of China and is an associate professor. She is an qualified accountant in China and a qualified 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 SSE listed companies, Meihua Holdings Group Co., Ltd. (code: 600873) (梅花生物科技集團股份有限公司) and Shanxi Lu'an Environmental Energy Development Co., Ltd. (山西潞安環保能源開發股份有限公司) (code: 601699), Stock Exchange listed company Jingwei Textile Machinery Co., Ltd. (經緯紡機股份有限公司) (code: 0350), and the OTC securities market listed company Synutra International Co., Ltd. (聖元國際股份有限公司). 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 was awarded Outstanding Young Teacher in Beijing City and Outstanding Teacher by the Economic Committee of Beijing Municipal Government. Ms. Chen has been an Independent Non-executive Director of the Company since April 2007.

Mr. Choy Sze Chung Jojo, aged 57, was born in 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 Stock Exchange listed companies Chengdu PUTIAN Telecommunications Cable Company Limited (成都普天電纜股份有限公司) (code: 1202), Sparkle Roll Group Limited (code: 0970) (耀萊集團有限公司), Orient Securities International Holdings Limited (code: 8001) (東方匯財證券國際控股有限公司) and Luye Pharma Group Ltd. (code: 2186) (綠葉製藥集團有限公司). 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 Institute of Public Accountants, a fellow member of the Institute of Compliance Officers, a member of Society of Registered Financial Planners Limited, a member of the fourth session of the Chief Executive 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 (Chinese People's Political Consultative Conference) Shantou, a honorary president of Shantou Overseas Friendship Association, an honorary president of Shantou Overseas Exchanges Association, an honorary principal of Chen Po Sum School 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. Wei Junhao, aged 55, was born in 1961. He is a professor (postdoctor) and doctoral supervisor. Mr. Wei is an Independent Non-executive Director of the Company, and also a professor of China University of Geosciences (Wuhan) Resources Institute. Mr. Wei is also a supervision engineer of Central Geological Exploration Fund, standing director of Chinese Association of Mineral Resources Appraisers, member of China Geological Society Overseas Resources Committee and member of China Geological Society Mine Geology Committee. Mr. Wei once was an independent non-executive director of SSE listed Company China National Gold Group (stock code: 600489) (中國黃金集團公司). Currently, he is an independent non-executive director of SSE listed company, Inner Mongolia Chifeng Jilong Gold Mining Co,. Ltd (stock code: 600988) (內蒙赤峰吉隆黃金礦業股份有限公司), Shenzhen Stock Exchange listed companies, Guangdong Rongsheng Supermicro Wire Co,. Ltd (stock code: 002141) (廣東蓉勝超微線材股份有限公司), and Zhongrun Resource Investment Co,. Ltd (stock code: 000506) (中潤資源投資股份有限公司). Mr. Wei has engaged in metallogenic prediction and prospecting research with over 20 years of work experience in geological research and exploration practice. Mr. Wei puts forward "mineralization field theory", which is very famous in domestic gold industry. Mr. Wei has hosted more than 50 national level, provincial level and lateral level projects as project leader. By his effort, Liaoning Wulong Gold Mine increased 20 tonnes reserves in prospecting ore in resource exhausted mines during 1997-1999. Shanxi Tongguan Gold Mining Company increased 17 tons reserves in geological research and prospecting study during 2004-2007. Shandong Yantai Xintai Gold Company increased 15 tons reserves in geological prospecting research project during 2006-2009. Other prospecting projects also obtained obvious results. Many large-scale domestic professional papers such as "China Gold News", "China Mining News", and "China Metallurgical News" reported his prospecting results several times. Mr. Wei has been an Independent Non-executive Director of the Company since February 2016.

Directors, Supervisors and Senior Management Profile

Mr. Shen Shifu, aged 50, was born in 1966. He is a professor of engineering, a tutor of doctor and master candidates. Mr. Shen is a chief engineer, research group leader, marketing department manager and business department manager of Beijing General Research Institute of Mining and Metallurgy. Mr. Shen once worked at Tsingtao Lubi Cement Co., Ltd as director of laboratory, marketing department manager and manager assistant. Mr. Shen was hired as academic foregoer of China Inorganic Chemical Industry Society (中國無機化工學會), professor committee member of China Non-metallic Mineral Industry Association Professional Committee of Graphite (中國非金屬礦工業協會石墨專業委員會), and professor committee member of China Nonferrous Metals Society Technical Experts Working Committee (中國有色金屬學會技術專家工作委員會). As the main operator, Mr. Shen has participated in science and technology support project of the Tenth Five-year Plan, the Eleventh Five-year Plan, and the Twelfth Five-year Plan, national high and new technology industrialization projects, State 863 Project, and State 973 Project. Mr. Shen has undertaken more than 30 enterprise commissions (including the beneficiation of various kinds of mineral, the comprehensive utilization of tailings, and the harmless disposal of solid waste and comprehensive utilization of mineral material). Mr. Shen has awarded three Ministerial First Prize of Technology Progress, five Institute First Prize of Technology Progress, and 11 national patents. Mr. Shen has also awarded "Top Ten Outstanding Youth" of Laoshan district, Pace-setters in the new Long March, and advanced individual of Beijing General Research Institute of Mining and Metallurgy Engineering Research Design Institute (北京礦冶研究總院礦物工程研究設計所). Mr. Shen has been an Independent Non-executive Director of the Company since February 2016.

The details of directors who resigned or retired during 2015 or during the period from 1 January 2016 to the date of the annual report are set out as below:

Mr. Kong Fanhe, aged 49, was born in November 1967. He graduated from Nanjing University of Science and Technology (南京理工大學) with a master's degree in economics. Mr. Kong has extensive experience in investment. Mr. Kong held various positions, such as the general manager of Shanghai Yinhong Investment Management Co., Ltd. (上海銀鴻投資管理有限公司), the chief investment officer of Sanpower Group Co., Ltd. (三胞集團有限公司), the deputy general manager of Commercial Business of Fosun Group. Mr. Kong resigned as a Non-executive Director of the Company on 20 March 2015.

Mr. Lu Dongshang, aged 55, was born in 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 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 received numerous awards at the provincial, municipality and national levels, for his achievement in technological advancement. For instance, Mr. Lu was awarded the top award of Science and Technology in Yantai City, Middle-aged and Youth Expert with Outstanding Contributions in Shandong Province, the Second Award in National Scientific and Technological Advancement and Gold Medal for Outstanding Business Persons in the National Gold Industry, and granted a special allowance by the State Council. Mr. Lu retired as a Executive Director of the Company on 26 February 2016.

Mr. Wu Yijian, aged 46, was born in 1970. In May 2003, he graduated from Tsinghua University School of Management majoring in business administration and was awarded a master's degree. Mr. Wu previously served as a president assistant of Shanghai Fosun Pharmaceuticals (Group) Company Limited (上海復星醫藥(集團)股份有限公司), the general manager of Shanghai Fosun Pharmaceutical Investment Company Limited (上海復星醫藥投資有限公司), the general manager of Shanghai Fosun Pharmaceutical Company Limited (上海復星藥業有限公司), the general manager of Shanghai Fumei Yixing Pharmacy Drug Store Chain Co., Ltd (上海復美益星大藥房連鎖有限公司) and the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd. (上海豫園旅遊商城股份有限公司). Mr. Wu retired as a Non-executive Director of the Company on 26 February 2016.

Mr. Xie Jiyuan, aged 82, was born in 1934. He graduated from Industrial College of Jilin University majoring in organic chemistry, and is a professor-level senior engineer. Mr. Xie has more than 30 years' experience in the gold and non-ferrous metals industry. Mr. Xie held various positions, such as chief engineer and chief designer of Beijing Non-ferrous Metal Design Company* (北京有色金屬設計公司), vice president and professor-level senior engineer of Beijing Non-ferrous Metallurgy Design and Research Institute (Gold Branch) (北京有色冶金設計研究總院黃金分院), senior technical advisor of Changchun Gold Research Institute (長春黃金研究院), 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. 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" (《冶金人物志》黃金卷) in 2008. Mr. Xie retired as an Independent Non-executive Director of the Company on 26 February 2016.

Directors, Supervisors and Senior Management Profile

Mr. Nie Fengjun, aged 60, was born in 1956, is a PHD holder, researcher and doctoral tutor. Mr. Nie graduated from the faculty of Geology at the Hebei Geological Institute, and has received his MSc degree and PhD degree in Mineral Deposit Geology from the graduate department of the Chinese Academy of Geological Sciences ("CAGS"). Mr. Nie is currently employed by the Mining Resources Research Institute of CAGS, where he conducts research in metallic mineral deposit geology. He is currently a member of the Degree Committee and a member of the Qualifications Review Committee of CAGS. He is also the deputy chief of the Technology Committee of the Research Institute and a doctoral tutor, as well as an evaluation expert for national science technology awards. Mr. Nie studied Geochemistry of Mining Deposits at the Geological Survey of Canada. He was also a post graduate guest researcher at Oslo University in Norway, a guest professor at La Trobe University in Australia, and a guest researcher at University of Tasmania in Australia. Mr. Nie is a member of the Society of Economic Geologists (SEG), a member of the Planning Committee of International Earth Sciences of United Nations Educational, Scientific and Cultural Organization (2009-2017), a senior editor of Resource Geology, an international Science Citation Index academic publication, and a part time professor and doctoral tutor at Jilin University, China University of Geosciences, Wuhan campus and China University of Geosciences, Beijing campus. Mr. Nie hosted and completed 23 national level, provincial (department) level and foreign collaboration projects, of which 3 projects were with the National Natural Science Foundation of China. He has been awarded 10 technological achievement and honorary awards at the provincial (department) level. Mr. Nie retired as an Independent Non-executive Director of the Company on 26 February 2016.

For information regarding election of the Board and changes in composition of the Board for the period from 1 January 2015 to the date of this annual report, please refer to page 57 of this annual report.

Supervisors

Mr. Wang Xiaojie, aged 43, was born in 1973. 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 graduated with a degree in applied electronic technology from Institute of Information Engineering of Shandong, a degree in computer application from Qingdao Chemical & Engineer College and a degree in economics and management from the Party School of the Shandong Provincial Committee of the Communist Party of China. Mr. Wang has been a Supervisor of the Supervisory Committee of the Company since April 2007.

Ms. Jin Ting, aged 53, was born in 1963. She is currently a Supervisor of the Supervisory Committee of the Company. 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, which was listed on the SSE. Ms. Jin graduated from Shanghai Light Industry Bureau Vocational University majoring in finance and accounting. She has extensive experience in finance, audit and human resources. Ms. Jin has been a Supervisor of the Supervisory Committee of the Company since February 2010.

Ms. Zhao Hua, aged 39, was born in 1977. She graduated from Shandong Youth Management Cadre Institute with a major in accounting. Ms. Zhao is an employee supervisor of the Company and deputy secretary of party committee and the chairman of the Labour Union of Hedong Gold Mine. She has been the section chief of finance section and deputy manager of Canzhuang Gold Mine, etc. Ms. Zhao has more than 10 years of experience in financial affairs. Ms. Zhao has been an employee supervisor of the Company since February 2016.

Mr. Chu Yushan, aged 60, was born in 1966. He graduated from Shandong Institute of Business and Technology majoring in mining. He is currently a staff of Jiashi Tonghui Mining Company Limited (伽師縣銅輝礦業有限責任公司). 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. (河北豐寧金龍黃金工業有限公司), the deputy general manager of Zhaojin Beijiang Mining Company Limited and the deputy general manager of Xinjiang Xingta Mining Co. Ltd.. Mr. Chu ceased to be a Supervisor on the Supervisory Committee of the Company on 26 February 2016.

Secretary to the Board

Mr. Wang Ligang, aged 44, was born in 1972. He graduated from Shandong Economic University with a major in labour economy management. He has the qualification of professor-level senior political officer and affiliated person of The Hong Kong Institute of Chartered Secretaries and obtained an EMBA degree from Tsinghua University. He is currently the Secretary to the Board and a Vice President of the Company. Mr. Wang served in 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.

Company Secretary

Ms. Mok Ming Wai, is a director and head of Listing Services Department of KCS Hong Kong Limited. She has over 20 years of professional and in-house experience in company secretarial field and is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Senior Management

Mr. Li Xiuchen, his biographical details are set out on page 24 of this annual report.

Mr. Sun Xiduan, aged 51, was born in 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.

Directors, Supervisors and Senior Management Profile

Mr. Wang Ligang, his biographical details are set out on page 31 of this annual report.

Mr. Dong Xin, aged 50, was born in 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. Dai Hanbao, aged 40, was born in 1976. He is a senior accountant, graduated from Anhui University of Technology majoring in accounting. He also got MBA degree from Fudan University. Mr. Dai is now the chief financial officer of the Company and deputy Chairman of Zhaojin Group Financial Co., Ltd (招金集團財務有限公司). Mr. Dai served as the finance supervisor, vice-minister and IT project manager of subsidiaries of Baosteel Group (寶鋼集團), the vice-general manager and secretary to the board of Baoyin Special Steel Tube Co., Ltd (寶銀特種鋼管有限公司), the deputy minister of finance of CITIC Pacific Special Steel Group Co., Ltd and the chief financial officer of Yangzhou Taifu Special Material Co., Ltd. Mr. Dai once served in the financial headquarter of Shanghai Fosun Group. Mr. Dai gained Shanghai Enterprise Management Innovation Award for several times. Mr. Dai has rich experience in financial management of enterprises and informatization. Mr. Dai has served as the chief financial officer of the Company since 26 February 2016.

For information regarding changes in senior management, please refer to page 57 of this annual report.

Report of the Directors

The Board hereby presents its report, together with the audited consolidated financial statements for the year ended 31 December 2015.

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 in December 2006.

Principal Operations

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 out in note 1 to the financial statements on pages 100 to 106 in this annual report.

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

Further discussion and analysis of these activities as required by Schedule 5 of the Companies Ordinance, including the principal risks and uncertainties facing the Group, analysis using financial key performance indicator and our indication of likely future developments in the Group's business, can be found in Management Discussion & Analysis set out on pages 8 to 23 in this annual report.

Business Review

Relevant details about the Group's business review and outlook are set out in Management Discussion and Analysis on pages 8 to 23 of this annual report.

Results

The Group's results for the year ended 31 December 2015 are set out in the consolidated Statement of Profit or Loss on page 91 of 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.

Profit Distribution

As of the date of this annual report, the final dividend for the financial year ended 31 December 2014 paid by the Company was approximately RMB148,291,359.75 (2013: RMB296,582,719.5).

The Board proposes the payment of a final cash dividend of RMB0.04 (tax included) (2014: RMB0.05 (tax included)) per share to all Shareholders for 2015.

The cash dividend for Shareholders of domestic shares will be distributed and paid in Renminbi and the cash dividend for H Shareholders 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 8 June 2016).

The proposed distributions are subject to the approval by the Shareholders at the 2015 AGM of the Company to be held on 8 June 2016.

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 92.33% (2014: 93%) 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% (2014: 30%) of the Group's total amount of purchases. The amount of purchases from the largest supplier was 11.46% 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 2015 are set out on pages 173 to 174 of this annual report.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2015 are set out in note 51 to the financial statements on pages 194 to 196 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 Hong Kong Financial Reporting Standards, 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 2015, 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 RMB3,265,411,636 (2014: RMB3,205,001,064), of which approximately RMB118,633,087.8 are proposed to be the final cash dividend of the Year (2014: dividend of RMB148,291,359.75).

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 12 to the financial statements on pages 147 to 148 of this annual report.

The Group did not hold any investment property.

Share Capital

During the Year, details of changes in share capital of the Company are set out in note 37 to the financial statements on page 172 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 2015 to the date of this annual report.

Charity Donation

During the Year, the Group made various kinds of charitable donation amounted to RMB5,205,806 (2014: RMB8,229,000) in total. Details of the charitable donation were set out in the section headed "Corporate Social Responsibility" on pages 85 to 86 of this annual report.

Bank Borrowings

Details of bank borrowings of the Company and the Group are set out in note 31 to the financial statements on pages 166 to 167 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 financial statements on pages 144 to 145 of this annual report.

Pre-emptive Rights

There is no provision or regulation for pre-emptive rights under the 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 2015, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the year ended 31 December 2015 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)*
Mr. Li Xiuchen *(President)*
Mr. Lu Dongshang (retired as an Executive Director of the Company due to re-allocation of work with effect from 26 February 2016)
Mr. Cong Jianmao (re-designated as an Executive Director of the Company with effect from 20 March 2015)

Non-executive Directors

Mr. Liang Xinjun *(Vice Chairman)*
Mr. Li Shousheng (appointed as a Non-executive Director of the Company with effect from 26 February 2016)
Mr. Xu Xiaoliang
Mr. Gao Min (appointed as a Non-executive Director of the Company with effect from 26 February 2016)
Mr. Kong Fanhe (resigned as a Non-executive Director of the Company due to re-allocation of work with effect from 20 March 2015)
Mr. Wu Yijian (retired as a Non-executive Director of the Company due to re-allocation of work with effect from 26 February 2016)

Independent Non-executive Directors

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao (appointed as an Independent Non-executive Director of the Company with effect from 26 February 2016)
Mr. Shen Shifu (appointed as an Independent Non-executive Director of the Company with effect from 26 February 2016)
Mr. Xie Jiyuan (retired as an Independent Non-executive Director of the Company for he has reached retirement age with effect from 26 February 2016)
Mr. Nie Fengjun (retired as an Independent Non-executive Director of the Company for the health reason with effect from 26 February 2016)

Supervisors

Mr. Wang Xiaojie *(Chairman of the Supervisory Committee)*
Ms. Jin Ting
Ms. Zhao Hua (appointed as a Supervisor of the Company with effect from 26 February 2016)
Mr. Chu Yushan (ceased to be a Supervisor of the Company due to re-allocation of work with effect from 26 February 2016)

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 24 to 32 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 was 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 140 to 144 of this annual report. No Directors waived any emoluments in the year ended 31 December 2015 (2014: nil).

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 Transaction, Arrangement or Contract of Significance 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.

Permitted Indemnity Provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions arising out of corporate activities against the current Directors and senior management of the Company and its associated companies and the Directors and senior management of the Company and its associated companies who resigned during the Year. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Environmental Protection and Performance

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection to ensure our compliance of prevailing environmental protection laws and regulations. The Group has established a Safety and Environmental Protection Committee and details of which could be found on page 73 of this annual report.

The Group has adopted environmental protection measures and established a reliable system for environmental protection to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust, etc. in the course of production or other activities in accordance with these environmental laws and regulations.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to serious adverse consequence. The announcement published by the Company on 29 December 2015 in respect of the proposed acquisition of certain assets from Zhaojin Group did not fully comply with the requirements of Takeovers Code and the Company is undertaking remedial measures. Further information was set out in the announcements of the Company dated 29 December 2015, 19, 21 and 27 January 2016 and 4 and 26 February 2016. The Group has sufficient resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

Save as disclosed in this annual report, the Group also complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance ("SFO").

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing competitive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents were found during the Year.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The Group monitors the tendering and procurement process closely so that the entire process would be conducted in an open, fair and just manner.

The Group values the views and opinions of all customers through various means and channels and the Group maintains good relationships with its customers during the Year.

Material Contracts in which Controlling Shareholder have Interests

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

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 140 to 144 of this annual report.

Remuneration Policy of the Group and Number of Employees

It is the Company's policy that the 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 increase the initiative and creativity of employees.

As of 31 December 2015, the Company had a total of 6,287 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 continuous policy, organizational and financial support. The Company held various trainings during the Year, including induction training for new employees, management training for middle and senior management, professional training on geological exploration and safety training. The training costs amounted to RMB1,376,200 during the Year.

