瑞金礦業
Real Gold Mining Limited

Real Gold Mining Limited
瑞金礦業有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 246

Annual Report 2013

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lu Tianjun *(Chairman)*
Mr. Ma Wenxue *(Vice Chairman & Chief Executive Officer)*
Mr. Cui Jie *(Chief Financial Officer)*
Mr. Li Qing

Independent Non-Executive Directors

Mr. Li Xiaoping
Mr. Zhao Enguang
Mr. Yang Yicheng

NOMINATION AND REMUNERATION COMMITTEE

Mr. Zhao Enguang *(Chairman)*
Mr. Li Xiaoping
Mr. Yang Yicheng

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr. Li Xiaoping *(Chairman)*
Mr. Zhao Enguang
Mr. Yang Yicheng

COMPANY SECRETARY

Mr. Leung Wai Chiu, Albert

AUTHORIZED REPRESENTATIVES

Mr. Cui Jie
Mr. Leung Wai Chiu, Albert

INVESTOR RELATIONS CONTACT

Mr. Lawrence Kwan Wing Hung, *CFA, AICPA*
Units 3601–03, 36/F., AIA Tower,
183 Electric Road,
North Point,
Hong Kong
E-mail: investorrelationship@realgoldmining.com

AUDITORS

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F., Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

LEGAL ADVISOR

As to Hong Kong law
O'Melveny & Myers
31st Floor, AIA Central,
1 Connaught Road Central,
Hong Kong

REGISTERED OFFICE

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 3601-03, 36/F., AIA Tower,
183 Electric Road,
North Point,
Hong Kong

HEADQUARTERS OF OUR COMPANY

4th Floor, Southern Block,
243 Dizhi Zonghe Building,
No.75 Yulong Street,
Xincheng District, Chifeng City,
Inner Mongolia,
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road,
George Town,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower Branch
China Guangfa Bank (formerly known as
Guangdong Development Bank)
Huizhou Branch
Hang Seng Bank
Beijing Branch
Industrial and Commercial Bank of China Limited
Chifeng Songshan District Branch
Ping An Bank (formerly known as Shenzhen
Development Bank)
Offshore Business Department
Shanghai Pudong Development Bank
Huizhou Branch

STOCK NAME

Real Gold Mining Limited
(RealGold Mining)

STOCK CODE

246

WEBSITE OF THE COMPANY

www.realgoldmining.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We specialize in the mining of gold and the processing of ore into concentrates containing gold and other minerals for subsequent sale. Real Gold Mining Limited (the "Company") and its subsidiaries (together the "Group") has two gold mines in operation in the Chifeng Municipality, Inner Mongolia, namely, Shirengou Gold Mine and Nantaizi Gold Mine. They are adjacent to each other, and the ore processing facility located at Nantaizi Gold Mine ("Shirengou-Nantaizi Processing Plant") processes ore from both Nantaizi Gold Mine and Shirengou Gold Mine. Luotuochang Gold Mine, another gold mine of the Group which is also located in the Chifeng Municipality, Inner Mongolia, was in operation previously until the board of directors (the "Board") decided in July 2014 to suspend its mining activities. The ore processing facility located at Luotuochang Gold Mine ("Luotuochang Processing Plant") processed ore from Luotuochang Gold Mine when it was in operation.