Share Capital and Shareholders' Information

1. Number of Shareholders

Details of the number of Shareholders recorded in the register of members as at 31 December 2015 are as follows:

Classification	**Number of Shareholders**
Domestic shares	6
Overseas-listed foreign shares – H shares	1,811
Total number of shareholders	1,817

2. Public Float

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

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

To the knowledge of the Directors, Supervisors and chief executives of the Company, as at 31 December 2015, the interest and short positions of the Directors, Supervisors and chief executives in the issued share capital of the Company which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange are as follows:

Name of Director/the chief executive	Class of Share	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total issued domestic shares of the Company %	Approximate percentage of shareholding in the total issued H shares of the Company %	Long position/ Short position/ Lending pool
Mr. Weng Zhanbin	H Share	Interest of controlled corporation	565,000 *(Note 1)*	0.02	–	0.06	Long position

Note:

(1) Zhaoyuan Jinshitou Business Consulting Co., Ltd is a corporation controlled by Mr. Weng Zhanbin and therefore he is deemed to be holding 565,000 H Shares.

Save as disclosed above, as at 31 December 2015, and to the 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 352 of the SFO, to be entered into the register referred to therein, or required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Substantial Shareholders

To the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2015, 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 4)*	1.72	2.44	–	Long position
	H shares	Beneficial owner	47,455,000 *(Note 1)*	1.60	–	5.43	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
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	57,202,591 *(Note 5)*	1.93	–	6.54	Long position
		Interest of controlled corporation	57,169,091	1.93	–	6.54	Lending pool

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
10	Market Vectors ETF – Market Vactors Gold Miners ETF	H shares	Beneficial owner	61,114,500	2.06	–	6.99	Long position
11	Schroders Plc	H shares	Investment manager *(Note 6)*	79,195,440	2.67	–	9.06	Long position
12	Van Eck Associates Corporation	H shares	Investment manager *(Note 7)*	61,114,500	2.06	–	6.99	Long position
13	Luyin Trading Pte Ltd.	H shares	Beneficial owner	47,455,000 *(Note 1)*	1.60		5.43	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") and 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) Shandong Zhaojin Group Company Limited ("Zhaojin Group") holds 100% equity interests in Zhaojin Non-Ferrous Mining Company Limited ("Zhaojin Non-Ferrous") and therefore the 50,967,195 domestic shares held by Zhaojin Non-Ferrous in the Company is shown as long position of Zhaojin Group.

(5) 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 57,202,591 shares held by The Bank of New York Mellon.

(6) Schroders Plc is interested in the shares of the Company through its directly or indirectly controlled companies.

(7) Van Eck Associates Corporation is the investment manager of Market Vectors ETF – Market Vactors Gold Miners.

As at 31 December 2015, 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.

Equity-linked Agreement – Employee Share Subscription Plan

On 29 December 2015, the Board passed resolutions to implement an Employee Share Subscription Plan ("ESSP") by way of private placement of domestic shares to certain Directors of the Company and its subsidiaries under the name of an asset management plan ("Asset Management Plan"). The proposed Employee Share Subscription Plan is subject to, among other conditions, the approval of independent Shareholders of the Company; and may or may not proceed.

On the same date, in view of the proposed ESSP, the Company entered into a conditional share subscription agreement with Minmetals Securities Co., Ltd. (on behalf of the Asset Management Plan and its agent).

(a) Purpose

The ESSP is a share incentive scheme for the Target Participants (as defined in paragraph (c) below). The Board considers that the ESSP will further improve the corporate governance structure of the Company, establish a long-term effective incentive and restraint mechanism of the Company, actively motivate the employees of the Company, attract and retain high-calibre talent and effectively align the interests of the Shareholders, the Company and its employees with a view to ensuring the long-term sound development of the Company.

(b) Conditions the Company must meet before issuance of shares

The implementation of the ESSP and the private placement by Minmetals Securities Co., Ltd. are subject to the following conditions:

(1) obtaining the relevant approvals from Shandong State-Owned Assets Supervision and Administration Commission of Shandong Province or all other relevant authorities (if any); and

(2) obtaining the approval by the independent Shareholders of the Company at the extraordinary general meeting of the Company to be held, and the domestic shares class meeting and H shares class meeting.

(c) Conditions Target Participants must meet before subscribing for shares

Employees of the Company who meet any one of the following standards (the "Target Participants") may participate in the ESSP:

(1) existing Directors (excluding independent non-executive Directors), Supervisors and senior management of the Company;

(2) principal-in-charge of office of the subsidiaries, affiliated companies and headquarters of the Company; and

(3) employees who work at the Group and are engaged by the Group and have entered into an employment contract with the Company or its subsidiaries and continuously served the Company or its subsidiaries for one year or above.

(d) Consideration to be received by the Company

The price in connection with the private placement of domestic shares to be subscribed under the ESSP will be RMB2.97 per share (the exchange rate of RMB against Hong Kong dollar shall be the middle rate announced by Bank of China Limited on 28 December 2015).

The issue price shall be: i) no less than 85% of the average trading price of H Shares of the Company during 20 trading days immediately preceding the pricing reference date (i.e. RMB2.97 per share) (average trading price of H Shares during 20 trading days immediately preceding the pricing reference date = total transaction amount of H Shares during 20 trading days immediately preceding the pricing reference date ÷ total transaction volume of H Shares during 20 trading days immediately preceding the pricing reference date); ii) no less than the audited net assets attributable to the parent per Share of the Company as at 31 December 2014 (i.e. RMB2.92).

The pricing reference date is 29 December 2015, i.e. the date of issue of the announcement with respect to the ESSP. The issue price shall be adjusted accordingly in case of any ex-rights or ex-dividend activities.

At 31 December 2015, no shares had been subscribed or agreed to be subscribed under the ESSP; the approval of independent shareholders of the Company is required (remains to be obtained at the date of this annual report) in order for the ESSP to proceed.

Rights to Purchase Shares or Debentures of Directors and Supervisors

Save as disclosed under the section headed "Directors', Supervisors' and Chief Executives' interests and short positions in Shares, underlying Shares or debentures of the Company and its associated corporations" and other part of this Annual Report, 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.

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.

Continuing Connected Transactions Exempt from the Independent Shareholders' Approval Requirements

(1) 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 announcement 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) 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 the annual review, 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 announcement 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.

(3) On 21 March 2014, 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 21 March 2014 to 31 December 2016, pursuant to which the annual caps of the Group in respect of the transactions for the three years ending 31 December 2014, 31 December 2015 and 31 December 2016 are RMB90,000,000, RMB100,000,000 and RMB110,000,000, respectively.

(4) On 21 March 2014, the Company entered into the Material Procurement Framework Agreement with Materials Supply Center (a wholly-owned subsidiary of Zhaojin Group) in relation to the provision of materials sales service by Materials Supply Center to the Company for the period from 21 March 2013 to 31 December 2016. Pursuant to the Material Procurement Framework Agreement, the maximum aggregated value of materials procurement transactions for the years ending 31 December 2014, 31 December 2015 and 31 December 2016 are approximately RMB70,000,000, RMB90,000,000 and RMB100,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company and both the Shandong Zhaojin Geological and Materials Supply Center are wholly-owned subsidiaries of Zhaojin Group. Shandong Zhaojin Geological and Materials Supply Center are therefore connected persons of the Company and the transactions contemplated under the Exploration Services Agreement and Material Procurement Framework 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 and Material Procurement Framework 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 requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 23 March 2014 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(5) On 20 March 2015, the Company entered into the Land Lease Agreement with Zhaojin Group (the controlling Shareholder of the Company) in relation to the leasing of land use rights by Zhaojin Group to the Company for the term of three years commencing from 1 January 2015. According to the Land Lease Agreement, the annual rental caps for the leasing of land use rights for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are approximately RMB6,540,000, RMB5,790,000 and RMB4,660,000, respectively.

(6) On 20 March 2015, the Company entered into the Gold Refinery Agreement with Shandong 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 2015. According to the Gold Refinery Agreement, the annual caps for the provision of gold refinery services for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 are RMB7,500,000, RMB8,800,000 and RMB9,900,000, respectively.

(7) On 20 March 2015, the Company entered into the Digital Mine Construction Technology Services Agreement with Shandong Goldsoft Technology Company Limited ("Goldsoft Technology", a 67.37% 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 2015. 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 2015, 31 December 2016 and 31 December 2017 were RMB56,000,000, RMB63,250,000 and RMB65,000,000, respectively.

(8) On 20 March 2015, the Company entered into the Framework Agreement for Sale of Silver with Shandong Zhaojin Import and Export Company Limited ("Zhaojin Import and Export", a 54% 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 2015. According to the Framework Agreement for Sale of Silver, the annual caps for the sale of silver for the three years ending 31 December 2015, 31 December 2016 and 31 December 2017 were RMB150,000,000, RMB200,000,000 and RMB270,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company. Zhaojin Refinery, Goldsoft Technology and Zhaojin Import and Export are subsidiaries 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 is more than 0.1% but 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 annual review, 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 22 March 2015 and 26 March 2015 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

(9) On 17 July 2015, the Company and Shandong Zhaojin Finance Company Limited ("Finance Company", in which the Company holds approximately 51% equity, Zhaojin Group holds 40% equity and Shandong Zhaojin Group Zhaojin Gold Smelting Company Limited ("Zhaojin Smelting"), a subsidiary of Zhaojin Group holds 9% equity, entered into the Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to the Group, including deposit services, loan services, bill discounting services and settlement services. According to the Group Financial Services Agreement, service term will commence from the effective date of the Group Financial Services Agreement to 31 December 2017. As of 31 December 2015, 31 December 2016 and 31 December 2017, the annual caps for the deposits services (including interest accrued thereon) pursuant to the Group Financial Services Agreement are RMB1,500,000,000, RMB2,000,000,000 and RMB2,500,000,000. The annual caps for the bill discounting services (including interest accrued thereon) pursuant to the Group Financial Services Agreement are RMB500,000,000, RMB1,000,000,000 and RMB1,000,000,000. The annual caps for the loan services (including interest accrued thereon) pursuant to the Group Financial Services Agreement are RMB4,000,000,000, RMB6,000,000,000 and RMB8,000,000,000.

(10) On 17 July 2015, Zhaojin Group and Finance Company entered into the Parent Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to Zhaojin Group and its subsidiaries, including deposit services, loan services, bill discounting services and settlement services. According to the Parent Group Financial Services Agreement, service term will commence from the effective date of the Parent Group Financial Services Agreement to 31 December 2017. As of 31 December 2015, 31 December 2016 and 31 December 2017, the annual caps for the deposits services (including interest accrued thereon) pursuant to the Parent Group Financial Services Agreement are RMB1,500,000,000, RMB2,000,000,000 and RMB3,000,000,000; The annual caps for the bill discounting services (including interest accrued thereon) pursuant to the Parent Group Financial Services Agreement are RMB500,000,000, RMB1,000,000,000 and RMB1,000,000,000; The annual caps for the loan services (including interest accrued thereon) pursuant to the Parent Group Financial Services Agreement are RMB4,000,000,000, RMB6,000,000,000 and RMB8,000,000,000.

Zhaojin Group is the controlling Shareholder of the Company and it is therefore a connected person of the Company. Finance Company is a subsidiary of the Company and is also owned as to 40% by Zhaojin Group. Finance Company is therefore a connected person of the Company by virtue of being a connected subsidiary of the Company and an associate of Zhaojin Group. Therefore, the transactions under the Group Financial Services Agreement and the Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The loan services to be provided by Finance Company to the Group under the Group Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Group, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and which are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the loan. Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of deposit services by the Finance Company to the Group under the Group Financial Services Agreement is more than 25%, the provision of deposit services under the Group Financial Services Agreement constitutes a major transaction and non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules. Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by Finance Company to the Group under the Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the Group Financial Services Agreement are less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of each of (i) deposit services; and (ii) loan services by Finance Company to Zhaojin Group under the Parent Group Financial Services Agreement is more than 25%, the provision of deposit services and loan services under the Parent Group Financial Services Agreement constitute major transactions and non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules. Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by the Finance Company to Zhaojin Group under the Parent Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the Parent Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapters 14A of the Listing Rules. Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the Parent Group Financial Services Agreement is less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

Relevant details were set out in the announcement of the Company dated 17 July 2015 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

(11) On 30 December 2015, the Company and Zhaojin Motian entered into the Water Treatment Engineering Services Agreement pursuant to which, Zhaojin Motian agreed to provide the Company necessary super filter membrane, equipment and water treatment engineering services for the Company from 1 January 2016 to 31 December 2018. According to the Water Treatment Engineering Services Agreement, as of 31 December 2016, 31 December 2017 and 31 December 2018, the annual caps related to water treatment business are RMB9,000,000, RMB10,800,000 and RMB13,000,000 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 Water Treatment Engineering 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 Water Treatment Engineering Services Agreement is more than 0.1% but less than 5%, the Water Treatment Engineering Services Agreement and the proposed transactions contemplated 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 announcement of the Company dated 30 December 2015 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

(12) On 30 December 2015, the Company and Zhao Jin Futures, a non-wholly owned subsidiary of Zhaojin Group in which Zhaojin Refinery, a subsidiary of Zhaojin Group holds 49.96% equity) entered into the Futures Brokerage Agreement in relation to the provision of futures brokerage services in the PRC by Zhao Jin Futures to the Company from 1 January 2016 to 31 December 2018. The annual caps for security deposit and the commission charged by Zhao Jin Futures are RMB245,000,000, RMB257,000,000 and RMB270,000,000 and the transaction fees payable by the Company and its subsidiaries to Zhao Jin Futures for each of the three years ending 31 December 2016, 31 December 2017 and 31 December 2018 is RMB1,900,000, RMB1,000,000 and RMB1,100,000, respectively.

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 Brokerage Agreement 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 Agreement constitutes continuing connected transactions of the Company and is subject to the annual review, 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 announcement of the Company dated 30 December 2015 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

Connected Transactions

(1) The Company convened a Board meeting on 29 August 2014 to consider and approve the resolution in relation to the establishment of Zhaojin Finance Company jointly contributed by the Company with Zhaojin Group and Zhaojin Smelting and authorization of management to handle the relevant matters.

On 22 January 2015, the Company received the approval from the China Banking Regulatory Commission for the establishment of Zhaojin Financial Company, and was required to complete the establishment within 6 months from the date of approval and file an application to Shandong Bureau of China Banking Regulatory Commission for business opening in accordance with relevant requirements and procedures.

On 11 February 2015, the Company, Zhaojin Group and Zhaojin Smelting entered into the Capital Contribution Agreement for joint establishment of Zhaojin Finance Company. Pursuant to the Capital Contribution Agreement, the Company, Zhaojin Group and Zhaojin Smelting will contribute RMB255 million, RMB200 million and RMB45 million respectively, representing 51%, 40% and 9% of the registered capital of Zhaojin Finance Company, respectively.

As Zhaojin Group is the controlling Shareholder of the Company and Zhaojin Smelting is a wholly-owned subsidiary of Zhaojin Group, both of which are connected persons of the Company. Therefore, the establishment of Zhaojin Finance Company constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios exceeds 0.1% but is less than 5%, the establishment of Zhaojin Finance Company is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement dated 11 February 2015 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 10 June 2015, the Company received a confirmation from Yantai Joint Property Right Exchange Center regarding the Company's successful bidding at the listing-for-sale of the 60% equity interest in Beijing Dongfang Yanjing Mining Engineering Design Company ("Dongfang Yanjing"), and was therefore qualified for acquisition of 60% equity interest in Dongfang Yanjing at a consideration of RMB10,137,000. Subsequently on 15 June 2015, the Company and Zhaojin Group entered into the Equity Transfer Agreement. Upon completion of the acquisition, the Company will hold 60% equity interest in Dongfang Yanjing and Dongfang Yanjing will become a non-wholly-owned subsidiary of the Company.

Zhaojin Group is the controlling Shareholder of the Company. Zhaojin Group is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules, and the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the acquisition exceed 0.1% but are less than 5% and all the other applicable percentage ratios are less than 5%, the transaction contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempted from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement dated 16 June 2015 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(3) On 29 December 2015, the Board approved a resolution in respect of the investment in the formation of Tao-jin Technology Investment (Beijing) Limited ("JV Company") in the PRC with a total registered capital of RMB200,000,000 with Zhaojin Refinery, Goldsoft Technology and Yun-shang Buluo Technology (Beijing) Limited ("Yun Shang Buluo"), an independent third party. On 30 December 2015, the Investment Agreement for the formation of the JV Company was entered into between the parties.

Both Zhaojin Refinery and Goldsoft Technology are non wholly-owned subsidiaries of Zhaojin Group, a controlling Shareholder of the Company, and therefore are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction under the Investment Agreement constitutes a connected transaction of the Company under 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 transaction is more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the independent Shareholders' approval requirements.

Relevant details were set out in the announcement dated 30 December 2015 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(4) On 29 December 2015, the Company and Zhaojin Group entered into the Transfer Agreement, pursuant to which, the Company agreed to acquire two mining rights in Luanjiahe and Zhangjiazhuang; land use rights in 20 state-owned land parcels; and 100% equity interest in the Supplies Centre, all of which are owned by Zhaojin Group for an aggregate consideration of RMB873,250,496, which shall be satisfied by the allotment and issue of Consideration Shares by the Company and cash payment. The issue price of the Consideration Shares is RMB2.97 per Share.

Since one or more than one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions under the Transfer Agreement is more than 5% and each of the applicable percentage ratios is less than 25%, the Acquisition constitutes discloseable transaction of the Company and are therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Zhaojin Group is a controlling Shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition (which involves the allotment and issue of the Consideration Shares) constitutes a connected transaction of the Company, which are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement dated 29 December 2015 published on the website of the Stock Exchange at www.hkexnew.hk and the website of the Company at www.zhaojin.com.cn.

The above transactions are subject to, among others, the approval of the independent shareholders of the Company and the grant of whitewash waiver by the Securities and Futures Commission of Hong Kong. As at the date of this report, the above transactions have not been completed. For further details, please refer to the announcements of the Company dated 19, 21 and 27 January 2016 and 4 and 26 February 2016.

(5) The Board has approved the implementation of the first ESSP of the Company which involves a private placement of domestic Shares of no more than 2.69% of the existing issued domestic Shares of the Company. The target participants of the ESSP include certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executive of the Company as well as members of the management and employees of the Group who meet the relevant conditions under the ESSP. It is intended that the domestic Shares will be subscribed for and issued to the Asset Management Plan. Accordingly, the Company entered into a conditional subscription agreement with Minmetals Securities Co., Ltd. (on behalf of Assets Management Plan and its agent) on 29 December 2015.

The new domestic Shares to be issued under the ESSP will be at the price of RMB2.97 per Share; i.e. 85% of the average price of H Shares of the Company during 20 trading days immediately preceding 29 December 2015.

As the beneficiaries of the Asset Management Plan, which will be the subscribers of the private placement of domestic Shares under the ESSP, include, amongst others, certain Directors of the Company and its subsidiaries (excluding independent non-executive Directors), supervisors and the chief executives, the private placement of domestic Shares to them shall constitute a connected transaction under Chapter 14A of the Listing Rules and shall be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcement dated 29 December 2015 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

Our Independent Non-executive Directors have reviewed the continuing connected transactions and other connected transactions set out in note 44 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.

For related party transaction disclosed in note 44 to the consolidated financial statements which constituted connected transaction under the Listing Rules, the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

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 Auditors' 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.56 of the Listing Rules.

In respect of the continuing connected transactions disclosed (the "Disclosed Continuing Connected Transactions"), the Company's auditors confirmed that, with respect to those entered into during the financial year ended 31 December 2015 or prior:

a. nothing has come to its attention that causes it to believe that the Disclosed Continuing Connected Transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c. nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. nothing has come to its attention that causes it to believe that the Disclosed Continuing Connected Transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 9 April 2013, 23 March 2014, 22 March 2015, 17 July 2015 and 30 December 2015 made by the Company in respect of each of the Disclosed Continuing Connected Transactions.

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, whether Zhaojin Group has complied 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 whether Zhaojin Group has complied 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 continuing connected transactions contemplated under the following agreements:

1. Land Lease Agreement dated 20 March 2015 entered into between the Company and Zhaojin Group;

2. Gold Refinery Agreement dated 20 March 2015 entered into between the Company and Shandong Zhaojin Gold and Silver Refinery Company Limited;

3. Digital Mine Construction Technology Services Agreement dated 20 March 2015 entered into between the Company and Shandong Goldsoft Technology Company Limited;

4. Framework Agreement dated 20 March 2015 entered into between the Company and Zhaojin Import and Export;

5. Group Financial Services Agreement dated 17 July 2015 entered into between the Company and Finance Company;

6. Parent Group Financial Services Agreement dated 17 July 2015 entered into between Zhaojin Group and Finance Company;

7. Water Treatment Engineering Services Agreement dated 30 December 2015 entered into between the Company and Zhaojin Motian; and

8. Futures Brokerage Agreement dated 30 December 2015 entered into between the Company and Zhao Jin Futures.

The Company has also received a statement under the Non-competition agreement from Zhaojin Group on 2 January 2016, 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 2015.

Directors' Interests in Competing Businesses

Save as disclosed in this report, as at 31 December 2015, none of the Directors or any of their respective associates was engaged or had any interests in a business that competes with or may compete with the business of the Group.

Acquisition

On 30 May 2015, Yantai Jinshi Mining Investment Company Limited* ("Yantai Jinshi"), a wholly-owned subsidiary of the Company, entered into a supplemental agreement to the equity transfer agreement dated 7 January 2012 with Laizhou Ruihai Investment Company Limited* ("Laizhou Ruihai") to acquire 63.86% equity interest in Shandong Ruiyin Mining Industry Development Company Limited* ("Shandong Ruiyin") held by Laizhou Ruihai for a total consideration of RMB2.7225 billion. Shandong Ruiyin, the shareholder of Laizhou Ruihai Mining Industry Company Limited* ("Ruihai Mining"), lawfully held 83% equity interest in Ruihai Mining. Upon completion of the equity transfer, Yantai Jinshi will hold 63.86% equity interest in Shandong Ruiyin, thereby indirectly hold 53% equity interest in Ruihai Mining and further control the exploration right of the Haiyu Gold Mine in the north of Sanshan Island in Laizhou City Shandong Province (山東省萊州市三山島北部). Ruihai Mining holds an exploration license (No. T01120090602030967). The name of the exploration project is the detailed survey of the Haiyu Gold Mine in the north of Sanshan Island in Laizhou City, Shandong Province with a mining area of 17.91 square kilometers, an average grade of gold of 4.30 g/t and a gold resources of approximately 470.47 tons.

The acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Relevant details are set out in the announcement of the Company dated 31 May 2015 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

Significant Events

1. On 27 May 2015, the following resolutions, among other things, were passed at the 2014 annual general meeting of the Company:

   (1) the Company's profit distribution proposal for the year ended 31 December 2014 to distribute a cash dividend of RMB0.05 (tax included) per share to all Shareholders. On 30 June 2015, the Company distributed the cash dividend of RMB0.05 (tax included) per share for 2014 to all Shareholders;

   (2) authorizing the Board to allot, issue or deal with the H shares and domestic shares of up to a maximum of 20% of the aggregate nominal value of each 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 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;

   (4) to issue super short-term bonds of not more than RMB4.0 billion in the PRC and to grant authority to the Board to deal with such matters relating to the issue of the super short-term bonds;

   (5) to change the term of validity of the resolution in relation to the issuance of corporate bonds in the PRC and the mandate granted to the Board for handling all matters in relation to the issuance of corporate bonds at the annual general meeting of 2013; and

   (6) the proposed amendments to Article 13(1) of the Rules of Procedures for General Meetings of the Company.

Relevant details of 2014 annual general meeting were set out in the circular and notice both dated 10 April 2015, supplemental notice dated 7 May 2015 and voting results announcement dated 27 May 2015, published by the Company 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 2015, the following proposals (among other things) were reviewed at the domestic shares class meeting and H shares class meeting (collectively "Class Meetings") respectively:

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;

The proposal was approved at the domestic shares class meeting and the H shares class meeting.

Relevant details of the Class Meetings were set out in the circular and notice both dated 10 April 2015, supplemental notice dated 7 May 2015 and voting results announcement dated 27 May 2015 published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Issuance of Debt Financial Instruments

On 27 May 2015, the resolution in relation to the issuance of super short-term bonds of not more than RMB4.0 billion in the PRC and authorizing the Board to deal with the matters related to the issuance of super short-term bonds was considered and approved by the 2014 annual general meeting. The purpose of the issuance of super short-term bonds was to refinance bank loans replenish liquid capital, adjust and optimise the financial structure of the Company.

Relevant details of 2014 annual general meeting were set out in the circular and notice both dated 10 April 2015, supplemental notice dated 7 May 2015 and voting results announcement dated 27 May 2015, published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Distribution of Interest of "09 Corporate Bonds" for 2015

On 23 December 2015, the Company distributed the interest of "09 Corporate Bonds" in an aggregate sum of RMB75,000,000 for the sixth distributing year from 23 December 2014 to 22 December 2015.

Relevant details were set out in the announcement of the Company dated 17 December 2015 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 "12 Corporate Bonds" for 2015

On 16 November 2015, the Company distributed the interest of "12 Corporate Bonds" in an aggregate sum of RMB59,880,000 for the third distributing year from 16 November 2014 to 15 November 2015.

Relevant details were set out in the announcement of the Company dated 10 November 2015 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 fifteenth meeting of the fourth session of the Board on 20 March 2015, at which, Mr. Kong Fanhe ("Mr. Kong") resigned from being a Non-executive Director, with effect from 20 March 2015. Mr. Kong confirmed that he had no disagreement with the Board and there was no matter relating to his resignation that needs to be notified to the Shareholders. In accordance with the Article of Association, the Board appointed Mr. Wu Yijian as a Non-executive Director of the Company. In addition, Mr. Cong Jianmao has been re-designated from Non-executive Director to Executive Director due to reallocation of work arrangement, with effect from 20 March 2015.

The details of changes in directors of the Board were set out in the announcement of the Company dated 20 March 2015 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 first 2016 extraordinary general meeting on 26 February 2016, at which the Shareholders re-elected Mr. Weng Zhanbin, Mr. Li Xiuchen and Mr. Cong Jianmao as Executive Directors of the Company; Mr. Liang Xinjun and Mr. Xu Xiaoliang as Nonexecutive Directors of the Company; Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo as Independent Non-executive Directors of the Company; and appointed Mr. Li Shousheng and Mr. Gao Min as Non-executive Directors of the Company; Mr. Wei Junhao and Mr. Shen Shifu as Independent Non-executive Directors of the Company. Mr. Lu Dongshang ("Mr. Lu") ceased to be the Executive Director of the Company; Mr. Wu Yijian ("Mr. Wu") ceased to be the Non-executive Director of the Company; and Mr. Xie Jiyuan ("Mr. Xie") and Mr. Nie Fengjun ("Mr. Nie") ceased to be Independent Non-executive Directors of the Company. Mr. Lu, Mr. Wu, Mr. Xie and Mr. Nie confirmed that they had no disagreement with the Board and there was no matter relating to their resignation that needs to be notified to the Shareholders.

The Company held the first meeting of the fifth session of the Board on 26 February 2016, and agreed to appoint Mr. Weng Zhanbin as the Chairman of the Strategic Committee, Mr. Li Shousheng as a member of the Strategic Committee and Geological and Resources Management Committee, Mr. Gao Min as a member of the Audit Committee, Mr. Wei Junhao as the Chairman of the Geological and Resources Management Committee and a member of the Nomination and Remuneration Committee, and Mr. Shen Shifu as a member of the Geological and Resources Management Committee and Safety and Environmental Protection Committee, effective from 26 February 2016.

The details of changes in the composition of the Board were set out in the announcement of the Company dated 26 February 2016 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 fourteenth meeting of the fourth session of the Board on 21 January 2015, at which as nominated by the President, the Board agreed to appoint Mr. Qin Hongxun as the Vice President of the Company, for a term commencing from 21 January 2015 to the expiration of the term of the current session of the Board.

The Company held the first meeting of the fifth session of the Board on 26 February 2016, at which as nominated by the president, the Board agreed to appoint Mr. Sun Xiduan, Mr. Wang Ligang and Mr. Dong Xin as the vice presidents of the Company, Mr. Dai Hanbao as the Chief Financial Officer of the Company, the terms of office of above persons commencing from 26 February 2016 to the expiration of the term of the current session of the Board.

8. Issuance of Super Short-term Bonds and Medium-term Notes in 2015

On 18 March 2015, the Company issued the first tranche of medium-term notes for 2015 with a par value of RMB500 million and an interest rate of 5.90% per annum. Such medium-term notes will be expired when the issuer redeems pursuant to the agreement made in the terms of issuance. The Proceeds is used as general working capital of the Company.

Relevant details were set out in note 38 to Financial Statements on page 173 of this annual report and the announcement of the Company dated 19 March 2015 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 7 July 2015, the Company issued the second tranche of medium-term notes for 2015 with a par value of RMB1.6 billion and an interest rate of 5.20% per annum. Such medium-term notes will be expired when the issuer redeems pursuant to the agreement made in the terms of issuance. The Proceeds is used as general working capital of the Company.

Relevant details were set out in note 38 to Financial Statements on page 173 of this annual report and the announcement of the Company dated 3 July 2015 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 19 October 2015, the Company issued the third tranche of super short-term bonds in 2015 with a par value of RMB1 billion for a term of 270 days and bearing interest at a rate of 3.30% per annum. The proceeds is used as general working capital of the Company.

Relevant details were set out in the announcement of the Company dated 16 October 2015 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

9. Issuance of Corporate Bond in 2015

On 29 July 2015, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB0.95 billion for a term of five years and bearing interest at a rate of 3.8% per annum. The consideration received by the company for the issue was RMB0.943 billion. The proceeds are used to replace the banking borrowings, replenish liquidity, adjust and optimize the financial structure of the Company.

There are no significant events subsequent to 31 December 2015 which would materially affect the Group's operating and financial performance as at the date of this report.

Litigation and Arbitration

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

Compliance with the Corporate Governance Code

The Board is of the view that 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 2015 to 31 December 2015. 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 61 to 84 of this annual report.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (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, 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

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. Xu Xiaoliang, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. Its Chairman is Ms. Chen Jinrong.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2015 which have been agreed by the company's auditors, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2015 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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 25 March 2016. 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 who are entitled to attend the 2015 AGM, the register of members will be closed from 9 May 2016 to 8 June 2016, both days inclusive, during which no transfer of shares will be registered. If the resolution in relation to the distribution of final dividend is approved by the Shareholders at the 2015 AGM and in order to determine the Shareholders who are entitled to receive the final dividend for the year ended 31 December 2015, the register of members will be closed between 15 June 2016 and 20 June 2016, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2015 AGM, Shareholders whose transfer has 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, 6 May 2016.

To be qualified for receiving the final dividend for the year 2015, Shareholders whose transfer has 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 Tuesday, 14 June 2016.

Auditor

To improve the efficiency of information disclosure, as advised by the Audit Committee of the Company, the Company intends to merely appoint a domestic or overseas member under the same audit institution to perform the auditing of the financial statements of the Group in accordance with the domestic and overseas accounting standards for the accounting periods commencing on or after 1 January 2015. Therefore, the Board of Directors advised to remove BDO China Shu Lun Pan Certified Public Accountants LLP as the domestic audit institution of the Company for the fiscal year ended 31 December 2015, and appoint Ernst & Young Hua Ming LLP (Special General Partnership) as the domestic audit institution of the Company for the fiscal year ended 31 December 2015. The shareholders approved the arrangement on 29 September 2015.

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 2015 AGM.

By the order of the Board
Weng Zhanbin
Chairman

25 March 2016

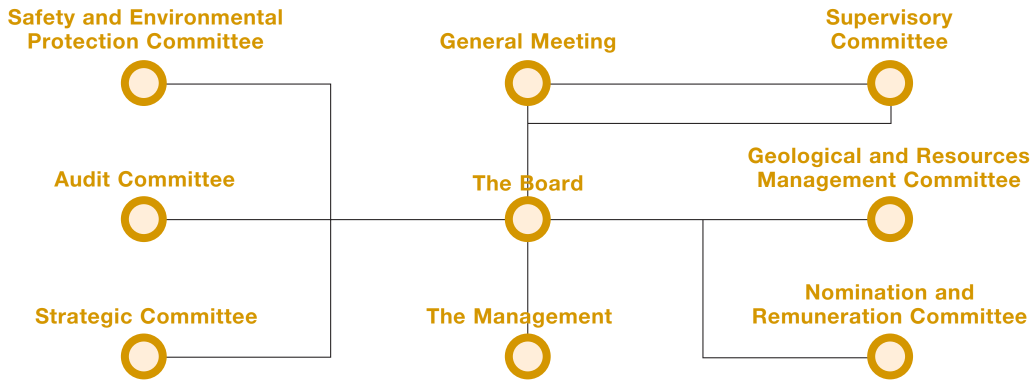
Corporate Governance Practice Report

As one of the largest gold mining overseas-listed companies in the PRC, 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 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 2015, the corporate governance structure of the Company is set out as follows:



(B) Securities Transaction of Directors

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors and Supervisors.

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 and 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, company governance functions, 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.

The fourth session of the Board comprised of eleven Directors, of which four are Executive Directors, three are Non-executive Directors and four are Independent Non-executive Directors.

Being the fifth 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 Shareholders in 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 fifth session of the Board was elected at the extraordinary general meeting convened on 26 February 2016. All members of the fifth session of the Board have a term of three years commencing from 26 February 2016.

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

In the fourth session of the Board, the Company had four Executive Directors responsible for specific management duties, representing 36% of the directorship.

In the fifth session of the Board, the Company has three Executive Directors responsible for specific management duties, representing 27% of the directorship. This helps the Board to 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. Cong Jianmao*, Executive Director of the Company, have 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 shall 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, key 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/her independence to the Stock Exchange prior to his/her appointment. 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.

* Mr. Cong Jianmao was re-designated from Non-executive Director to Executive Director of the Company with effect from 20 March 2015.

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)	4	4
Li Xiuchen	7	7	(0)	4	3
Lu Dongshang	7	6	(1)	4	3
Cong Jianmao*	7	7	(0)	4	3
Non-executive Directors					
Liang Xinjun	7	3	(4)	4	3
Kong Fanhe (resigned on 20 March 2015)	7	4	(3)	4	0
Xu Xiaoliang	7	5	(0)	4	3
Wu Yijian (appointed with effect from 20 March 2015)	7	5	(1)	4	3
Independent Non-executive Directors					
Chen Jinrong	7	6	(1)	4	3
Choy Sze Chung Jojo	7	7	(0)	4	3
Xie Jiyuan	7	7	(0)	4	3
Nie Fengjun	7	4	(3)	4	3

* Mr. Cong Jianmao was re-designated from Non-Executive Director to Executive Director of the Company with effect from 20 March 2015.

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 engaging external consultants when necessary at the expense of the Company. Individual Directors can also engage 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/her own duties and that the Company consistently implements the Board's procedures and properly complies with the applicable laws and regulations.

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

(D) Chairman and President

The roles of the Chairman and the President of the Company 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 consists of three Non-executive Directors and four Independent Non-executive Directors, accounting for approximately 63.6% of the total number of the Board members. Non-executive Directors include Mr. Liang Xinjun, Mr. Xu Xiaoliang and Mr. Wu Yijian, and Independent Non-executive Directors include Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Xie Jiyuan and Mr. Nie Fengjun.

As at 26 February 2016, the Shareholders at the extraordinary general meeting of the Company elected Mr. Liang Xinjun, Mr. Li Shousheng, Mr. Xu Xiaoliang and Mr. Gao Min as Non-executive Directors of the Company, Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as Independent Non-executive Directors of the Company.

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

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

As at 31 December 2015, the fourth session of Nomination and Remuneration Committee consists of five members, among whom the chairman is Mr. Choy Sze Chung Jojo, an Independent Non-executive Director. Other members are Mr. Cong Jianmao*, being an Executive Director, Mr. Liang Xinjun, being a Non-executive Director, and Ms. Chen Jinrong and Mr. Nie Fengjun, both being Independent Non-executive Directors.

As at 26 February 2016, the first meeting of the fifth session of the Board elected Mr. Choy Sze Chung Jojo as the chairman of the Nomination and Remuneration Committee, Mr. Cong Jianmao*, being an Executive Director, Mr. Liang Xinjun, being a Non-executive Director, Ms. Chen Jinrong and Mr. Wei Junhao, both being Independent Non-executive Director as members of the Nomination and Remuneration Committee.

* Mr. Cong Jianmao was re-designated from Non-Executive Director to Executive Director of the Company with effect from 20 March 2015.

The major 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 conduct examination and make recommendations on candidates for Directors and managers;

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

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

(6) 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; and

(7) 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 (holding) companies as well as in the recruitment market;

3. 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; and

4. to implement of the policy of Directors' remuneration, evaluate performance of Executive Directors and approve contractual terms stipulated in service contracts of Executive Directors. Remuneration of Directors and Supervisors for the year ended 31 December 2015 are detailed in note 8 to the financial statements on pages 140 to 144 in this annual report.

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.

Board Diversity Policy

The Board has adopted the board diversity policy in relation to the nomination and appointment of new Directors, which sets out: the selection of board candidates shall be based on a range of diversified perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The above measurements were also reviewed and adopted when the Nomination and Remuneration Committee reviewed the composition of the Board. After assessing the suitability of the directors' skills and experience to the Company's business, the Nomination and Remuneration Committee confirmed that the existing Board was appropriately structured and no change was required.

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**	**Of which: attendance by proxy**
Choy Sze Chung Jojo *(Chairman)*	1	1	(0)
Liang Xinjun	1	0	(1)
Cong Jianmao	1	1	(0)
Chen Jinrong	1	1	(0)
Nie Fengjun	1	1	(0)

In 2015, the Nomination and Remuneration Committee considered and passed the Resolution on Appraisal of Annual Remuneration of the President and Senior Management.

The Nomination and Remuneration Committee sets the remuneration standard or program on the basis of the Directors and senior management's scope of work, responsibilities, importance and remuneration level of other relevant job positions.

Senior management's remuneration

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

	Number of Individuals	
	2015*	2014
Below HK$1,000,000 (approximately equivalent to RMB837,780)	**6**	1
HK$1,000,001 – HK$1,500,000 (approximately equivalent to RMB837,780 – RMB1,256,670)	**1**	5
Total	**7**	6

* Including two senior managers who left office at 26 February 2016.

(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 external auditors for their auditing services to the Group was RMB2,700,000 (2014: RMB3,200,000).

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

(H) Audit Committee

To achieve best corporate governance practice, the Company established the Audit Committee on 16 October 2004. 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.

For the year ended 31 December 2015, the Audit Committee comprised of three members, with Ms. Chen Jinrong, being an Independent Non-executive Director, as the Chairman. Other members included Mr. Xu Xiaoliang, being an Non-executive Director, and Mr. Choy Sze Chung Jojo, being an Independent Non-executive Director.

As at 26 February 2016, the first meeting of the fifth session of the Board elected Ms. Chen Jinrong, being an Independent Non-executive Director, as the Chairman of the Audit Committee, Mr. Gao Min, being a Non-executive Director, and Mr. Choy Sze Chung Jojo, being an Independent Non-executive Director, as members of the Audit Committee.

The major working system and terms of reference of the Audit Committee are 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 supervise the Company's internal audit system and its implementation;

(3) to take charge of the communication function in respect of internal and external audit work;

(4) to ensure the completeness of the Company's financial statements and annual reports, interim reports and accounts, and review the significant opinion on financial reporting contained therein;

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

(6) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function has adequate resources and appropriate status in the Company, and to review and monitor its effectiveness;

(7) to review the Group's financial and accounting policies and practices;

(8) to review the external auditors' letter to the management in respect of audit matters, review material queries raised by the auditors to the management in respect of accounting records, financial accounts or risk management and internal control systems and the management's response to those queries;

(9) to ensure that the Board will respond in a timely manner to the issues raised in the external auditors' letter to the management in respect of audit matters; and

(10) other matters or issues assigned by the Board.