OPERATION REVIEW

	1H13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	2013	2012	YoY
Shirengou-Nantaizi Processing Plant										
Average Daily Capacity (t/day)	1,480	1,480	1,480	1,480	1,480	1,480	1,480	**1,480**	1,480	—
Utilization Rate (%)	99.6	99.7	99.1	99.3	99.2	100.5	100.0	**99.7**	99.0	—
Production Days (Days)	86.3	27.0	29.0	28.0	29.0	29.7	34.7	**263.7**	290.3	–9%
Ore Processed (kt)	127.1	39.8	42.6	41.1	42.6	44.2	51.4	**388.9**	425.2	–9%
Average Gold Grade (g/t)	2.5	1.7	1.5	1.6	1.3	1.4	1.2	**1.8**	4.7	–62%
Average Recovery Rate (%)	71.9	81.5	79.8	80.8	83.0	82.1	82.1	**77.1**	78.3	–2%
Payable Gold (koz)	7.2	1.8	1.6	1.7	1.4	1.6	1.6	**17.1**	50.7	–66%
Equivalent Gold (koz)	9.0	2.2	2.1	2.2	1.9	2.2	2.1	**21.8**	62.6	–65%
Luotuochang Processing Plant										
Average Daily Capacity (t/day)	1,100	1,100	1,100	1,100	1,100	1,100	1,100	**1,100**	1,100	—
Utilization Rate (%)	99.7	100.7	100.0	100.1	99.2	99.5	99.7	**99.7**	100.1	—
Production Days (Days)	133.0	28.0	29.0	29.0	27.7	29.7	34.7	**311.1**	293.5	6%
Ore Processed (kt)	145.8	31.0	31.9	31.9	30.2	32.5	38.0	**341.3**	323.1	6%
Average Gold Grade (g/t)	1.5	1.1	1.2	1.1	0.9	0.8	0.6	**1.2**	2.2	–46%
Average Recovery Rate (%)	77.5	71.6	79.1	76.4	74.9	74.3	76.9	**76.7**	82.9	–7%
Payable Gold (koz)	5.6	0.8	1.0	0.8	0.7	0.6	0.6	**10.0**	18.9	–47%
Equivalent Gold (koz)	9.3	1.4	1.4	1.2	1.1	1.2	1.3	**16.8**	33.5	–50%
Total Payable Gold (koz)	**12.8**	**2.6**	**2.6**	**2.5**	**2.1**	**2.2**	**2.2**	**27.1**	**69.6**	**–61%**
Total Produced Equivalent Gold (koz)	**18.3**	**3.6**	**3.5**	**3.4**	**3.0**	**3.4**	**3.4**	**38.6**	**96.1**	**–60%**

OPERATIONAL CONDITIONS OF THE SHIRENGOU-NANTAIZI PROCESSING PLANT

The total amount of ore processed for the year ended 31 December 2013 was approximately 388,900 tonnes, representing a decrease of approximately 9% from the year of 2012.

The average gold grade for the year ended 31 December 2013 was approximately 1.8 grams per tonne, and the average recovery rate was around 77.1%.

The total production of payable gold and equivalent gold for the year ended 31 December 2013 was approximately 17,100 ounces and 21,800 ounces respectively, representing a decrease of approximately 66% and 65% respectively from the year of 2012.

The decrease in the total production of payable gold in Shirengou-Nantaizi Processing Plant was mainly due to the following factors:

(a) Decrease in average gold grade caused by the reasons below:

  (i) Increase in dilution. As the mining depth deepened, ore-control fault structures have changed, which resulted in more heavily fracturing ore bodies and instability of the hanging wall. Therefore, ores were easily mixed with a large number of country rocks at the time of mining, which led to the decrease of ore grade.

  (ii) Decrease of geological grade in some parts of the ore bodies. It was verified that in the deeper area of the ore drift, geological grade in some parts of the ore bodies decreased, and in turn the ore grade also decreased.

(b) Decrease in average recovery rate owing to lower grade of raw ores.

(c) Less quantity of ores was processed. There was a mining halt at Shirengou Gold Mine as a result of an electricity outage during the period from October 2012 until June 2013 relating to a revamp project implemented by the local electricity authority. As the mining halt lasted longer in 2013 than in 2012, there was less production in 2013 than in 2012.

The decrease in the total production of equivalent gold in Shirengou-Nantaizi Processing Plant was mainly due to the decrease in the total production of payable gold which formed part of the total production of equivalent gold, coupled with the decrease in the production of other metals.

OPERATIONAL CONDITIONS OF THE LUOTUOCHANG PROCESSING PLANT

The total amount of ore processed for the year ended 31 December 2013 was approximately 341,300 tonnes, representing an increase of approximately 6% from the year of 2012.

The average gold grade for the year ended 31 December 2013 was approximately 1.2 grams per tonne, and the average recovery rate was approximately 76.7%.