Details of the terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

During the Year, the Audit Committee 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	Of which: attendance by proxy
Chen Jinrong *(Chairman)*	2	2	(0)
Choy Sze Chung Jojo	2	2	(0)
Xu Xiaoliang	2	0	(2)

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 2014;

2. reviewed the Group's interim report and interim results announcement for the six-month period ended 30 June 2015;

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

4. supervised internal audit work of the Company;

5. provided opinions on the significant matters of the Company or drew management's attention to relevant risks; and

6. evaluated the performance of our PRC auditor and international auditor.

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 2015, 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 2015, the Strategic Committee comprised three members, with Mr. Lu Dongshang, being an Executive Director, as the chairman. Other members included Mr. Weng Zhanbin, being an Executive Director, and Mr. Liang Xinjun, being a Non-executive Director.

As at 26 February 2016, the first meeting of the fifth session of the Board elected Mr. Weng Zhanbin, being an Executive Director, as the chairman of Strategic Committee, Mr. Xu Xiaoliang and Mr. Li Shousheng, both being Non-executive Directors, as members of Strategy Committee.

The major duties and terms of reference of the Strategic Committee are set out as follows:

1. conducting research and proposing recommendations on the strategies of long-term development of the Company;
2. conducting research and proposing recommendations on the significant investment and financing proposal, the significant capital operations and asset operation projects which are subject to approval of the Board as required by the Articles of Association;
3. conducting research and proposing recommendations on other material matters that affect the Company's development; and
4. 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 meeting	Attendance	Of which: attendance by proxy
Lu Dongshang *(Chairman)*	1	1	(0)
Weng Zhanbin	1	1	(0)
Liang Xinjun	1	1	(0)

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 operation risk of the enterprise and enhancing the corporate governance structure.

For the year ended 31 December 2015, the fourth session of the Geological and Resources Management Committee under the Board was chaired by Mr. Nie Fengjun, an Independent Non-executive Director. Other members included Executive Director Mr. Weng Zhanbin and Independent Non-executive Director Mr. Xie Jiyuan.

As at 26 February 2016, the first meeting of the fifth session of the Board elected Mr. Wei Junhao, being an Independent Non-executive Director, as the chairman of Geological and Resources Management Committee, Mr. Li Shousheng, being a Non-executive Director, and Mr. Shen Shifu, being an Independent Non-executive Director, as members of Geological and Resources Management Committee.

The major duties and terms of reference of the Geological and Resources Management Committee are set out as follows:

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 in accordance with relevant national requirements;

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

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

4. other matters authorised by the Board.

During the Year, the Geological and Resources Management Committee convened one meeting chaired by the chairman of the committee to discuss the amount of new geological reserves of the Company in 2014, and to propose recommendation on the exploration and reserve increase plan for 2015. The record of attendance of each member of the committee is set out below:

	Number of meeting	Attendance	Of which: attendance by proxy
Nie Fengjun *(Chairman)*	1	1	(0)
Weng Zhanbin	1	1	(0)
Xie Jiyuan	1	1	(0)

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

(L) Safety and Environment Protection Committee

The Safety and Environment 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 2015, the Safety and Environmental Protection Committee of the fourth session of the Board was chaired by Mr. Li Xiuchen, being an Executive Director, with other members namely Mr. Cong Jianmao*, being an Executive Director, and Mr. Xie Jiyuan, being an Independent Non-executive Director.

As at 26 February 2016, the first meeting of the fifth session of the Board elected Mr. Li Xiuchen (Executive Director) as the Chairman of Safety and Environmental Protection Committee, Mr. Cong Jianmao* (Executive Director) and Mr. Shen Shifu (Independent Non-executive Director) as members of the Safety and Environmental Protection Committee.

* Mr. Cong Jianmao has been re-designated from Non-Executive Director to Executive Director of the Company with effect from 20 March 2015.

The major duties and terms of reference of the Safety and Environmental Protection Committee are set out as follows:

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

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

3. carrying out research and examination on the implementation of the above matters; and

4. other matters authorised by the Board.

During the Year, the Safety and Environment Protection Committee convened one meeting chaired by Mr. Li Xiuchen, the chairman of the committee. The committee reviewed and passed the Summary of Safety and Environmental Protection Work for 2015 and reviewed and passed the Plan on Safety and Environment Protection Work for 2016.

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

	Number of meeting	Attendance	Of which: attendance by proxy
Li Xiuchen *(Chairman)*	1	1	(0)
Cong Jianmao	1	1	(0)
Xie Jiyuan	1	1	(0)

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

Corporate Governance Function

No corporate governance committee has been established but the Board recognises that corporate governance should be the collective responsibility of Directors and the corporate governance duties includes:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

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 comprises Mr. Wang Xiaojie, Ms. Jin Ting and Mr. Chu Yushan. For the year ended 31 December 2015, members of the fourth session of the Supervisory Committee comprised Mr. Wang Xiaojie, Ms. Jin Ting and Mr. Chu Yushan, among whom 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 President 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 relevant 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 at the annual general meeting. 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 four 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 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 the 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 records 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 internal 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 has been emphasizing internal control and has 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 conducted a 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 levels. All department heads participate in formulating strategic plans and determining the Company's corporate strategies 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 used as 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 internal audit department will carry out an 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 the internal control system for the Year. According to the assessment report from the 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

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

The 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 ensure compliance with disclosure requirements as stipulated by the Stock Exchange. The Board takes the ultimate responsibility towards the financial statements prepared by him.

The Chief Financial Officer is responsible for organizing and 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.

Relationship with Shareholders, Investors and Other Concerned Parties

The Company is committed to ensuring that all Shareholders, including the minority Shareholders, 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 with Shareholders by way of publication of annual reports, interim reports and announcements. To promote effective communication, shareholders can choose to receive corporate communications via electronic means. The information mentioned above 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 ideas exchange between Shareholders and Directors and 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 the issue of notice of the meeting 45 days prior to the general meeting, the Company requires all Directors and senior management to employ their best endeavors to attend the general meetings. Also, all shareholders are encouraged to attend general meetings. At the general meetings, Shareholders can make enquiries about the Company's operational status or financial information and are also welcome to express their views thereof.

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 convene a meeting by themselves 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 to the Board during business hours of the Company.

Contact: Address :	The Secretary Office of the Board, 299 Jinhui Road, Zhaoyuan City, Shandong Province, 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 have the right to submit proposals in writing to the Company, and the Company shall place the proposals on the agenda for the said 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, PRC
TEL :	+86 535 8256086
Fax :	+86 535 8262256

In 2015, the Company convened one annual general meeting, one domestic shares class meeting, one H shares class meeting and one extraordinary general meeting.

Controlling Shareholder

As at 31 December 2015, 1,137,481,195 domestic shares and 47,455,000 H shares were held by Zhaojin Group, the controlling Shareholder of the Company, representing approximately 39.95% 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 remained independent from the 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 2015, Company Secretary Ms. Mok received not less than 15 hours of 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 the 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 in relation to any resolution which involves the interests of the 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 the Zhaojin Group concurrently.

- **Production and operation independence:** Since its incorporation, the Group has operated its business independently from the Zhaojin Group, and has not shared any of its production teams, production facilities and equipments, or marketing, sales and general administration resources with the 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 the Zhaojin Group, which were conducted on an arm's length basis and on normal commercial terms. The Zhaojin Group operates gold bullion trading agency business through its SGE membership and had approximately 480 customers in addition to the Company as at 31 December 2015 (as at 31 December 2014: approximately 300 customers).

  The refinery business owned by the Zhaojin Group through its majority interest in Zhaojin Refinery provides gold refinery services to gold production enterprises and had approximately 240 customers in addition to the Company as at 31 December 2015 (31 December 2014: approximately 170 customers). Under the terms of the agreements with the 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 which the Company has agreed with the 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 the 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 issues which affect or compromise customer independence. 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 the Zhaojin Group.

- **Financial independence:** The Group has an independent financial department that is independent of and does not share functions or resources with the Zhaojin Group. The Group's financial auditing is undertaken separately from that of the 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 the 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 the 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 2016, 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 2015.

Investor Relations

With the constant growth of the marketization of capital market and perfection of market operation mechanism, the importance of investor relations management for listed company become more and more obvious. Investor relations is an important bridge between the Company and the capital market. The Company insists on putting investor relations management in an important position. The Company eliminates confusion of investors by adhering to the attitude of respect and sincerity. The Company reports the performance and business situations of the Company to shareholders through multiple official channels, especially the annual report and interim report. When the Company announces interim results, annual results and major transaction in accordance with the relevant regulations, the Company would arrange investment analyst meetings, press conference and investor conference call to explain performance and major transaction to shareholders, investors and public, where the Company listens to their opinions and answers their questions. In 2015, the Company accommodated several investor visitors, held more than 20 conference calls with analysts and investors. The Company held more than 50 investors meetings and did the on-site road show and presentation on the regular report of the Company and announcement on acquisition of Shandong Ruiyin to the investors in Hong Kong and Shenzhen. Through a series of activities, the Company deepened the investors' understanding of the Company, and showed the open and transparent attitude of Zhaojin Mining. In addition to establishing good relationship with investors, the Secretary Office of the Board also maintained a sound relationship with media and received positive coverage from mainstream media.

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 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.

Change in Constitutional Documents

Amendments to Article 13(1) of the Rules of Procedures for General Meeting of the Company has been approved in the 2014 annual general meeting held on 27 May 2015 (details of the amendments were set out in the circular of the Company dated 7 May 2015). There was no amendment made to the Articles of Association for the year ended 31 December 2015.

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

Good corporate governance is an important footstone for the Company and a key condition for us to make achievements and development continuously. The Company devotes to consummate corporate governance mechanism, strictly observe the laws and regulations and supervision requirements of the PRC and Hong Kong and unremittingly pursue the best practice of creating corporate governance. The management of the Company was awarded the honour of China enterprise management leadership, the 2014 annual report of the Company won the International ARC Awards of the Year. To ensure the long-term and sustained development of the Company, the Company will closely follow up the development of international corporate governance model, the development of related supervisory structure and the requirements of investors, review and strengthen the corporate governance measures and implementation regularly.

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 2015 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
Cong Jianmao	Director	A,B,C,D	C. Reading economic, financial and business
Lu Dongshang	Director	A,B,C,D	articles, as well as articles and information
Liang Xinjun	Director	A,B,C,D	related to the duties of a director and the
Xu Xiaoliang	Director	A,B,C,D	Company
Wu Yijian	Director	A,B,C,D	D. Conducting on-site inspections on the
Chen Jinrong	Independent Director	A,B,C,D	Company's businesses
Choy Sze Chung Jojo	Independent Director	A,B,C,D	
Xie Jiyuan	Independent Director	B,C,D	
Nie Fengjun	Independent Director	B,C,D	
Kong Fanhe*	Director	B,C,D	

* Mr. Kong Fanhe resigned as a Non-Executive Director on 20 March 2015.

Corporate Social Responsibility

In addition to maximizing its own economic benefits, as part of the society, an enterprise is essential to facilitate wealth accumulation of the whole society, advance social civilization and promote the sustainable development of the environment. As a resource-based group of enterprises, the Company has always aimed at building a mine with four distinctive features, namely "ecological and environment protection, efficient development, safety and health, and satisfaction from staff, Shareholders, the government and the community". While focusing on resource conservation and community stability, we adhere to the environmental protection concept of "building a harmonious relationship between gold/silver mining and the environment"; while developing mineral resources and creating social values, we adhere to the safety concept of "gold is precious but life is priceless" and the environmental protection concept of "prioritizing environmental protection over gold/silver mining", 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 2015, the Company and its subsidiaries are committed to making 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 government policies by fulfilling its tax obligation and create job opportunities for the local labour market, which consequently contributed significantly to local fiscal revenue. In 2015, the total annual taxes amounted to RMB640 million.

In 2015, high importance was attached to community construction with vigorous effort on the development of public welfare and education in the places where our projects located. The Company, together with the local government, regarded improving local people's living standard as a major task for community construction of the year and provided labor, equipment and special capital supports to further assist the target villages in terms of irrigation, road hardening, low-income family relief and financing for poor students, which significantly accelerated the development of the local communities. During the Year, the Company invested a total of RMB5,200,000 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.

Implementation of "Safety Production" and Environmental Protection

In 2015, the Company adhere to the environmental principle of "complying with environmental regulations, preventing environmental pollution; promoting energy conservation and waste reduction, making rational use of resources; emphasizing on continuous improvement and developing green mines" while commit itself to the environmental protection concept of "building a harmonious relationship between gold/silver mining and the environment", which would broke the traditional economic development model and focus on the development of circular economy. The Company vigorously promoted the work of energy saving and consumption reduction for mines by eliminating large power consumption equipment. At the same time, the Company also strive to realize planned economic power consumption by actively applying the four new technology, continuously improving production procedures, strictly complying with the emission standard of "waste water, waste gas, waste residue and noise", prohibiting excessive discharge of pollutants and enhancing ecologic greening construction of mines.

Corporate Social Responsibility

In 2015, the Company firmly stuck to three "red lines" in safety, ecology and environmental protection, and aggregately invested RMB180 million. Meanwhile, the Company carried out works to investigate and resolve hidden problems, and widely promoted activities for emphasizing safety and which ensured the safety and stability development of the Company. The Company further added over 60 hectares of afforestation areas and maintained a long-term sustainable greening vitality.

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 over 30% since listing and recorded a cumulative cash dividend payout of RMB3,060,076,186.05. The Company paid a total cash dividend of RMB148,291,359.75 in 2015, with a cash dividend payout ratio of 33.33%.

The Company also cared seriously about protecting the interests of our creditors. We recorded a gearing ratio of 45.4% as of 31 December 2015. 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 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 more than 70 announcements in 2015, with on-site meeting with 5 investors. We held more than 20 conference calls with analysts and investors and more than 50 investors meetings in Hong Kong and Shenzhen and did the on-site roadshow and presentation on the regular report of the Company and announcement on acquiring Shandong Ruiyin to the investors. We conscientiously fulfilled the obligations of information disclosure in accordance with the Listing Rules of the Hong Kong Stock Exchange, which effectively protected the regulated operation of the Company.

Awards to the Company in 2015

- 29th International ARC Awards Honors award for Traditional Annual Report (Non-ferrous and ferrous metal category)
- Best brand in China
- Model Unit (Public Information) in National Gold Industry
- Special Award of 2015 National Equipment Management Achievement

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 Work of the Supervisory Committee

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

The 4th Meeting of the Fourth Session of the Supervisory Committee on 20 March 2015

Reviewing and approving Board report, financial report, the proposal of profits allocation in 2014 and other resolutions, and reviewing the annual report of the Supervisory Committee 2014.

The 5th Meeting of the Fourth Session of the Supervisory Committee on 27 May 2015

Reviewing and approving proposals of appointing Mr. Wu Yijian as a Non-executive Director of the Company and using owned funds to carry out the securities investment business.

The 6th Meeting of the Fourth Session of the Supervisory Committee on 13 August 2015

Reviewing and approving interim results report, financial report, the proposal of profits allocation in 2015 and other resolutions.

The 7th Meeting of the Fourth Session of the Supervisory Committee on 29 December 2015

Reviewing and approving proposals of the implementation of the first employee shares subscription plan by way of private placement of domestic shares, the acquisition of certain mining rights of Zhaojin Group by way of private placement of domestic shares and to invest to set up Taojin scientific and Technological Investment (Beijing) Co., Ltd.

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

During the Year, save for the announcement published on 29 December 2015 in respect of the proposed acquisition of certain assets from the Zhaojin Group which did not fully comply with the requirements of the Takeovers Code (and for which the Company is undertaking remedial measures), 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 2016, 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.

Wang Xiaojie
Chairman of the Supervisory Committee

25 March 2016

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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 set out on pages 91 to 196, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
25 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**5,886,845**	5,606,182
Cost of sales		**(3,655,753)**	(3,433,775)
Gross profit		**2,231,092**	2,172,407
Other income and gains	5	**362,928**	260,140
Selling and distribution costs		**(98,343)**	(119,709)
Administrative expenses		**(957,406)**	(907,491)
Other expenses		**(460,801)**	(233,750)
Finance costs	6	**(526,333)**	(514,406)
Share of profits and losses of:			
– Associates		**6,819**	6,597
– A joint venture		**(3,443)**	19,236
PROFIT BEFORE TAX	7	**554,513**	683,024
Income tax expense	9	**(154,930)**	(176,283)
PROFIT FOR THE YEAR		**399,583**	506,741
Attributable to:			
Owners of the parent		**308,140**	455,388
Non-controlling interests		**91,443**	51,353
		399,583	506,741
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted			
– For profit for the year *(RMB)*		**0.10**	0.15

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	2015 *RMB'000*	2014 *RMB'000*
PROFIT FOR THE YEAR	**399,583**	506,741
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(11,398)**	(28)
Available-for-sale investments:		
Changes in fair value	**2,382**	(2,382)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(9,016)**	(2,410)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of post-employment benefit obligations	**(21,936)**	–
Income tax effect	**5,484**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(16,452)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(25,468)**	(2,410)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**374,115**	504,331
Attributable to:		
Owners of the parent	**282,672**	452,978
Non-controlling interests	**91,443**	51,353
	374,115	504,331

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**12,819,789**	11,145,368
Prepaid land lease payments	13	**623,579**	326,733
Goodwill	14	**894,097**	932,792
Other intangible assets	15	**8,750,430**	4,368,355
Investment in a joint venture	16	**131,857**	135,300
Investments in associates	17	**268,914**	268,251
Available-for-sale investments	18	**21,746**	46,041
Deferred tax assets	19	**244,251**	345,535
Loans receivable	20	**8,000**	37,000
Long-term deposits	21	**109,090**	111,909
Other long-term assets	22	**649,679**	2,839,531
Total non-current assets		**24,521,432**	20,556,815
CURRENT ASSETS			
Inventories	23	**3,439,183**	3,172,280
Trade and notes receivables	24	**67,127**	102,569
Prepayments, deposits and other receivables	25	**471,957**	809,719
Equity investments at fair value through profit or loss	26	**164,055**	23,412
Derivative financial instruments	30	**1,382**	57,211
Pledged deposits	27	**133,572**	388,388
Loans receivable	20	**222,348**	35,000
Cash and cash equivalents	27	**2,033,203**	1,254,916
Total current assets		**6,532,827**	5,843,495
CURRENT LIABILITIES			
Trade and notes payables	28	**583,276**	479,140
Other payables and accruals	29	**1,814,445**	1,541,203
Financial liabilities at fair value through profit or loss	30	**–**	3,827,336
Interest-bearing bank and other borrowings	31	**8,024,668**	4,716,034
Tax payable		**20,549**	146,988
Provisions	34	**28,539**	24,504
Corporate bonds	32	**1,498,997**	–
Deposits from customers	35	**410,248**	–
Current portion of other long-term liabilities	36	**90,000**	–
Total current liabilities		**12,470,722**	10,735,205
NET CURRENT LIABILITIES		**(5,937,895)**	(4,891,710)
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,583,537**	15,665,105

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**1,732,649**	2,173,987
Corporate bonds	32	**2,140,818**	2,690,309
Deferred tax liabilities	19	**479,733**	566,492
Deferred income	33	**464,370**	415,745
Provisions	34	**102,338**	68,608
Other long-term liabilities	36	**22,515**	–
Total non-current liabilities		**4,942,423**	5,915,141
Net assets		**13,641,114**	9,749,964
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	**2,965,827**	2,965,827
Perpetual capital instruments	38	**2,146,823**	–
Reserves	39	**5,628,376**	5,701,232
		10,741,026	8,667,059
Non-controlling interests		**2,900,088**	1,082,905
Total equity		**13,641,114**	9,749,964

Weng Zhanbin
Director

Li Xiuchen
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent								
	Share capital *RMB'000* *(note 37)*	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*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014	2,965,827	1,209,435	18,122	726,325	(8,305)	3,514,519	8,425,923	896,875	9,322,798
Profit for the year	–	–	–	–	–	455,388	455,388	51,353	506,741
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(28)	–	(28)	–	(28)
Changes in fair value of available-for-sale investments, net of tax	–	(2,382)	–	–	–	–	(2,382)	–	(2,382)
Total comprehensive income for the year	–	(2,382)	–	–	(28)	455,388	452,978	51,353	504,331
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	(117,628)	(117,628)
Settlement of commitment of profit distribution to non-controlling shareholders	–	84,741	–	–	–	–	84,741	–	84,741
Disposal of subsidiaries	–	–	–	–	–	–	–	3,305	3,305
Acquisition of a subsidiary	–	–	–	–	–	–	–	245,000	245,000
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	4,000	4,000
Transfer to reserves	–	–	1,193	73,596	–	(74,789)	–	–	–
Final 2013 dividend declared and paid	–	–	–	–	–	(296,583)	(296,583)	–	(296,583)
At 31 December 2014	2,965,827	1,291,794	19,315	799,921	(8,333)	3,598,535	8,667,059	1,082,905	9,749,964

* Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the final financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the parent									
	Share capital RMB'000 *(note 37)*	Perpetual capital instruments 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	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	2,965,827	–	1,291,794	19,315	799,921	(8,333)	3,598,535	8,667,059	1,082,905	9,749,964
Profit for the year	–	–	–	–	–	–	308,140	308,140	91,443	399,583
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(11,398)	–	(11,398)	–	(11,398)
Remeasurements of post-employment benefit obligations, net of tax	–	–	(16,452)	–	–	–	–	(16,452)	–	(16,452)
Changes in fair value of available-for-sale investments, net of tax	–	–	2,382	–	–	–	–	2,382	–	2,382
Total comprehensive income for the period	–	–	(14,070)	–	–	(11,398)	308,140	282,672	91,443	374,115
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(61,403)	(61,403)
Disposal of a subsidiary *(note 42)*	–	–	–	–	–	–	–	–	(4,689)	(4,689)
Acquisition of a subsidiary not accounted for as a business combination *(note 41)*	–	–	–	–	–	–	–	–	1,540,732	1,540,732
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	251,100	251,100
Commitment of profit distribution to non-controlling shareholders	–	–	(142,516)	–	–	–	–	(142,516)	–	(142,516)
Transfer to reserves	–	–	–	–	18,117	–	(18,117)	–	–	–
Utilisation of safety fund	–	–	–	(1,098)	–	–	–	(1,098)	–	(1,098)
Issue of perpetual capital instruments, net of issuance costs *(note 38)*	–	2,083,200	–	–	–	–	–	2,083,200	–	2,083,200
Accrued distribution of perpetual capital instruments	–	63,623	–	–	–	–	(63,623)	–	–	–
Final 2014 dividend declared and paid	–	–	–	–	–	–	(148,291)	(148,291)	–	(148,291)
At 31 December 2015	2,965,827	2,146,823	1,135,208*	18,217*	818,038*	(19,731)*	3,676,644*	10,741,026	2,900,088	13,641,114

* These reserve accounts comprise the consolidated reserves of RMB5,628,376,000 (31 December 2014: RMB5,701,232,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**554,513**	683,024
Adjustments for:			
Finance costs	6	**526,333**	514,406
Share of profits of associates		**(6,819)**	(6,597)
Share of loss/(profit) of a joint venture		**3,443**	(19,236)
Bank interest income	5	**(40,661)**	(24,139)
Net (gain)/loss on disposal of items of property, plant and equipment	7	**(11,786)**	10,791
(Gain)/loss on disposal of subsidiaries	7	**(1,207)**	2,454
Fair value(gain)/loss, net:			
– Equity investments at fair value through profit or loss	7	**(14,147)**	8,367
– Commodity derivative contracts	7	**(1,382)**	650
Loss/(gain) on gold leasing business	7	**49,237**	(1,686)
Loss/(gain) on disposal of equity investments at fair value through profit or loss	7	**53,178**	(9,373)
Gain on settlement of commodity derivative contracts	5	**(97,159)**	(46,090)
Depreciation of property, plant and equipment	7	**632,553**	563,614
Amortisation of other intangible assets	7	**105,242**	111,189
Amortisation of prepaid land lease payments	7	**14,485**	16,415
Amortisation of long-term prepaid expense		**7,478**	–
Write-off of other intangible assets	7	**17,832**	600
Provision/(reversal) for impairment of receivables	7	**13,169**	(3,123)
Impairment loss of loans receivable	7	**522**	–
Impairment loss of inventories	7	**30,476**	75,297
Impairment loss of other non-current assets	7	**230,359**	49,168
Deferred income recognised	5, 33	**(83,413)**	(39,840)
		1,982,246	1,885,891
Increase in inventories		**(297,379)**	(746,611)
Decrease in trade and notes receivables		**43,438**	92,330
Decrease in prepayments and other receivables		**29,590**	230,821
Increase in pledged deposits		**(16,082)**	(10,856)
Increase in loans receivable		**(20,870)**	–
Increase/(decrease) in trade and notes payables		**103,230**	(162,451)
(Decrease)/increase in other payables and accruals		**(506,981)**	2,882
Increase in deposits from customers		**410,248**	–
Increase in provisions		**37,765**	5,695
CASH GENERATED FROM OPERATIONS		**1,765,205**	1,297,701
Income taxes paid		**(261,360)**	(229,416)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,503,845**	1,068,285

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**40,661**	24,139
Dividend received from an associate		**6,156**	11,501
Purchases of items of property, plant and equipment		**(1,916,960)**	(2,075,453)
Proceeds from disposal of items of property, plant and equipment		**77,615**	29,178
Increase in land lease payments		**(16,563)**	(21,954)
Receipt of government grants		**132,038**	120,051
Increase in other intangible assets		**(77,303)**	(80,169)
Acquisition of subsidiaries	40, 41	**(1,343,244)**	(60,542)
Proceeds from disposal of a subsidiary	42	**3,994**	45,722
Acquisition of an available-for-sale investment		**–**	(2,500)
Advance paid for acquisition of subsidiaries		**(38,117)**	(1,094,600)
Prepayment retrieved for acquisition		**800,000**	–
Proceeds from settlement of commodity derivative contracts		**85,714**	45,753
Deposits retrieved/(paid) for commodity derivative contracts		**8,228**	(5,212)
Net proceeds from (acquisition)/disposal of equity investments at fair value through profit or loss		**(179,674)**	11,945
Increase in long-term prepaid expense		**(27,078)**	–
Decrease in loans receivable		**29,500**	800,000
Increase in loans receivable		**(167,500)**	(12,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(2,582,533)**	(2,264,141)

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		7,612,220	6,929,408
Issuance of a corporate bond, net of issuance expense		943,350	–
Repayment of bank and other borrowings		(7,466,264)	(6,482,812)
Capital contribution from non-controlling shareholders of subsidiaries		251,100	–
Receipts from gold leasing business		3,193,797	3,410,648
Deposits retrieved/(paid) for gold forward contracts in relation to gold leasing business		196,132	(129,318)
Deposits retrieved for gold leasing business		100,000	–
Repayments of gold leasing business		(4,385,373)	(1,046,916)
Dividends paid		(209,694)	(419,789)
Payment for commitment of profit distribution to non-controlling shareholders		(30,000)	–
Decrease/(increase) in pledged deposits for short-term bank loans		170,898	(113,032)
Issuance of perpetual capital instruments net of issuance expense		2,083,200	–
Repayment to a third party for financing activities		–	(97,680)
Interest paid		(617,219)	(635,562)
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,842,147	1,414,947
NET INCREASE IN CASH AND CASH EQUIVALENTS		763,459	219,091
Cash and cash equivalents at beginning of year		1,254,916	1,035,825
Effects of foreign exchange rate changes, net		14,828	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,033,203	1,254,916
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	1,914,032	1,254,416
Non-pledged time deposits with original maturity of less than three months when acquired	27	119,171	500
Cash and cash equivalents as stated in the consolidated statement of cash flows		2,033,203	1,254,916

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP 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 2015, Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC, and its subsidiary held totally 39.95% of the issued share capital of the Company. Shanghai Yuyuan Tourist Mart Co., Ltd. and its subsidiary held totally 25.02% of the issued share capital of the Company. The remaining issued share capital of the Company was held by shareholders of H shares, Zhanyuan City State-owned Assets Management Limited and Shanghai Fosun Industrial Investment Co., Ltd.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Paid-up/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
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
Minxian Tianhao Gold Company Limited (岷縣天昊黃金有限責任公司)	PRC/Mainland China 16 May 2001	50,000	100	–	Gold mining and processing of gold products
Tuoli Zhaojin Beijiang Mining Company Limited ("TZB") (托里縣招金北疆礦業有限公司)	PRC/Mainland China 16 April 2004	30,000	100	–	Gold mining and processing of gold products
Subsidiary of TZB:					
Tuoli Xinhe Gold Mining Industry Co., Ltd. ("Xinhe Gold Company") (托里縣鑫合黃金礦業有限公司)	PRC/Mainland China 7 January 2004	33,400	–	100	Gold mining and processing of gold products
Xinjiang Xingta Mining ("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
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)[1]	PRC/Mainland China 20 June 2007	50,000	100	–	Investment holding
Subsidiaries of HZMI:					
Beijing Zhongse Technology Company Limited ("Beijing Zhongse") (北京中色鴻鑫礦業科技有限責任公司)[1]	Mining 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
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

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Paid-up/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
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
Zhaojin Guihe Technical Company Limited ("Guihe") (招遠市招金貴合科技有限公司)[2]	PRC/Mainland China 9 October 2009	60,000	100	–	Manufacture and sale of sulphur acid and noble metal and electricity generation
Zhaojin Jinhe Technical Company Limited ("Jinhe") (招遠市招金金合科技有限公司)[2]	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

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Paid-up/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
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	30,000	–	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
Xinjiang Zhaojin Smelting Company Limited ("Xinjiang Smelting") (新疆招金冶煉有限公司)	PRC/Mainland China 5 January 2012	50,000	92	–	Smelting of copper
Qinghe Jindu Mining Company Limited ("Qinghe Mining") (青河縣金都礦業開發有限公司)	PRC/Mainland China 4 August 2005	10,000	95	–	Gold mining and processing of gold products
Xinfengyuan Mining Company Limited ("Xinfengyuan Mining") (鳳城市鑫豐源礦業有限公司)	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

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Paid-up/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
Daqinjia Gold Mining Industry Company Limited ("Daqinjia") (大秦傢金礦礦業有限公司)	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)[3]	PRC/Mainland China 26 September 2011	5,000	100	–	Investment holding
Subsidiary of Jinshi:					
Shandong Ruiyin Mining Industry Development Company Limited ("Ruiyin") (山東瑞銀礦業發展有限公司)[3]	PRC/Mainland China 30 August 2006	425,819	–	63.86	Exploration of gold and sale of gold products
Subsidiaries of Ruiyin:					
Laizhou Ruihai Mining Industry Company Limited ("Ruihai") (萊州市瑞海礦業有限公司)[3]	PRC/Mainland China 14 September 2009	10,000	–	83	Exploration of gold and sale of gold products
Laizhou Jinxiu Club Limited ("Jinxiu")[3] (萊州錦繡休閒俱樂部有限公司)	PRC/Mainland China 29 July 2002	12,280	–	100	Entertainment and hotel
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
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 metals
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

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Paid-up/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
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, And smelting
Gansu Xinrui Mining Company Limited ("Xinrui") (甘肅鑫瑞礦業有限公司)	PRC/Mainland China 20 November 2008	10,000	51	–	Exploration and sale of mining products and advisory service
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	–	Accommodation and catering service
Sparky International Trade Company Limited ("SIT") (斯派柯國際貿易有限公司)	Hong Kong 31 May 2007	HK$ 70,000,000	100	–	Purchase of gold concentrates from places outside China
Subsidiaries of SIT:					
Gold Vein International Investment Limited ("Gold Vein") (金脈國際投資有限公司)	British Virgin Islands 14 October 2009	United States dollars ("USD")1	–	100	Investment holding
Starlet Creation Limited ("Starlet") (星河創建有限公司)	Hong Kong 7 July 2011	HK$1	–	100	Investment holding
Jodies Joy Limited ("Jodies Joy") (領興有限公司)	British Virgin Islands 21 July 2011	USD1	–	100	Investment holding
Sliver Pine Capital Limited ("Sliver Pine") (銀松資本有限公司)[5]	Seychelles 8 June 2015	USD50,000	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Company name	Place and date of incorporation/ registration and place of operations	Paid-up/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
Shandong Zhaojin Group Financial Company Limited ("Zhaojin Finance") (山東招金集團財務有限公司)[5]	PRC/Mainland China 1 July 2015	500,000	51	–	Financial service
Beijing Dongfang Yanjing Mining Engineering Design Company Limited ("Dongfang Yanjin") (北京東方燕京礦山工程設計有限公司)[4]	PRC/Mainland China 7 September 1994	3,000	60	–	Engineering Design and development
Yantai Dian Jing Cheng Chuan Investment Limited Partnership ("Dianjinchengchuan") (煙臺點金成川投資中心)[5]	PRC/Mainland China 22 May 2015	10,000	99.95	–	Investment
Jingyi Holding Group Limited ("Jingyi") (經易控股集團有限公司)[5]	PRC/Mainland China 1 January 2015	10,000	60	–	Investment holding

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

1. HZMI disposed of 80% equity interests of Beijing Zhongse to a third party during the year. Further details of this transaction are included in note 42 to the financial statements.

2. Jinhe merged 100% equity interests of Guihe during this year.

3. During the year, Jinshi acquired Ruiyin 63.86% equity interests of Ruiyin from a third party, which held 83% and 100% equity interests of Ruihai and Jinxiu respectively. The acquisition has been accounted for as an acquisition of assets. Further details of this acquisition are included in note 41 to the financial statements.

4. During the year, the Group acquired 60% equity interests of Dongfang Yanjing from a third party. The acquisition has been accounted for a business combination. Further details of this acquisition are included in note 40 to the financial statements.

5. During the year, the Group established Sliver Pine, Zhaojin Finance, Jingyi and Dianjinchengchuan with capital injection USD50,000, RMB255,000,000, RMB6,000,000, and RMB100,000 respectively.

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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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 2015. 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 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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 revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group does not have any acquisition of investment properties during the year and so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group is currently assessing the impact of the amendments and the adoption date has not been determined.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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 joint ventures (Continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss. 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 assets 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.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKRS 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 of the acquiree.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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.

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 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);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the 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, 15 to 30 years for non-mine specific**
Plant and machinery	10-15 years
Office equipment	5 years
Motor vehicles	6-10 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

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.

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

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 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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, mainly include commodity derivative contracts (standardised copper cathode futures 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 consolidated 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 joint 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 joint 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.

The liability recognised in the statement of financial position sheet in respect of early retirement plans is the present value of the post-employment benefit obligation at the end of the reporting period. The early retirement benefits obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the post-employment benefit obligation is determined by discounting the estimated future cash outflows using interest rates of the RMB denominated (the currency in which the benefits will be paid) PRC government bonds, and that have terms to maturity approximating to the terms of the related pension obligation. The net interest cost is calculated by applying the discount rate to the net balance of the post-employment benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 3.80% and 6.60% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional 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 RMB 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

Perpetual capital instruments

If the perpetual capital instruments are non-redeemable (or only be redeemable by the issuer's choice) and any interests distributed are discretionary, then the instruments are classified as equity. Distributions of interest from perpetual instruments in the equity are recognised as distribution of equity.

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 2015 was approximately RMB244,251,000 (2014: RMB345,535,000). Further details are contained in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(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 2015 was RMB 894,097,000 (2014: RMB932,792,000). Further details are contained in note 14 to the financial statements.

(c) Impairment of other intangible 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 other intangible assets and property, plant and equipment at 31 December 2015 was RMB21,570,219,000 (2014: RMB15,513,723,000).

(d) Post-employment benefit obligations

The present value of the early retirement benefits obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the early retirement benefit obligations. In determining the appropriate discount rate, the Group considers the interest rates of PRC government bonds that are denominated in RMB (the currency in which the benefits will be paid), and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for early retirement benefit obligations are based in part on current market conditions. Additional information is disclosed in note 34.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(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 2015, impairment losses in the amount of RMB26,677,000 (2014: Nil) have been recognised for available-for-sale financial assets. The carrying amount of available- for-sale assets as at 31 December 2015 was RMB21,746,000 (2014: RMB46,041,000).

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 a hotel, and catering operations.

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, derivative financial instruments for gold forward contracts, pledged deposits and other unallocated corporate assets as these assets are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (Continued)

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.

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

Year ended 31 December 2015

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Revenue from external customers	5,311,452	533,567	41,826	5,886,845
Segment results	1,109,878	19,776	(89,469)	1,040,185
Reconciliation:				
Interest income				40,661
Finance costs				(526,333)
Profit before tax				554,513
Segment assets	25,101,861	3,213,632	327,740	28,643,233
Reconciliation:				
Corporate and other unallocated assets				2,411,026
Total assets				31,054,259
Segment liabilities	2,836,632	248,220	451,428	3,536,280
Reconciliation:				
Corporate and other unallocated liabilities				13,876,865
Total liabilities				17,413,145

4. OPERATING SEGMENT INFORMATION (Continued)

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

Year ended 31 December 2015 (Continued)

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Other segment information				
Capital expenditure*	7,215,493	172,196	44,585	7,432,274
Investments in associates	268,914	–	–	268,914
Investment in a joint venture	–	131,857	–	131,857
Impairment losses recognised in the statement of profit or loss	243,181	4,112	27,233	274,526
Share of profits of				
– Associates	6,819	–	–	6,819
– A joint venture	–	(3,443)	–	(3,443)
Depreciation and amortisation	687,943	62,956	1,381	752,280
Write-off of other intangible assets	17,832	–	–	17,832
Fair value loss on equity investments at fair value through profit or loss	–	–	14,147	14,147
Fair value gain on commodity derivative contracts	1,382	–	–	1,382

* 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 2014

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Revenue from external customers	4,848,114	728,402	29,666	5,606,182
Segment results	952,815	245,813	(25,337)	1,173,291
Reconciliation:				
Interest income				24,139
Finance costs				(514,406)
Profit before tax				683,024
Segment assets	20,824,427	3,143,861	385,972	24,354,260
Reconciliation:				
Corporate and other unallocated assets				2,046,050
Total assets				26,400,310
Segment liabilities	2,432,534	239,365	15,734	2,687,633
Reconciliation:				
Corporate and other unallocated liabilities				13,962,713
Total liabilities				16,650,346

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014 (Continued)

	Gold operations *RMB'000*	Copper operations *RMB'000*	Others *RMB'000*	Total *RMB'000*
Other segment information				
Capital expenditure*	2,492,367	422,704	104,611	3,019,682
Investments in associates	268,251	–	–	268,251
Investment in a joint venture	–	135,300	–	135,300
Reversal for impairment of receivables	(3,156)	(72)	105	(3,123)
Impairment losses recognised in the statement of profit or loss	124,465	–	–	124,465
Share of profits of				
– Associates	6,597	–	–	6,597
– A joint venture	–	19,236	–	19,236
Depreciation and amortisation	626,977	52,879	11,362	691,218
Write-off of other intangible assets	600	–	–	600
Fair value loss on equity investments at fair value through profit or loss	(1,764)	–	10,131	8,367
Fair value loss on commodity derivate contracts, net	650	–	–	650

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

Geographical information

As over 98% of the assets of the Group are located in Mainland China and over 98% of the sales are made to Mainland China customers, no further geographical information has been presented.