The total production of payable gold and equivalent gold for the year ended 31 December 2013 was approximately 10,000 ounces and 16,800 ounces respectively, representing a decrease of approximately 47% and 50% respectively from the year of 2012.

The decrease in the total production of payable gold in Luotuochang Processing Plant was the net result of mainly the following favorable and adverse factors:

(a) Decrease in average gold grade.

(b) Decrease in average recovery rate owing to lower grade of raw ores.

(c) More quantity of ore processed.

The decrease in the total production of equivalent gold in Luotuochang Processing Plant was mainly due to the decrease in the total production of payable gold which formed part of the total production of equivalent gold, coupled with the decrease in the production of other metals.

Overall, the Company produced approximately 27,100 ounces of payable gold and approximately 38,600 ounces of equivalent gold for the year ended 31 December 2013, representing a decrease of approximately 61% and 60% respectively from the year of 2012.

As announced in the Company's announcement dated 19 August 2014, the Board has decided in July 2014 to suspend the mining activities at Luotuochang Gold Mine and the operation of Luotuochang Processing Plant. The mining activities at Luotuochang Gold Mine and the operation of Luotuochang Processing Plant remain suspended as at the date of this annual report.

UPDATE ON THE ACTIVITIES AT THE OTHER GOLD MINES OF THE GROUP

As at the date of this annual report, the Company also owns 70% of the equity interest in Gaotaizi Gold Mine in Inner Mongolia. As mentioned in the Company's announcement dated 6 May 2015, Chifeng Fuqiao Mining Co. Limited* (赤峰富僑礦業有限公司), being a subsidiary indirectly held and wholly owned by the Company, has in the first quarter of 2015 acquired 70% of the equity interest of Inner Mongolia Siziwangqi Gaotai Mining Company Limited* (內蒙古四子王旗高台礦業有限責任公司), which owns Gaotaizi Gold Mine. There is currently no production at the Gaotaizi Gold Mine. The Company is carrying out exploration activities in the deeper and the outer parts of the mine in preparation for expansion of production capacity in the future.

As at the date of this annual report, the Company also owns Yandan Gold Mine, Yantang Gold Mine and nine other smaller gold mines in Guangxi. The Company is still in the process of applying for the mining permits for Yandan Gold Mine in Guangxi in accordance with the requisite procedure. For Yantang Gold Mine and two smaller gold mines in Guangxi, some ore reserves have been indicated by geological surveys. Relevant work is being carried out before the Company starts to apply for the mining permits.

The Company will consider abandoning the remaining seven smaller gold mines in Guangxi in due course and will make announcement in this regard as and when required.

* For identification purpose only

RESOURCES/RESERVE

The following is a statement of Resources/Reserves of the Group as at 31 December 2013 as estimated by Roma Oil and Mining Associates Limited and the Company:

Subsidiary	% owned by the Company	Mine	Mineral	Quantity of Ore (Mt)	Grade (g/t)	Quantity of metal (koz)	Resources/ Reserves	Reporting standard	Categories
Shirengou	100.00%	Shirengou	Gold	1.79	10.6	608	Resources	Note	Note
Nantaizi	100.00%	Nantaizi	Gold	3.55	11.1	1,271	Resources	Note	Note
Guotao	100.00%	Luotuochang	Gold	0.76	4.8	119	Resources	Note	Note
Yunnan Gudao	95.00%	Yangchangbian	Gold	N/A	2.9	132	Reserves	PRC	333 + 334
Yuanyi Mining	100.00%	Yantang	Gold	1.44	1.41	66	Resources	PRC	332 + 333
Guangxi Jinding	78.57%	Yandan	Gold	13.1	1.45	611	Resources	PRC	332 + 333
Guangxi Jinding	78.57%	the other 10 mines	Gold	N/A	N/A	243	Resources	PRC	332 + 333 + 334

Note: Resources information relating to Shirengou Mine, Nantaizi Mine and Luotuochang Mine was estimated by Roma Oil and Mining Associates Limited. The resources estimation is not compliant with the JORC Code 2012 Edition as it was partly based on ROM tonnes and grade, % mining loss and % dilution provided by the Company, which could not be verified.