Information about a major customer

Revenue of approximately RMB4,752,144,000 (81% of the total sales) (2014: RMB4,086,738,000, 72% of the total sales) was derived from sales by the gold operations segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2015 *RMB'000*	2014 *RMB'000*
Revenue		
Sale of goods:		
Gold	**5,240,201**	4,609,924
Copper	**471,830**	687,930
Silver	**46,977**	142,072
Sulphur	**66,192**	69,937
Other by-products	**69,789**	89,186
Rendering of services:		
Processing of gold and silver	**24,478**	69,685
Others	**44,305**	31,478
	5,963,772	5,700,212
Less:		
Government surcharges	**(76,927)**	(94,030)
Revenue	**5,886,845**	5,606,182
Other income and gains		
Government grants	**83,413**	39,840
Sales of auxiliary materials	**63,752**	74,600
Interest income	**40,661**	24,139
Gain on settlement of commodity derivative contracts	**97,159**	46,090
Gain on gold leasing business, net:	**–**	1,686
Others	**77,943**	73,785
Other income and gains	**362,928**	260,140

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank and other borrowings	**314,249**	328,057
Interest on short-term bonds	**103,021**	52,700
Interest on corporate bonds	**157,868**	139,422
Interest on gold leasing business	**75,421**	107,134
Subtotal	**650,559**	627,313
Less: Interest capitalised	**(127,661)**	(117,649)
Incremental interest on provisions	**3,435**	4,742
Total	**526,333**	514,406

7. PROFIT BEFORE TAX

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

	2015 RMB'000	2014 RMB'000
Cost of inventories sold and services provided	**3,655,753**	3,433,775
Staff costs (including Director's remuneration as set out in note 8):		
Wages and salaries	**633,868**	523,898
Early retirement benefits	**40,748**	28,197
Defined contribution fund:		
– Retirement costs	**112,761**	108,455
– Other staff benefits	**92,175**	79,587
Total staff costs	**879,552**	740,137

7. PROFIT BEFORE TAX (Continued)

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

	2015 RMB'000	2014 RMB'000
Auditors' remuneration	**2,700**	2,700
Amortisation of prepaid land lease payments*	**14,485**	16,415
Amortisation of other intangible assets*	**105,242**	111,189
Depreciation of property, plant and equipment	**632,553**	563,614
(Gain)/loss on disposal of items of property, plant and equipment	**(11,786)**	10,791
Operating lease rentals	**13,969**	17,302
Provision/(reversal) for impairment of receivables	**13,169**	(3,123)
Impairment loss of inventories	**30,476**	75,297
Impairment loss of loans receivable	**522**	–
Write-off of other intangible assets	**17,832**	600
Impairment loss of non-current assets	**230,359**	49,168
Fair value (gain)/loss, net:		
– Equity investments at fair value through profit or loss	**(14,147)**	8,367
– Commodity derivative contracts	**(1,382)**	650
Gain on settlement of commodity derivative contracts	**97,159**	46,090
Loss/(gain) on gold leasing business	**49,237**	(1,686)
Loss/(gain) on disposal of equity investments at fair value through profit or loss	**53,178**	(9,373)
(Gain)/loss on disposal of subsidiaries	**(1,207)**	2,454

* The amortisation of prepaid land lease payments and other intangible assets 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, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees:		
– Non-executive directors	**–**	–
– Independent non-executive directors	**640**	640
– Supervisors	**–**	–
	640	640
Salaries, allowances and benefits in kind	**466**	809
Performance related bonuses	**1,686**	1,660
Pension scheme contributions	**186**	104
	2,338	2,573
	2,978	3,213

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

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

For the year ended 31 December 2015

	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
Executive directors:					
– Weng Zhan Bin	–	188	658	30	876
– Li Xiu Chen	–	150	634	62	846
– Cong Jian Mao (appointed on 20 March 2015)	–	128	293	62	483
– Lu Dong Shang (resigned on 20 March 2015)	–	–	101	32	133
	–	466	1,686	186	2,338
Non-executive directors:					
– Liang Xin Jun	–	–	–	–	–
– Xu Xiao Liang	–	–	–	–	–
– Cong Jian Mao (resigned on 20 March 2015)	–	–	–	–	–
– Kong Fan He (resigned on 20 March 2015)	–	–	–	–	–
– Wu Yi Jian (appointed on 20 March 2015)	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Jin Ting	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Chu Yu Shan	–	–	–	–	–
	–	–	–	–	–
	–	466	1,686	186	2,338

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

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

For the year ended 31 December 2014

	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*
Executive directors:					
– Weng Zhan Bin	–	284	554	44	882
– Li Xiu Chen	–	234	537	49	820
– Lu Dong Shang (resigned on 20 March 2015)	–	170	569	11	750
	–	688	1,660	104	2,452
Non-executive directors:					
– Liang Xin Jun	–	–	–	–	–
– Cong Jian Mao (resigned on 20 March 2015)	–	–	–	–	–
– Xu Xiao Liang (appointed on 24 January 2014)	–	–	–	–	–
– Kong Fan He (resigned on 20 March 2015)	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Jin Ting	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Chu Yu Shan	–	121	–	–	121
	–	121	–	–	121
	–	809	1,660	104	2,573

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:

	2015 RMB'000	2014 RMB'000
Nie Feng Jun (appointed on 15 August 2014)	**160**	47
Ye Tian Zhu (resigned on 15 August 2014)	**–**	113
Cai Si Cong	**160**	160
Chen Jin Rong	**160**	160
Xie Ji Yuan	**160**	160
	640	640

There were no other emoluments payable to the independent non-executive directors during the year (2014: 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:

	2015	2014
Directors	**2**	3
Non-director and non-supervisor employees	**3**	2
	5	5

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

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

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**383**	399
Performance related bonuses	**1,698**	1,134
Pension scheme contributions	**187**	98
	2,268	1,631

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

(b) Five highest paid employees (Continued)

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

	Number of employees	
	2015	2014
Nil to HK$1,000,000 (Equivalent to RMB837,780)	**3**	1
HK$1,000,001 to HK$2,000,000 (Equivalent to RMB837,780 to RMB1,675,560)	**–**	1

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% (2014: 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% (2014: 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:

	2015	2014
	RMB'000	*RMB'000*
Current – Hong Kong	**–**	–
Current – Mainland China		
– Charged for the year	**134,921**	250,660
Deferred tax *(note 19)*	**20,009**	(74,377)
Total tax charge for the year	**154,930**	176,283

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:

	%	2015 RMB'000	%	2014 RMB'000
Profit before tax		**554,513**		683,024
Tax at the statutory tax rates	**25.0 or 16.5**	**143,456**	25.0 or 16.5	166,342
Reconciling items:				
Lower tax rates for specific entities	**(2.6)**	**(14,614)**	(3.2)	(21,975)
Expenses not deductible for tax	**0.9**	**4,955**	1.2	8,535
Income not subject to tax	**(4.8)**	**(26,600)**	(2.9)	(19,825)
Adjustment in respect of current tax of previous periods	**(5.4)**	**(29,749)**	(0.7)	(4,937)
Tax losses and temporary difference not recognised	**13.7**	**75,933**	9.2	63,036
Effect on opening deferred tax of decrease/(increase) in rate of certain subsidiaries	**0.5**	**2,773**	(1.0)	(6,837)
Tax losses utilised from previous periods	**(0.1)**	**(380)**	(0.2)	(1,598)
Profits and losses attributable to associates and a joint venture	**(0.2)**	**(844)**	(0.9)	(6,458)
Total tax charge for the year	**27.9**	**154,930**	25.8	176,283

The share of tax attributable to associates and a joint venture amounting to RMB2,212,000 (2014: RMB3,980,000) 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. DIVIDEND

	2015 RMB'000	2014 RMB'000
Ordinary:		
Proposed final – RMB0.04 per share (2014: RMB0.05 per share)	**118,633**	148,291

The board of directors recommends a cash dividend to all shareholders on the basis of RMB0.04 per share (tax included) (2014: RMB0.05 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.

11. 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 (2014: 2,965,827,000) 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 2015 and 2014, as no diluting events existed during these years.

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

	2015 ***RMB'000***	2014 *RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**308,140**	455,388

	2015 ***'000***	2014 *'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**	2,965,827

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2015

	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 2015	3,468,668	1,933,798	173,924	242,352	5,012,744	3,107,101	13,938,587
Additions	143,930	61,551	11,574	20,942	106,880	2,006,626	2,351,503
Transferred from CIP	701,911	262,166	93,157	1,234	1,113,658	(2,172,126)	–
Acquisition of a subsidiary *(note 40)*	–	–	341	808	–	–	1,149
Acquisition of a subsidiary not accounted as a business combination *(note 41)*	12,116	–	606	117	–	18,853	31,692
Disposal of a subsidiary *(note 42)*	–	–	(19)	(321)	–	–	(340)
Disposals/write-off	(7,715)	(61,409)	(1,705)	(7,255)	(11,677)	–	(89,761)
At 31 December 2015	4,318,910	2,196,106	277,878	257,877	6,221,605	2,960,454	16,232,830
Accumulated depreciation:							
At 1 January 2015	559,889	693,434	105,527	138,875	1,295,494	–	2,793,219
Charge for the year	158,360	170,586	21,172	21,756	260,679	–	632,553
Disposal of a subsidiary *(note 42)*	–	–	(19)	(312)	–	–	(331)
Disposals/write-off	(549)	(7,617)	(1,568)	(5,190)	(9,008)	–	(23,932)
At 31 December 2015	717,700	856,403	125,112	155,129	1,547,165	–	3,401,509
Impairment:							
At 1 January 2015	–	–	–	–	–	–	–
Charge for the year *(note 14)*	–	–	–	–	11,532	–	11,532
At 31 December 2015	–	–	–	–	11,532	–	11,532
Net book value:							
At 31 December 2015	3,601,210	1,339,703	152,766	102,748	4,662,908	2,960,454	12,819,789

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2014

	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 2014	3,007,605	1,737,582	157,113	225,637	4,450,811	2,169,831	11,748,579
Additions	57,627	114,047	18,564	22,557	41,548	2,098,283	2,352,626
Transferred from CIP	296,895	111,104	1,972	1,468	748,787	(1,160,226)	–
Reclassification	124,090	2,399	278	–	(126,767)	–	–
Disposal of subsidiaries	(8,895)	(11,064)	(1,321)	(1,560)	(67,104)	(787)	(90,731)
Disposals/write-off	(8,654)	(20,270)	(2,682)	(5,750)	(34,531)	–	(71,887)
At 31 December 2014	3,468,668	1,933,798	173,924	242,352	5,012,744	3,107,101	13,938,587
Accumulated depreciation:							
At 1 January 2014	490,714	556,395	87,922	115,737	1,022,302	–	2,273,070
Charge for the year	75,227	152,397	21,094	29,345	285,551	–	563,614
Reclassification	(565)	121	6	–	438	–	–
Disposal of subsidiaries	(1,000)	(6,086)	(723)	(1,393)	(2,345)	–	(11,547)
Disposals/write-off	(4,487)	(9,393)	(2,772)	(4,814)	(10,452)	–	(31,918)
At 31 December 2014	559,889	693,434	105,527	138,875	1,295,494	–	2,793,219
Net book value:							
At 31 December 2014	2,908,779	1,240,364	68,397	103,477	3,717,250	3,107,101	11,145,368

At 31 December 2015, certain of the Group's plant and machinery with a net carrying amount of approximately RMB114,580,000 (2014: RMB210,027,000) were pledged to secure certain of the Group's bank borrowings (note 31).

13. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**326,733**	321,194
Additions during the year	**199,523**	21,954
Acquisition of subsidiaries	**111,808**	–
Amortised during the year	**(14,485)**	(16,415)
Carrying amount at 31 December	**623,579**	326,733

The Group's leasehold lands are located in Mainland China. The Group were formally granted by the relevant PRC authorities certain rights to use the lands on which the Group's factories are erected and gold mines are located, for periods generally ranging between 10 and 50 years from the grant date.

At 31 December 2015, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB27,559,000 (2014: Nil) were pledged to secure certain of the Group's bank borrowings (note 31).

14. GOODWILL

	RMB'000
Cost at 1 January 2014, net of accumulated impairment	932,792
Cost and net carrying amount at 31 December 2014	932,792
At 31 December 2014:	
Cost	932,792
Accumulated impairment	–
Net carrying amount	932,792
Cost at 1 January 2015, net of accumulated impairment	**932,792**
Acquisition of a subsidiary *(note 40)*	**10,473**
Impairment during the year	**(49,168)**
Cost and net carrying amount at 31 December 2015	**894,097**
At 31 December 2015:	
Cost	**943,265**
Accumulated impairment	**(49,168)**
Net carrying amount	**894,097**

14. 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, except for certain subsidiaries which cannot enjoy the benefit from the synergies arising from each acquisition due to specific production and technical information.

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 10%-12% (2014: 11%-13%).

Assumptions were used in the value in use calculation for 31 December 2015 and 2014. 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. During the year, an impairment loss of RMB49,168,000 was recognised in the consolidated statement of profit or loss as other expense, in respect of the goodwill resulted from the acquisition of a subsidiary of the Group, Qinghe Jindu Company Mining Ltd ("Qinghe Mining"). During the impairment test, Qinghe Mining was considered as a separate cash-generating unit ("Qinghe Mining CGU") due to different its production and technical condition compared with other subsidiaries in gold production segment. The impairment charges are driven by the lower recoverable amount of Qinghe Mining CGU resulting in the directors' reassessment of proved and probable mining reserves and the grade of gold mine taken the recent production and technical information of Qinghe Mining into consideration.

The recoverable amount of Qinghe Mining CGU has been determined based on fair value, which referred from a recent quoted market price, less cost of disposal. The carrying amount of Qinghe Mining CGU was determined to be lower than its recoverable amount of RMB691,036,000 and an impairment loss of goodwill RMB49,168,000 (2014: Nil) was recognised. Except for goodwill, the impairment losses were allocated to property plant and equipment of Qinghe Mining CGU amounting to RMB11,532,000 (2014: Nil), and other intangible assets of Qinghe Mining CGU amounting to RMB124,182,000 (2014: RMB49,168,000) respectively.

15. OTHER INTANGIBLE ASSETS

31 December 2015

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Software RMB'000	Total RMB'000
Cost:				
At 1 January 2015	2,622,848	2,519,266	–	5,142,114
Additions	57,864	31,082	2,497	91,443
Acquisition of a subsidiary *(note 40)*	–	–	711	711
Acquisition of a subsidiary not account for as a business combination *(note 41)*	4,633,971	–	–	4,633,971
Transfer to property, plant and equipment	(68,853)	–	-	(68,853)
Disposal of a subsidiary *(note 42)*	(9,142)	–	–	(9,142)
Write-off	(17,534)	(298)	–	(17,832)
At 31 December 2015	7,219,154	2,550,050	3,208	9,772,412
Accumulated amortisation:				
At 1 January 2015	31,910	692,681	–	724,591
Provided during the year	10,293	94,710	238	105,241
At 31 December 2015	42,203	787,391	238	829,832
Impairment:				
At 1 January 2015	–	49,168	–	49,168
Provided during the year*	18,800	124,182	–	142,982
At 31 December 2015	18,800	173,350	–	192,150
Net book value:				
At 31 December 2015	7,158,151	1,589,309	2,970	8,750,430

* During the year, the impairment losses of other intangible assets are related to Qinghe Ming CGU of RMB124,182,000 (2014: RMB49,168,000) (note 14) and the certain exploration rights of RMB18,800,000 (2014: Nil) respectively.

15. OTHER INTANGIBLE ASSETS (Continued)

31 December 2014

	Exploration rights and assets *RMB'000*	Mining rights and reserves *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2014	2,054,089	2,506,900	4,560,989
Additions	84,179	12,966	97,145
Acquisition of a subsidiary	547,957	–	547,957
Transfer to property, plant and equipment	(36,489)	–	(36,489)
Disposal of subsidiaries	(26,888)	–	(26,888)
Write-off	–	(600)	(600)
At 31 December 2014	2,622,848	2,519,266	5,142,114
Accumulated amortisation:			
At 1 January 2014	39,113	580,184	619,297
Provided during the year	(1,308)	112,497	111,189
Disposal of subsidiaries	(5,895)	–	(5,895)
At 31 December 2014	31,910	692,681	724,591
Impairment:			
At 1 January 2014	–	–	–
Provided during the year	–	49,168	49,168
At 31 December 2014	–	49,168	49,168
Net book value:			
At 31 December 2014	2,590,938	1,777,417	4,368,355

At 31 December 2015, certain of the Group's other intangible assets with a net carrying amount of approximately RMB33,010,000 (2014: Nil) were pledged to secure certain of the Group's bank borrowings (note 31).

16. INVESTMENT IN A JOINT VENTURE

	2015 RMB'000	2014 RMB'000
Share of net assets	**131,857**	135,300

The Group's trade transactions with the joint venture are disclosed in note 45 to the financial statements.

Particulars of the Group's material 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 metals; 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.

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:

	2015 RMB'000	2014 RMB'000
Current assets	**54,910**	44,928
Non-current assets	**358,721**	387,217
Current liabilities	**(105,968)**	(121,545)
Non-current liabilities	**(43,949)**	(40,000)
Net assets	**263,714**	270,600

16. INVESTMENT IN A JOINT VENTURE (Continued)

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

	2015 RMB'000	2014 RMB'000
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture	**131,857**	135,300
Carrying amount of the investment	**131,857**	135,300
Revenue	**110,061**	122,683
Other income	**2,719**	872
	112,780	123,555
Total expenses	**(119,666)**	(82,095)
Tax	**–**	(2,988)
(Loss)/profit and total comprehensive income for the year	**(6,886)**	38,472
Dividend received	**–**	–

17. INVESTMENTS IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	**208,315**	207,652
Goodwill on acquisition	**60,599**	60,599
	268,914	268,251

The Group's trade payables balances and transactions with the associates are disclosed in note 28 and note 45 to the financial statements.

17. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the material 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	38.50%	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

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for JBHL, the shareholding in which is held through a wholly-owned subsidiary of the Company.

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

	2015 ***RMB'000***	2014 *RMB'000*
Share of the associates' profit for the year	**6,819**	6,597
Share of the associates' total comprehensive income	**6,819**	6,597
Aggregate carrying amount of the Group's investments in the associates	**268,914**	268,251

18. AVAILABLE-FOR-SALE INVESTMENTS

	2015 ***RMB'000***	2014 *RMB'000*
Listed equity investments, at fair value:		
– Australia	**–**	24,295
Unlisted equity investments, at cost:		
– Mainland, China	**21,746**	21,746
– Australia	**26,677**	–
Less: impairment	**(26,677)**	–
	21,746	21,746
Total	**21,746**	46,041

19. DEFERRED TAX

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

31 December 2015

	At 1 January *RMB'000*	(Charged)/ credited to profit or loss *(note 9)* *RMB'000*	Credited to other comprehensive income *RMB'000*	At 31 December *RMB'000*
Deferred tax assets:				
Difference on tax depreciation and book value				
– Property, plant and equipment	32,413	4,356	–	36,769
Provision for early retirement and rehabilitation	23,278	(483)	5,484	28,279
Deferred income	103,271	(85,114)	–	18,157
Losses available for offsetting against future taxable profits	32,921	23,352	–	56,273
Other temporary differences				
– Fair value change from commodity derivative contracts	2,634	(2,841)	–	(207)
– Unrealised profit	17,533	(10,686)	–	6,847
– Inventory provision	10,668	(7,388)	–	3,280
– Others	122,817	(27,964)	–	94,853
Deferred tax assets	345,535	(106,768)	5,484	244,251
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	(463,332)	83,674	–	(379,658)
Difference on tax depreciation and book value				
– Other intangible assets	(72,157)	(27,918)	–	(100,075)
Fair value change from:				
– Equity investments at fair value through profit or loss	(325)	325	–	–
– Gold leasing business and gold forward contracts	(30,678)	30,678	–	–
Deferred tax liabilities	(566,492)	86,759	–	(479,733)
Total	(220,957)	(20,009)	5,484	(235,482)

19. DEFERRED TAX (Continued)

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

31 December 2014

	At 1 January *RMB'000*	(Charged)/ credited to profit or loss *(note 9)* *RMB'000*	Disposal of subsidiaries *RMB'000*	At 31 December *RMB'000*
Deferred tax assets:				
Difference on tax depreciation and book value				
– Property, plant and equipment	45,735	(1,807)	(11,515)	32,413
Provision for early retirement and rehabilitation	21,854	1,424	–	23,278
Deferred income	79,061	24,210	–	103,271
Losses available for offsetting against future taxable profits	17,329	15,592	–	32,921
Other temporary differences				
– Fair value change from commodity derivative contracts	1,670	964	–	2,634
– Unrealised profit	7,658	9,875	–	17,533
– Inventory provision	14,696	(4,028)	–	10,668
– Others	123,120	(296)	(7)	122,817
Deferred tax assets	311,123	45,934	(11,522)	345,535
Deferred tax liabilities:				
Fair value adjustments arising from acquisition of subsidiaries	(537,753)	74,421	–	(463,332)
Difference on tax depreciation and book value				
– Other intangible assets	(54,329)	(19,336)	1,508	(72,157)
Other temporary differences				
Fair value change from:				
– Equity investments at fair value through profit or loss	–	(325)	–	(325)
– Gold leasing business and gold forward contracts	(4,361)	(26,317)	–	(30,678)
Deferred tax liabilities	(596,443)	28,443	1,508	(566,492)
Total	(285,320)	74,377	(10,014)	(220,957)

At 31 December 2015, there was no significant unrecognised deferred tax liability (2014: 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.

19. DEFERRED TAX (Continued)

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 RMB498,522,000 as at 31 December 2015 (2014: RMB434,136,000) 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.

20. LOANS RECEIVABLE

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
Loans receivable due from			
– a joint venture	(a)	**73,000**	65,000
– an associate	(a)	**7,000**	5,000
– a subsidiary of Zhaojin Group	(b)	**20,000**	–
– third parties	(c)	**130,870**	2,000
		230,870	72,000
Less: impairment		**(522)**	–
		230,348	72,000
Less: Due within 12 months		**(222,348)**	(35,000)
Due after 12 months		**8,000**	37,000

(a) Pursuant to the entrustment loan agreements, the Company extended loans to a joint venture and an associate through a bank. The loans are unsecured, bear interest at fixed rates ranging from 4.35% to 4.75% per annum and have maturity dates from 2016 to 2017.

(b) On 7 September 2015, Zhaojin Finance, a subsidiary of the Group, signed a loan agreement to provide a loan of RMB20,000,000 (2014: Nil) to a subsidiary of Zhaojin Group. The loan is guaranteed by Zhaojin Group, bears interest at a fixed rate of 4.35% per annum and has maturity dates on 7 September 2016.

(c) On 26 June 2015, the Company signed an entrusted loan agreement to provide a loan of RMB130 million to a third party through a bank. The loan is unsecured, bears interest at a fixed rate of 4.35% per annum and has a maturity date on 26 June 2016.

21. LONG-TERM DEPOSITS

Long-term deposits represent utilities and environmental rehabilitation deposits paid to service providers and the government respectively. The amounts were not expected to be refunded within the next 12 months as at 31 December 2015.

22. OTHER LONG-TERM ASSETS

	2015	2014
	RMB'000	*RMB'000*
Advances and deposits paid for acquisitions of subsidiaries and exploration rights	**445,717**	2,552,600
Advance payments for purchases of property, plant and equipment	**158,975**	261,546
Long-term prepaid expenses	**44,987**	25,385
	649,679	2,839,531

The outstanding commitments in relation to the above acquisitions and purchases are disclosed in note 44.

23. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**123,289**	123,608
Work in progress	**3,264,693**	3,040,272
Finished goods	**110,913**	92,763
	3,498,895	3,256,643
Less: impairment	**(59,712)**	(84,363)
	3,439,183	3,172,280

24. TRADE AND NOTES RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**51,106**	57,026
Notes receivable	**16,021**	45,543
	67,127	102,569

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

	2015 RMB'000	2014 RMB'000
Outstanding balances due within 1 year	**39,143**	56,875
Outstanding balances due within 1 to 2 years	**14,026**	3,925
Outstanding balances due within 2 to 3 years	**1,387**	–
	54,556	60,800
Less: provision for impairment of trade receivables	**(3,450)**	(3,774)
	51,106	57,026

The movements in provision for impairment are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	**3,774**	8,579
Impairment losses recognised	**637**	–
Impairment losses reversed	**(961)**	(4,805)
At end of year	**3,450**	3,774

24. TRADE AND NOTES RECEIVABLES (Continued)

Trade and notes receivables are non-interest-bearing. As 81% (2014: 72%) of the sales of the Group for the year ended 31 December 2015 were made through the SGE without specific credit terms, there were no significant receivables that were overdue or impaired.

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

	2015 RMB'000	2014 RMB'000
Amounts due from related parties		
– Subsidiaries of Zhaojin Group	**20,147**	20,165

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments	**119,450**	347,645
Other receivables	**395,626**	491,906
	515,076	839,551
Less: impairment	**(43,119)**	(29,832)
	471,957	809,719

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

	2015 RMB'000	2014 RMB'000
Amounts due from related parties:		
– Zhaojin Group	**4,378**	1,805
– Subsidiaries of Zhaojin Group	**294**	8,645
	4,672	10,450

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

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

There are no significant balances that are overdue or impaired except for the impairment of other receivables. Movements in the provision for impairment of other receivables are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**29,832**	28,150
Impairment losses recognised	**32,989**	3,939
Impairment losses reversed	**(19,496)**	(2,257)
Amount written off as uncollectible	**(206)**	–
At 31 December	**43,119**	29,832

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RMB'000	2014 RMB'000
Listed equity investments, at market value	**164,055**	23,412

27. CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**1,914,032**	1,254,416
Time deposits	**252,743**	388,888
	2,166,775	1,643,304
Less: Pledged time deposits		
– Pledged for environment governance	**(42,539)**	–
– Pledged for short-term bank loans	**(58,634)**	(229,532)
– Required reserve deposits*	**(23,306)**	–
– Pledged for bills payable	**(9,093)**	(58,856)
– Pledged for gold leasing business	**–**	(100,000)
	2,033,203	1,254,916

* Required reserve deposits amounting to RMB23,306,000 (2014: Nil) are placed by Zhaojin Finance, with People's Banks of China ("PBOC"). The reserve deposits with the PBOC are not available for use in the Group's daily operation.

27. CASH AND CASH EQUIVALENTS (Continued)

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK$") amounted to RMB431,885,000 (2014: RMB25,609,000) and those denominated in USD amounted to RMB61,444,000 (2014: RMB20,747,000). 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.

28. TRADE AND NOTES PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**570,845**	440,832
Notes payable	**12,431**	38,308
	583,276	479,140

At 31 December 2015, the balance of trade and notes 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 and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	**534,854**	444,172
Over one year but within two years	**24,738**	14,369
Over two years but within three years	**12,319**	6,946
Over three years	**11,365**	13,653
	583,276	479,140

28. TRADE AND NOTES PAYABLES (Continued)

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

	2015 *RMB'000*	2014 *RMB'000*
Amounts due to related parties		
– An associate – Aletai	**4,820**	6,209
– Subsidiaries of Zhaojin Group	**27,644**	15,473
	32,464	21,682

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.

29. OTHER PAYABLES AND ACCRUALS

	2015 *RMB'000*	2014 *RMB'000*
Accrued taxes other than income tax	**214,878**	238,280
Accrued expenses and other payables	**584,448**	551,705
Payable of cash consideration from acquisition of a subsidiary *(note 41)*	**172,500**	–
Capital expenditure payables	**842,619**	751,218
	1,814,445	1,541,203

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

	2015 *RMB'000*	2014 *RMB'000*
Amounts due to related parties		
– Zhaojin Group	**3,276**	4,266
– Subsidiaries of Zhaojin Group	**39,888**	20,784
	43,164	25,050

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

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

30. DERIVATIVE FINANCIAL INSTRUMENTS/FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2015 RMB'000	2014 RMB'000
Derivative financial instruments:			
– Gold forward contracts	(a)	–	57,211
– Commodity derivative contracts	(b)	1,382	–
Financial liabilities at fair value through profit or loss:			
Gold leasing business	(a)	–	3,709,702
Derivative financial liabilities:			
– Gold forward contracts	(a)	–	106,189
– Commodity derivative contracts	(b)	–	11,445
		–	3,827,336

(a) In the previous years, 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. At the same time, the Group 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.

In 2015, after the termination of the previous gold lease contract with the banks, the Group changed the settlement approach with the banks for those newly signed gold lease contracts to return the same quantity of gold to the banks at a fixed repayment amount on the contract maturity date. Accordingly, the risk of gold price fluctuation during the gold leasing period is burdened by the banks rather than by the Group. So the Group recorded the disposal proceeds through the SGE of all gold leased from the banks under interest-bearing banks and other borrowings. Please refer to note 31 to the consolidated financial statements.

As at 31 December 2015, unrealised gains on changes in fair value of the financial liabilities at fair value through profit or loss were nil (31 December 2014: RMB171,690,000), unrealised losses on changes in fair value arising from derivative financial liabilities was nil (31 December 2014: RMB106,189,000), and unrealised gains on changes in fair value arising from derivative financial assets were nil (31 December 2014: RMB57,211,000).

(b) The Group uses commodity derivative contracts to hedge its commodity price risk, which do not meet the criteria of hedge accounting. As at 31 December 2015, commodity derivative contracts utilised by the Group are gold futures contracts on the SHFE and Au(T+D) contracts on the SGE.

The unrealised loss on commodity derivative contracts was nil debited to other expenses during the year (2014: RMB650,000), and the unrealised gain on commodity derivative contracts was RMB1,382,000 (31 December 2014: nil).

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2015			2014		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans-secured	(b)	**2.12-4.60**	**2016**	**127,648**	1.37-6.06	2015	297,665
Bank loans-guaranteed	(c)	**4.35-4.60**	**2016**	**230,000**	6.00-6.16	2015	370,000
Bank loans-unsecured		**4.13-5.10**	**2016**	**2,104,467**	5.46-6.15	2015	2,148,735
Gold leasing business – unsecured *(note 30)*		**2.10-4.20**	**2016**	**2,566,405**	–	–	–
Other borrowings – unsecured	(d)	**2.55-7.00**	**2016**	**998,827**	2.55-6.06	2015	900,708
Short-term bonds – unsecured		**3.3-4.48**	**2016**	**1,997,321**	5.30	2015	998,926
				8,024,668			4,716,034
Non-current							
Bank loans-secured	(b)	**4.80-5.00**	**2019-2021**	**208,880**	–	–	–
Bank loans-guaranteed	(c)	**2.39**	**2018**	**650,690**	6.40	2017	33,000
Bank loans-unsecured		**4.75**	**2017-2018**	**765,800**	6.15-6.42	2016-2019	1,132,140
Other borrowings – unsecured		**2.55-5.46**	**2017-2021**	**107,279**	2.55-7.00	2016-2021	1,008,847
				1,732,649			2,173,987
				9,757,317			6,890,021

Notes:

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

	2015 *RMB'000*	2014 *RMB'000*
Banking facilities:		
– Available	**21,320,000**	14,245,000
– Utilised	**(9,219,000)**	(9,874,000)
Unutilised	**12,101,000**	4,371,000

(b) Certain of the Group's bank loans are secured by mortgages over the Group's plant and machinery, prepaid land lease payments, other intangible assets and pledged deposits, which had aggregate carrying values at the end of the reporting period of approximately RMB114,580,000 (2014:RMB210,027,000) (note12), RMB27,559,000 (2014:Nil) (note13), RMB33,010,000 (2014:Nil) (note15) and RMB58,634,000 (2014: RMB229,532,000) (note 27), respectively.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(c) As at 31 December 2015, bank loans of the subsidiaries with carrying amounts of RMB880,690,000 guaranteed by the Company (2014:RMB215,650,000, RMB37,350,000 and RMB150,000,000 guaranteed by the Company, a non-controlling shareholder of a subsidiary and another subsidiary of the Company, respectively).

(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.

As at 31 December 2015, except for secured and guaranteed bank loans of RMB671,596,000 and RMB32,742,000 (2014: RMB237,901,000 and RMB30,764,000) denominated in Hong Kong dollars and United States dollars, respectively, all borrowings were denominated in RMB.

	2015 ***RMB'000***	2014 *RMB'000*
Analysed into:		
Bank loans and short-term bond repayable:		
Within one year or on demand	**4,459,436**	3,815,326
In the second year	**667,600**	538,000
In the third to fifth years, inclusive	**915,770**	627,140
Beyond five years	**42,000**	–
	6,084,806	4,980,466
Other borrowings repayable:		
Within one year	**998,827**	900,708
In the second year	**708**	997,063
In the third to fifth years, inclusive	**101,998**	2,125
Beyond five years	**4,573**	9,659
	1,106,106	1,909,555
Gold leasing business repayable:		
Within one year	**2,566,405**	–
	9,757,317	6,890,021

32. CORPORATE BONDS

On 23 December 2009, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.5 billion (the "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. Till 23 December 2014, no bonds were redeemed by the bond holders, and the maturity date of the 2009 Zhaojin Bond is 22 December 2016.

On 16 November 2012, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.2 billion (the "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.

On 29 July 2015, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB0.95 billion (the "2014 Zhaojin Bond"). The bond carries interest at 3.8% per annum with a term of five years, which is payable annually in arrears on 29 July each year. According to the offering memorandum of the 2014 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 third years since 29 July 2015.

	2015 ***RMB'000***	2014 *RMB'000*
Corporate bonds at the beginning of the year	**2,690,309**	2,686,046
Corporate bonds issued during the year	**943,350**	–
Increase arising from the amortisation method	**6,156**	4,263
Corporate bonds at the end of the year	**3,639,815**	2,690,309
Current	**1,498,997**	–
Non-current	**2,140,818**	2,690,309
	3,639,815	2,690,309

As at 31 December 2015, the bonds issued with a carrying amount of RMB3,639,815,000 are guaranteed by the Zhaojin Group.

33. DEFERRED INCOME

Deferred income represents unconditional government grants received in respect of property, plant and equipment and geological exploration activities. The movements in deferred income during the year are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	415,745	335,534
Received during the year	132,038	120,051
Recognised as income during the year	(83,413)	(39,840)
At end of year	464,370	415,745

34. PROVISIONS

	Notes	2015 RMB'000	2014 RMB'000
Post-employment benefit obligations:			
Early retirements	(a)	121,225	84,651
Rehabilitation	(b)	9,652	8,461
		130,877	93,112
Current		28,539	24,504
Non-current		102,338	68,608
		130,877	93,112

34. PROVISIONS (Continued)

(a) 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. The obligation has no defined benefit plan asset.

The Group's obligations in respect of post-employment benefit-early retirement at the end of the reporting period were computed by an independent actuary, Towers Watson Management Consulting (Shanghai) Co., Ltd., which is a member of the Society of Actuaries of the United States of America at 31 December 2015, using the projected cumulative unit credit method.

The significant actuarial assumptions used as at the end of the reporting period are as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Discount rate (%)	**3.00**	3.75
Pension growth rate (%)		
– Before 2020 (including 2020)	**–**	–
– After 2021	**2.00**	2.00

Mortality: Average life expectancy of residents in the Mainland China.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2015 is shown below:

	Increase in rate **%**	**(Decrease)/ increase in net early retirements** *RMB'000*	**Decrease in rate** **%**	**(Increase)/ decrease in net early retirements** *RMB'000*
Discount rate	0.25	(904)	0.25	(919)
Pension growth rate	0.50	1,632	0.50	N/A*

* Since the pension growth rate assumption is already zero in actuarial valuations before 2020. Therefore, only the results with a 0.5% increase in the pension growth rate are provided.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the post-employment obligation to significant actuarial assumptions, the same method (present value of the post-employment obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating post-employment obligations recognised on the statement of financial position.

34. PROVISIONS (Continued)

(a) (Continued)

The methods and types of assumptions used in preparing the sensitivity analysis did not change.

The movements in the present value of the post-employment obligations are as follows:

	2015 *RMB'000*	2014 *RMB'000*
At beginning of year	**84,651**	79,341
Statement of profit or loss charge for employment benefit		
– additional early retirees	**40,748**	28,197
– interest increment *(note 6)*	**2,941**	4,440
Remeasurement losses recognized in the statement of other comprehensive income	**21,936**	–
Utilised during the year	**(29,051)**	(27,327)
At end of year	**121,225**	84,651
Current	**28,539**	24,504
Non-current	**92,686**	60,147
	121,225	84,651

Analysis of expected maturity of undiscounted post-employment benefits:

At 31 December 2015	**Less than 1 year** *RMB'000*	**Between 1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Early retirement benefits	28,539	73,812	28,793	131,144

(b) 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 2 to 81 years.

The movements in the present value of the provision for rehabilitation are as follows:

	2015 *RMB'000*	2014 *RMB'000*
At beginning of year	**8,461**	8,076
Interest increment *(note 6)*	**494**	302
Change in discount rate	**697**	83
At end of year	**9,652**	8,461
Current	**–**	–
Non-current	**9,652**	8,461
	9,652	8,461

35. DEPOSITS FROM CUSTOMERS

	2015	2014
	RMB'000	*RMB'000*
Demand deposits	**399,248**	–
Notice deposits	**11,000**	–
	410,248	–

As at 31 December 2015, deposits from customers represented the deposits which were placed in Zhaojin Finance, a subsidiary of the Group. The deposit annual interest rates are from 0.42% to 1.62% per annum and the deposits will be repaid upon the demand and notice of the customers.

The balances due to related parties included in deposits from customers are as follows:

	2015	2014
	RMB'000	*RMB'000*
Amounts due to related parties		
– Zhaojin Group	**59,249**	–
– Subsidiaries of Zhaojin Group	**344,877**	–
	404,126	–

36. OTHER LONG-TERM LIABILITIES

As at 31 December 2015, the current and non-current portions of other long-term liabilities amounting to RMB90,000,000 and RMB22,515,000 (2014: Nil) represent the payable for the commitment of profit distribution to non-controlling shareholders of a subsidiary of the Group, which will be settled in the next 6 years.

37. SHARE CAPITAL

	2015	2014
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
Domestic 2,091,481,195 (2014: 2,091,481,195) domestic shares of RMB1.00 each	**2,091,481**	2,091,481
H 874,346,000 (2014: 874,346,000) H shares of RMB1.00 each	**874,346**	874,346
	2,965,827	2,965,827

38. PERPETUAL CAPITAL INSTRUMENTS

On 18 March 2015 and 7 July 2015, the Company issued perpetual capital instruments to institutional investors in the PRC inter bond market with par value of RMB500,000,000 at a fixed initial distribution rate of 5.90% per annum and RMB1,600,000,000 at a fixed initial distribution rate of 5.20% per annum, respectively. Proceeds from issuance net of issuance expense are RMB2,083,200,000 in aggregate. The perpetual capital instruments have no fixed maturity and are callable only at the Company's option. On the fifth and each of the subsequent distribution payment dates of the perpetual capital instruments, the Company is entitled to redeem the perpetual capital instruments at par value together with any accrued, unpaid or deferred coupon distribution payments. If the Group does not exercise the right of redemption, from the beginning of the first six years of distribution bearing, the coupon distribution rate will be reset every five years to a percentage per annum equal to the sum of (a) the initial spread, (b) the five-year China Government Bond rate, and (c) a margin of 3%. While any coupon distribution payments are unpaid or deferred, the Company cannot declare or pay dividends or reduce the registered capital of the Company.

Pursuant to the terms of perpetual capital instruments, the Company has no contractual obligation to repay their principal or to pay any coupon distribution. The perpetual capital instruments do not meet the definition of financial liabilities according to *HKAS 32 Financial Instruments: Presentation*, and are classified as equity and subsequent distribution declared will be treated as distribution to equity owners.

39. RESERVES

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.

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, which amounted 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 amounting to 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.

In December 2015, the Company recognised the commitment of profit distribution to non-controlling shareholders amounting to RMB142,516,000 to debit the capital reserve.

39. RESERVES (Continued)

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 COMBINATION

On 30 July 2015, the Group completed an acquisition of 60% equity interests in Dongfang Yanjing, an unlisted company incorporated in the PRC and engaged in mining engineering design and development, at a consideration of RMB10,137,000 satisfied in cash. The acquisition was made as part of the Group's strategy to expand the gold and copper business in 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.