PROSPECTS

The Company considers identification and acquisition of gold mines to be its core competence and growth by acquisition of gold mines to be its key corporate strategy. We will keep looking for potential merger and acquisition opportunities, in particular the gold mines with existing operations. By leveraging on our stable management team with extensive experience in gold mining operations, we will be able to strengthen the competitiveness of the Group and maximize the interests of both the Company and its shareholders. We are committed to strengthen the corporate governance of the Group, and will continue to facilitate the resumption of trading of the Company in the course of the coming months, leading the Company to a bright future and create the greatest possible value for all shareholders of the Company.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased from approximately RMB790.5 million for the year ended 31 December 2012 to approximately RMB252.9 million for the year ended 31 December 2013. The decrease was mainly due to the decreases in the average prices of gold, lower gold grade, as well as lower average recovery rate.

Cost of sales

Cost of sales was approximately RMB503.0 million for the year ended 31 December 2013, increased from approximately RMB438.3 million for the same period of 2012. Cost of sales was related to the mining and the processing activities and the factors leading to the decrease in revenue did not have much impact on it. As a matter of fact, subcontract mining labour cost was higher in 2013 than in 2012, as the unit price of mining work increased. Cost of sales primarily included cost of raw materials consumed, subcontracting fees, auxiliary material costs, electricity costs, depreciation and amortization, environmental protection fees and production safety fees. For the year ended 31 December 2013, our cost of sales accounted for approximately 198.9% of our total revenue, increasing from approximately 55.4% for the same period of 2012, owing to the significant decrease of revenue as well as the increase in mining labour costs.

Gross loss and gross margin

As a result of the foregoing, gross loss was approximately RMB250.2 million and gross margin was approximately -98.9% for the year ended 31 December 2013. For the year ended 31 December 2012, gross profit was approximately RMB352.2 million and gross margin was approximately 44.6%.

Other income

Other income decreased from approximately RMB139.5 million for the year ended 31 December 2012 to approximately RMB61.1 million for the year ended 31 December 2013.

Other income for the year ended 31 December 2013 consisted mainly of government subsidies of approximately RMB30.1 million, interest income arising from amounts due from debtors of approximately RMB16.2 million and bank interest income of approximately RMB13.8 million.

Other income for the year ended 31 December 2012 consisted mainly of government subsidies of approximately RMB97.6 million, interest income arising from loans to a shareholder of approximately RMB9.5 million, interest income arising from amounts due from debtors of approximately RMB12.4 million and bank interest income of approximately RMB17.2 million.

The government subsidies were in the form of a benefit from tax concession granted to us by the government of the People's Republic of China (the "PRC") to encourage the development of the gold industry. The decrease in government subsidies was due to the decrease in revenue. The interest income arising from amounts due from debtors increased mainly because the period during which interest-bearing debts were outstanding was longer in 2013 than in 2012. The decrease in bank interest income was mainly due to less bank deposit in 2013 than in 2012.

Administrative expenses

Administrative expenses decreased from approximately RMB90.0 million for the year ended 31 December 2012 to approximately RMB74.7 million for the year ended 31 December 2013.

The administrative expenses for the year ended 31 December 2013 primarily represented equity-settled share-based payment expenses of approximately RMB20.2 million (2012: RMB32.0 million), salaries paid and payable to, and benefits for, our administrative and management staff of approximately RMB23.5 million (2012: RMB21.8 million) and professional fees of approximately RMB21.7 million (2012: RMB25.3 million).

Equity-settled share-based payment expenses decreased from approximately RMB32.0 million for the year ended 31 December 2012 to approximately RMB20.2 million for the year ended 31 December 2013 as fewer share options were involved in the calculation of the expense in 2013 than in 2012.

Other Expenses

Other expenses increased from approximately RMB387.8 million for the year ended 31 December 2012 to approximately RMB1,680.3 million for the year ended 31 December 2013.

Other expenses for the year ended 31 December 2013, represented impairment losses on exploration and evaluation assets of approximately RMB379.1 million and impairment losses on property, plant and equipment of approximately RMB1,264.8 million as well as exchange losses of approximately RMB36.4 million.

Other expenses for the year ended 31 December 2012, represented impairment losses on exploration and evaluation assets of approximately RMB111.3 million and impairment losses on property, plant and equipment of approximately RMB276.5 million.

Impairment losses were recognized as the investments in exploration and evaluation assets and property, plant and equipment were not expected to provide the required return. More impairment losses were recognized in 2013 than in 2012 as there was more such investments in 2013. Exchange difference arose primarily from the translation and the settlement of monetary items such as bank balances and amounts due from debtors denominated in currencies other than Renminbi ("RMB").Exchange loss was recognized as Hong Kong dollars ("HKD") and United State dollars ("USD") depreciated in 2013 against RMB.

Tax expenses

Tax expenses were approximately RMB0.7 million and RMB102.4 million for the years ended 31 December 2013 and 2012 respectively, representing primarily income tax on taxable profits produced by the companies of the Group in the PRC, less any tax losses brought forward from prior years, the net amount being taxed at the PRC's Enterprise Income Tax ("EIT") rate of 25%.

Loss and total comprehensive loss for the year attributable to owners

Loss and total comprehensive loss attributable to owners of the Company for the year ended 31 December 2013 was approximately RMB1,866.9 million (2012: RMB67.0 million).

Cash flows

For the two years ended 31 December 2013 and 2012, we principally engaged in the exploration, mining and processing of gold ore and sale of concentrates in the PRC.

Our liquidity requirements relate to funding working capital, capital expenditures, acquisition of exploration and mining rights and maintaining cash reserves for future acquisitions. Our capital requirements include construction of mine shafts and the expansion of the ore processing facilities. We plan to fund acquisition of exploration and mining rights, capital expenditures and working capital with cash from operating activities, existing bank and cash balances, net proceeds from the initial public offering ("IPO") of the Company's shares in accordance with the purposes for which they are intended to be used, proceeds from the exercise of share options by directors and employees and proceeds from the issue of new shares. We may also finance our working capital, if needed, using a combination of short-term and long-term bank borrowings.

The following table sets out certain information regarding our consolidated statement of cash flows for the years ended 31 December 2013 and 2012:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	**(290,887)**	348,992
Net cash used in investing activities	**(1,146,620)**	(387,863)
Net decrease in cash and cash equivalents	**(1,437,507)**	(38,871)
Cash and cash equivalents at beginning of the year	**2,766,249**	2,805,120
Cash and cash equivalents at end of the year	**1,328,742**	2,766,249

Cash and cash equivalents decreased in the amount of approximately RMB1,437.5 million from approximately RMB2,766.2 million as at 31 December 2012 to approximately RMB1,328.7 million as at 31 December 2013.

Approximately RMB290.9 million was used in operating activities for the year ended 31 December 2013. Net cash used in operating activities was the cash flow relating to cash outflow in respect of loss before tax adjusted for items not involving movement of cash, cash outflow in respect of the increase in working capital under operating activities and cash outflow in respect of income tax paid.

Net cash used in investing activities amounted to approximately RMB1,146.6 million for the year ended 31 December 2013, of which approximately RMB405.6 million related to the cash outflow in respect of the additions of exploration and evaluation assets and approximately RMB1,265.2 million related to the cash outflow in respect of the additions of property, plant and equipment, partially being offset by the cash inflow of approximately RMB524.2 million related to the repayment of amounts due from debtors.

No cash was generated from or used in financing activities for the year ended 31 December 2013.

Borrowings

As at 31 December 2013 and 2012, the Group did not have any short-term or long-term bank loans. Gearing, being total interest-bearing debt divided by total assets, was nil for both 2013 and 2012.

Use of net proceeds from the Company's IPO

Information of the use of net proceeds from the Company's IPO is set out in the Directors' Report in this annual report.