40. BUSINESS COMBINATION (Continued)

The provisional fair values of the identifiable assets and liabilities of Dongfang Yanjing at the date of acquisition were:

	Provisional fair value recognised on acquisition *RMB'000*
Assets	
Cash and cash equivalents	574
Other receivables	483
Trade and receivables	7,672
Other intangible assets	711
Property, plant and equipment *(note 12)*	1,149
	10,589
Liabilities	
Interest-bearing bank and other borrowings	(5,000)
Trade payables	(903)
Other payables and accruals	(4,661)
Tax payable	(361)
	(10,925)
Net assets	(336)
Non-controlling interest (40% of the net asset fair value)	–
Total net assets acquired	(336)
Goodwill on acquisition	10,473
Satisfied by cash	10,137

The assessment of the fair value of the identifiable assets and liabilities of Dongfang Yanjing is still undergoing and the information of the fair values of the identifiable assets and liabilities is provisional at the date of the approval of these consolidated financial statements. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 December 2016.

The fair value of the trade receivables and other receivables as at the date of acquisition amounted to RMB7,672,000 and RMB483,000 respectively. The gross contractual amounts of the trade receivables and other receivables were RMB7,672,000 and RMB483,000, respectively, of which none of these receivables are expected to be uncollectible.

40. BUSINESS COMBINATION (Continued)

The Group did not incur transaction cost for the acquisition. None of the goodwill recognised is expected to be deductible for income tax purpose.

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	RMB'000
Cash consideration	10,137
Cash and cash equivalents acquired	(574)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	9,563

Since the acquisition, Dongfang Yanjing contributed RMB12,817,000 to the Group's revenue and RMB1,521,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB5,911,483,000 and RMB403,256,000 respectively.

41. ACQUISITION OF A SUBSIDIARY NOT ACCOUNTED FOR AS A BUSINESS COMBINATION

On 18 December 2015, the Group completed an acquisition of 63.86% equity interests in Ruiyin, a company incorporated in the PRC, at a cash consideration of RMB2,722.5 million. The acquisition was made as part of the Group's strategy to expand the gold business in China.

The above acquisition has been accounted for an acquisition of assets in the Group's consolidated financial statements. The purchase cost of the Group is allocated to the assets and liabilities, respectively on the basis of their relative fair values at the date of purchase.

The allocation of the purchase cost on the basis of the relative fair values of the assets and liabilities acquired as at the date of the purchase are as follows:

	Allocation of purchase cost *RMB'000*
Other intangible assets *(note 15)*	4,633,971
Prepaid land lease payments *(note 13)*	111,808
Property, plant and equipment *(note 12)*	31,692
Cash and cash equivalents	16,319
Other assets	26,559
Liabilities	(557,117)
Non-controlling interest	(1,540,732)
	2,722,500
Satisfied by cash	2,722,500

41. ACQUISITION OF A SUBSIDIARY NOT ACCOUNTED FOR AS A BUSINESS COMBINATION (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition is as follows:

	RMB'000
Cash consideration	2,722,500
Cash and cash equivalents acquired	(16,319)
Prepayment paid in 2014	(1,200,000)
Unsettled payables as at 31 December 2015	(172,500)
Net outflow of cash and cash equivalents in respect of the acquisition	1,333,681

From the date of acquisition, the results of the newly acquired subsidiary have no significant impact on the Group's consolidated revenue or net profit for the year ended 31 December 2015.

42. DISPOSAL OF A SUBSIDIARY

On 8 December 2014, HZMI, a subsidiary of the Group, entered into an equity transfer agreement to dispose of its 80% equity interest in Beijing Zhongse, for a total consideration of RMB8,000,000. Subsequent to the completion of the equity transfers on 19 June 2015, as the Group lost the control over the board of directors as well as the operating and financial policies decision of Beijing Zhongse, Beijing Zhongse was not a subsidiary of the Group any more.

The net assets of Beijing Zhongse disposed during the year were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment *(note 12)*	9
Other intangible assets *(note 15)*	9,142
Cash and cash equivalents	6
Other assets	8,724
Other liabilities	(6,399)
Non-controlling interest	(4,689)
	6,793
Gain on disposal of a subsidiary *(note 7)*	1,207
	8,000
Satisfies by cash	8,000

42. DISPOSAL OF A SUBSIDIARY (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	**8,000**
Cash and cash equivalents being disposed of	**(6)**
Unsettled receivables as at 31 December 2015	**(4,000)**
Net inflow of cash and cash equivalents in respect of the disposal	**3,994**

43. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

(a) Guarantees

	2015 *RMB'000*	2014 *RMB'000*
Guarantees provided to banks for loan facilities granted to subsidiaries:		
– TCM	**200,000**	100,000
– Xingta	**–**	50,000
– Baiyun Mining	**16,500**	45,650
– Yuantong	**–**	20,000
	216,500	215,650

(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.

44. COMMITMENTS

(a) Capital commitments

	2015	2014
	RMB'000	*RMB'000*
Contracted, but not provided for:		
– Property, plant and equipment	**64,218**	180,713
– Prepayment for potential acquisitions	**1,808,243**	1,477,500
	1,872,461	1,658,213

(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 under non-cancellable operating leases are as follows:

	2015	2014
	RMB'000	*RMB'000*
Within one year	**7,868**	8,339
In the second to fifth years, inclusive	**8,658**	14,440
After five years	**8,000**	9,000
	24,526	31,779

45. 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:

	2015 RMB'000	2014 RMB'000
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Payment of rental of land use rights	6,533	4,435
– Brokerage service fees	3,849	3,000
Others:		
– Increase in deposits from customers, net	59,249	–
– Interest expense in deposits from customers	356	–
(ii) Subsidiaries of Zhaojin Group		
Sales of silver	7,000	77,174
Expenses:		
– Fees for refining services	7,413	4,490
– Brokerage service fees	297	295
Capital transactions:		
– Purchase of materials	84,361	64,202
– Purchase of exploration services	35,723	46,966
– Purchase of digital mine construction technology services	15,943	26,469
– Purchase of water treatment engineering services and relevant necessary super filter membrane and equipment	6,830	7,473
Others:		
– Loans to related parties	360,000	–
– Interest income from loans to related parties	3,512	–
– Increase in deposits from customers, net	344,877	–
– Interest expense in deposits from customers	756	–
(iii) Associate – Aletai		
– Purchase of gold concentrates	98,687	105,615
(iv) Joint venture – Sanfengshan		
– Purchase of copper concentrates	113,565	118,678
– Entrusted loans	8,000	10,000
– Interest income	4,578	4,535
(v) A subsidiary of an associate – Shandong Wucailong Investment Company Limited		
– Entrusted loans	2,000	–
– Interest income	346	359

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.

45. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

(i) Details of the Group's loans due from its associate, joint venture and a subsidiary of Zhaojin Group as at the reporting period are included in note 20 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 24 and 28 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 25, 29 and 35 to the financial statements.

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

	2015	2014
	RMB'000	*RMB'000*
Short-term employee benefits	**5,420**	4,742
Post-employment benefits	**–**	–
Total compensation paid to key management personnel	**5,420**	4,742

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

(d) Connected transactions

The transactions disclosed in items (a)(i) and (a)(ii) above also constitute connected transactions and/or continuing connected transactions as referred to in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

46. 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:

Financial assets

	2015			
	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	–	67,127	–	67,127
Financial assets included in other receivables	–	262,062	–	262,062
Available-for-sale investments	–	–	21,746	21,746
Equity investments at fair value through profit or loss	164,055	–	–	164,055
Derivative financial instruments	1,382	–	–	1,382
Loans receivable	–	230,348	–	230,348
Pledged deposits	–	133,572	–	133,572
Cash and cash equivalents	–	2,033,203	–	2,033,203
Total	165,437	2,726,312	21,746	2,913,495

46. 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)

Financial liabilities

	2015			
	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*
Trade and notes payables	–	–	583,276	583,276
Financial liabilities included in other payables and accruals	–	–	1,433,229	1,433,229
Interest-bearing bank and other borrowings	–	–	9,757,317	9,757,317
Deposits from customers	–	–	410,248	410,248
Corporate bonds	–	–	3,639,815	3,639,815
Other long term liabilities (including current portion)	–	–	112,515	112,515
Total	–	–	15,936,400	15,936,400

46. 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):

Financial assets

	2014			
	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	–	102,569	–	102,569
Financial assets included in other receivables	–	386,567	–	386,567
Available-for-sale investments	–	–	46,041	46,041
Equity investments at fair value through profit or loss	23,412	–	–	23,412
Derivative financial instruments	57,211	–	–	57,211
Loans receivable	–	72,000	–	72,000
Pledged deposits	–	388,388	–	388,388
Cash and cash equivalents	–	1,254,916	–	1,254,916
Total	80,623	2,204,440	46,041	2,331,104

46. 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):

Financial liabilities

	2014			
	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	3,709,702	117,634	–	3,827,336
Trade and notes payables	–	–	479,140	479,140
Financial liabilities included in other payables and accruals	–	–	1,189,104	1,189,104
Interest-bearing bank and other borrowings	–	–	6,890,021	6,890,021
Corporate bonds	–	–	2,690,309	2,690,309
Total	3,709,702	117,634	11,248,574	15,075,910

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Equity investments at fair value through profit or loss	**164,055**	23,412	**164,055**	23,412
Derivative financial instruments	**1,382**	57,211	**1,382**	57,211
Available-for-sale investments	**–**	24,295	**–**	24,295
Loans receivable, non-current portion	**8,000**	37,000	**8,068**	37,677
Total	**173,437**	141,918	**173,505**	142,595
Financial liabilities				
Financial liabilities at fair value through profit or loss	**–**	3,827,336	**–**	3,827,336
Interest-bearing bank and other borrowings, non-current portion	**1,732,649**	2,173,987	**1,732,298**	2,196,188
Corporate bonds	**3,639,815**	2,690,309	**3,771,500**	2,670,270
Other long-term liabilities, non-current portion	**22,515**	–	**22,515**	–
Total	**5,394,979**	8,691,632	**5,526,313**	8,693,794

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and notes payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals, deposits from customers, 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 finance department 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 finance department 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 and 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 2015 was assessed to be insignificant.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of listed equity investments without a lock-up period, derivative financial instruments and corporate bonds are based on quoted market prices. The fair values of listed investments with a lock-up period have been estimated based on assumptions that are supported by observable market prices and discount for lack of marketability. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income or profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

As at 31 December 2015, the fair value information has not been disclosed for certain available- for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments which were unlisted investments in China held by the Group is RMB21,746,000 (December 2014: RMB21,746,000).

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2015

	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs Total (Level 2)** *RMB'000*	*RMB'000*
Equity investments at fair value through profit or loss	**124,204**	**39,851**	**164,055**
Derivative financial instruments	**1,382**	**–**	**1,382**
Total	**125,586**	**39,851**	**165,437**

As at 31 December 2014

	Quoted prices in active markets (Level 1) *RMB'000*
Equity investments at fair value through profit or loss	23,412
Derivative financial instruments	57,211
Available-for-sale investments	24,295
Total	104,918

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities measured at fair value:

As at 31 December 2015

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

As at 31 December 2014

	Quoted prices in active markets (Level 1) *RMB'000*
Financial liabilities at fair value through profit or loss	3,827,336

Assets for which fair values are disclosed:

As at 31 December 2015

	Significant observable inputs (Level 2) ***RMB'000***
Loans receivable, non-current portion	**8,068**

As at 31 December 2014

	Significant observable inputs (Level 2) *RMB'000*
Loans receivable, non-current portion	37,677

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Quoted prices (Level 1) *RMB'000*	**Significant in active markets (Level 2)** *RMB'000*	**observable inputs Total** *RMB'000*
Interest-bearing bank and other borrowings, non-current portion	**–**	**1,732,298**	**1,732,298**
Corporate bonds	**3,771,500**	**–**	**3,771,500**
Other long-term liabilities, non-current portion	**–**	**22,515**	**22,515**
Total	**3,771,500**	**1,754,813**	**5,526,313**

As at 31 December 2014

	Quoted prices (Level 1) *RMB'000*	Significant in active markets (Level 2) *RMB'000*	observable inputs Total *RMB'000*
Interest-bearing bank and other borrowings, non-current portion	–	2,196,188	2,196,188
Corporate bonds	2,670,270	–	2,670,270
Total	2,670,270	2,196,188	4,866,458

48. 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 and notes receivables and trade and notes 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.

The Group entered into derivative transactions, including gold and copper forward contracts 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.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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:

	Less than 1 year *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
2015				
Interest-bearing bank and other borrowings	**8,271,922**	**1,765,970**	**46,776**	**10,084,668**
Trade and notes payables	**583,276**	**–**	**–**	**583,276**
Other payables	**1,433,229**	**–**	**–**	**1,433,229**
Corporate bonds	**1,670,980**	**2,354,280**	**–**	**4,025,260**
Deposits from customers	**410,248**	**–**	**–**	**410,248**
Other long term liabilities	**90,000**	**22,515**	**–**	**112,515**
	12,459,655	**4,142,765**	**46,776**	**16,649,196**
2014				
Financial liabilities at fair value through profit or loss	3,827,336	–	–	3,827,336
Interest-bearing bank and other borrowings	4,983,745	2,338,198	9,812	7,331,755
Trade and notes payables	479,140	–	–	479,140
Other payables	1,189,104	–	–	1,189,104
Corporate bonds	134,880	2,894,760	–	3,029,640
	10,614,205	5,232,958	9,812	15,856,975

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 profit and equity for the year as most of the interest-bearing bank and other borrowings and corporate bonds of the Group bear fixed interest rate.

48. 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, on the SGE to hedge potential price fluctuations of gold. Under those arrangements, the Group can forward buy or sell gold at the current day's price by depositing 10% of the total transaction amount. Subsequently, it can close the deal by either physically delivering the gold or entering into an offsetting arrangement. There is no restriction imposed on the settlement period. During the year, the Group had not entered into any long position under the Au(T+D) framework.

The Group also entered into copper cathode forward contracts and gold forward contracts on the SHFE for the sale of copper and gold.

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 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.

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 was exposed to equity price risk arising from individual listed equity investments classified as equity investments at fair value through profit or loss (note 26) and available-for-sale investments (note 18) as at 31 December 2015 and 2014. 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.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2015	**High/low 2015**	31 December 2014	High/low 2014
Shanghai – A Share Index	**3,704**	**5,411/3,067**	3,389	3,389/2,084
Shenzhen – A Share Index	**2,416**	**3,288/1,492**	1,478	1,571/1,051
Australia – ASX 200 Index	**5,296**	**5,975/5,209**	5,411	5,646/5,167
Hong Kong – HIS	**21,914**	**28,443/20,557**	23,605	25,318/21,138

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk (Continued)

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

	Carry amount of equity investments *RMB'000*	Increase/ (decrease) in equity price *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
2015				
Investments listed in				
Australia – Held-for-trading	**3,192**	**10**	**319**	**–**
		(10)	**(319)**	**–**
Shenzhen – Held-for-trading	**81,957**	**10**	**8,196**	**–**
		(10)	**(8,196)**	**–**
Shanghai – Held-for-trading	**65,127**	**10**	**6,513**	**–**
		(10)	**(6,513)**	**–**
Hong Kong – Held-for-trading	**13,779**	**10**	**1,378**	**–**
		(10)	**(1,378)**	**–**
Total	**164,055**	**10**	**16,406**	**–**
		(10)	**(16,406)**	**–**
2014				
Investments listed in				
Australia – Held-for-trading	2,500	10	250	–
		(10)	(250)	–
– Available for sale	24,295	10	–	2,430
		(10)	–	(2,430)
Shenzhen – Held-for-trading	9,306	10	931	–
		(10)	(931)	–
Hong Kong – Held-for-trading	11,606	10	1,161	–
		(10)	(1,161)	–
Total	47,707	10	2,342	2,430
		(10)	(2,342)	(2,430)

* Excluded retain profits.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 made no change to its capital structure between 2015 and 2014.

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 arising from the gold leasing business, less cash and cash equivalents. Capital represents the equity of the Group.

	2015	2014
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**9,757,317**	6,890,021
Corporate bonds	**3,639,815**	2,690,309
Financial liabilities arising from the gold leasing business	**–**	3,758,680
Less: Cash and cash equivalents	**(2,033,203)**	(1,254,916)
Net debt	**11,363,929**	12,084,094
Total equity	**13,641,114**	9,749,964
Total equity and net debt	**25,005,043**	21,834,058
Gearing ratio	**45.4%**	55.3%

49. EVENT AFTER THE REPORTING PERIOD

On 12 January 2016, the Company issued a "Super Short-term Bond" to the public through China Ever-Bright Bank with a par value of RMB1 billion. The bond carries interest at a fixed rate of 2.83% per annum with a term of 270 days.

50. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**5,298,618**	4,145,902
Prepaid land lease payments	**125,525**	115,130
Goodwill	**84,333**	84,333
Other intangible assets	**1,117,900**	1,146,647
Investments in subsidiaries	**5,130,080**	4,827,451
Investment in a joint venture	**100,000**	100,000
Investment in an associate	**34,650**	34,650
Available-for-sale investments	**3,725**	3,725
Deferred tax assets	**–**	173,857
Loans receivable	**251,016**	3,803,170
Long-term deposits	**42,659**	61,039
Other long-term assets	**471,939**	1,223,436
Total non-current assets	**12,660,445**	15,719,340
CURRENT ASSETS		
Inventories	**1,997,479**	1,783,158
Trade and receivables	**28,266**	33,471
Prepayments, deposits and other receivables	**1,539,814**	1,833,626
Equity investments at fair value through profit or loss	**–**	9,306
Derivative financial instruments	**–**	51,981
Pledged deposits	**85,476**	329,532
Loans receivable	**7,608,067**	2,057,864
Cash and cash equivalents	**526,391**	578,748
Total current assets	**11,785,493**	6,677,686
CURRENT LIABILITIES		
Trade and payables	**240,957**	252,788
Other payables and accruals	**757,522**	767,386
Financial liabilities at fair value through profit or loss	**–**	3,284,131
Interest-bearing bank and other borrowings	**7,285,513**	3,992,939
Tax payable	**–**	124,066
Provisions	**22,047**	17,608
Corporate bonds	**1,498,997**	–
Current portion of other long-term liabilities	**90,000**	–
Total current liabilities	**9,895,036**	8,438,918
NET CURRENT ASSETS/(LIABILITIES)	**211,170**	(1,761,232)
TOTAL ASSETS LESS CURRENT ASSETS/(LIABILITIES)	**14,550,902**	13,958,108

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows (Continued):

	31 December 2015 ***RMB'000***	31 December 2014 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**768,507**	1,931,897
Corporate bonds	**2,140,818**	2,690,309
Deferred tax liabilities	**42,282**	192,086
Deferred income	**325,765**	282,677
Provisions	**73,479**	50,667
Other long-term liabilities	**22,515**	–
Total non-current liabilities	**3,373,366**	5,147,636
Net assets	**11,177,536**	8,810,472
EQUITY		
Share capital	**2,965,827**	2,965,827
Perpetual capital instruments *(note 38)*	**2,146,823**	–
Reserves (a)	**6,064,886**	5,844,645
TOTAL EQUITY	**11,177,536**	8,810,472

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

(a) A summary of the Company's reserves is as follows:

	Capital reserve *RMB'000*	Special reserve-safety fund *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2014	1,713,752	2,011	699,985	2,956,021	5,371,769
Total comprehensive income for the year	–	–	–	769,459	769,459
Transfer to reserves	–	1,102	73,596	(74,698)	–
Final 2013 dividend declared and paid	–	–	–	(296,583)	(296,583)
At 31 December 2014 and 1 January 2015	1,713,752	3,113	773,581	3,354,199	5,844,645
Total comprehensive income for the year	(13,452)	–	–	445,607	432,155
Accrued distribution of perpetual capital instruments	–	–	–	(63,623)	(63,623)
Transfer to reserves	–	–	44,457	(44,457)	–
Final 2014 dividend declared and paid	–	–	–	(148,291)	(148,291)
At 31 December 2015	1,700,300	3,113	818,038	3,543,435	6,064,886

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2016.