Capital expenditure

For the year ended 31 December 2013, the Group invested approximately RMB1,264.8 million mainly in the construction of mining structures, buildings, plant and machinery at the mines in operation, and the capital expenditure (including exploration expenditure) incurred for Yantang-Yandan Mines amounted to approximately RMB405.6 million.

For the year ended 31 December 2012, the Group invested approximately RMB276.6 million mainly in the construction of mining structures at the mines in operation, and the capital expenditure (including exploration expenditure) incurred for Yangchangbian Mine and Yantang-Yandan Mines amounted to approximately RMB1.0 million and RMB110.3 million respectively.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2013 and 2012.

Capital Commitment

As at 31 December 2013, we had capital commitment of capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB296.7 million in respect of exploration projects (2012: RMB585.1 million).

Operating lease commitments

As at 31 December 2013, we had contracted obligations consisting of operating leases which totalled approximately RMB4.5 million (2012: RMB6.7 million), with approximately RMB2.3 million due within one year (2012: RMB2.4 million) and approximately RMB2.1 million due between two to five years (2012: RMB4.3 million). Lease terms ranged from two to three years with fixed rentals.

Financial instruments

The Company did not have any hedging contracts or financial derivatives outstanding for the two years ended 31 December 2013 and 2012.

Segment analysis

Segment information is disclosed in Note 6 to the consolidated financial statements set out in this annual report.

Employees and Emoluments Policy

As at 31 December 2013, the number of employees of the Group was 494 (2012: 552). For the year ended 31 December 2013, the staff cost (including directors' remuneration in the form of fees, salaries, share-based payments and other allowances but excluding sub-contracting labour cost) was approximately RMB62.9 million (2012: RMB68.6 million).

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

Dividends

No final dividend was recommended by the Board for the two years ended 31 December 2013 and 2012.

Rich Vision Pledges

During the period from 8 May 2012 to 8 January 2013, Rich Vision Holdings Limited ("Rich Vision"), a wholly-owned subsidiary of the Company had pledged, on 18 occasions, certain bank deposits of Rich Vision (the "Pledges") to Ping An Bank, Shenzhen Shuibeizhubao branch, PRC ("Ping An Bank"), and the creation of the Pledges were only discovered by the Company's management in March 2013. Each and every of the Pledges has subsequently been released by Ping An Bank. Pursuant to the PRC legal opinion issued by the PRC Legal Adviser, the Pledges were invalid under PRC Contract Law and the applicable PRC laws and regulations on foreign exchange administration. Further information relating to the Pledges and the irregular pledging activities was set out in the Company's announcement dated 23 May 2013. As part of the follow-up actions, it was agreed with FTI Consulting (Hong Kong) Limited ("FTI"), the independent forensic specialist engaged by the Company, that the scope of work undertaken by FTI would include investigating into the circumstances leading to the creation of the Pledges. On 30 May 2014, FTI finalized a report in respect of its investigations, and the key findings were disclosed in the announcement of the Company dated 19 June 2014.

FOREIGN EXCHANGE RISK

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. We conduct our operations in the PRC and RMB is the functional and presentation currency of the Company. During the year ended 31 December 2013, the Group had bank balances, as well as balances of amounts due from debtors that were denominated in foreign currencies which exposed the Group to foreign currency risks. The Group was mainly exposed to the fluctuation of HKD. The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. No foreign currency hedging activity is currently undertaken by the Group.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lu Tianjun

Chairman and Executive Director, Head of the Mining Department, and Production and Environmental Safety Department

Mr. Lu, aged 51, joined the Company in August 2007. He graduated from Shenyang Gold Professional School (瀋陽黃金專科學校) in geology and mineral exploration and is qualified as a senior project engineer (高級項目工程師). Between July 1986 and May 2001, he held various positions at the Chifeng Honghuagou Mine (the "Honghuagou Mine") (赤峰紅花溝金礦), one of the largest state-owned gold mines in the PRC including as leader of technical team and field director (礦區主任). In 1991, Mr. Lu published an article in a national periodical, and the article was subsequently awarded the Second Award for Outstanding Article in respect of Natural Science in the Chifeng Municipality (赤峰市自然科學優秀論文二等獎). Mr. Lu also held various positions at Chifeng Shirengou Gold Mine(the "Shirengou Gold Mine")(赤峰石人溝金礦) and its predecessors between May 2001 and August 2007, including as technical consultant and engineer.

Mr. Lu is also a director of Fubon Industrial (Huizhou) Co., Ltd., Chifeng Shirengou Mining Co., Ltd. and Great Future Investments Limited, and a supervisor of Guangxi Jinding Mineral Resources Co., Ltd.

Mr. Ma Wenxue

Executive Director, Vice Chairman, Chief Executive Officer and Head of the Ore Processing Department

Mr. Ma, aged 48, joined the Company in August 2007. He graduated from Shenyang Institute of Gold (瀋陽黃金學院) in July 1988, majoring in ore processing engineering and the University of Liaoning (遼寧大學) with a Bachelor's degree in Economics Law in June 1999 and is qualified as a mine engineer at the senior level. Between July 1988 and October 2004, Mr. Ma held various positions at the Honghuagou Mine, one of the largest state-owned gold mines in the PRC, including ore processing technician and production scheduling safety officer between July 1988 and July 1990, mainly responsible for ore processing and production. Between July 1990 and August 1993, Mr. Ma was employed as a deputy production manager of the Honghuagou Mine , mainly responsible for production technology and safety, and management of equipment. He was employed as the processing manager of the Honghuagou Mine between August 1993 and October 2004, mainly responsible for overseeing all aspects of the operation of the ore processing facility. Between November 2004 and July 2007, Mr. Ma worked at Kalaqinqi Nantaizixiang Gold Mine (喀喇沁旗南台子鄉金礦) as its chief engineer, mainly responsible for ore processing and management of equipment, scientific planning for the Chifeng Nantaizi Gold Mine(赤峰南台子金礦).

Mr. Ma has received numerous awards for his achievement in technological advancement. For instance, Mr. Ma was awarded in December 1996 the Third Award in Scientific and Technological Advancement of Metallurgical Industry Department (冶金工業部科學技術進步三等獎) and the First Award in Scientific and Technological Advancement of Chifeng City (赤峰市科學技術進步一等獎), and in February 1997 the Third Award in Scientific and Technological Advancement of Chifeng City (赤峰市科學技術進步三等獎) for his research and invention of an innovative gold recovery technique from wasted coal (從炭漿廠廢炭中回收金的新工藝). In November 2001, he was awarded the Inner Mongolia Autonomous Region Innovation and Achievement Award in Staff and Worker Economic Technology Project Activity (內蒙古自治區職工經濟技術創新工程活動重大創新成果獎) for his research project conducted in relation to the improvement of gold refining techniques.

Mr. Ma is also a director of Chifeng Fuqiao Mining Co., Ltd., Guangxi Jinding Mineral Resources Co. Ltd. and Lita Investment Limited.

Mr. Cui Jie

Executive Director and Chief Financial Officer

Mr. Cui, aged 44, joined the Company in August 2007. He graduated from Inner Mongolia Finance College (內蒙古財經學院) with a Bachelor's degree in industrial accounting. Between July 1992 and September 1997, he held various financial management positions at Inner Mongolia Linxi Beer Factory (內蒙古林西啤酒廠), mainly responsible for auditing. Between September 1997 and October 2004, Mr. Cui held various financial management positions in Finance Bureau of Linxi County (林西縣財務局) and certain financial consultancy companies, mainly responsible for auditing, tax planning, corporate management and providing training to more than a hundred of trainees who graduated from accounting and financial institutions. Between October 2004 and July 2005, Mr. Cui worked as the chief financial officer of Beijing LongTech Huanyu Technology Co., Ltd (北京龍騰環宇科技發展有限公司). He also worked as the general manager of the Beijing branch of Beijing Shuang Bai Financial Accounting Society (雙百(北京)財務軟件開發有限公司) from July 2005 to October 2006, mainly responsible for auditing, tax planning and trademark registration.

He worked as chief financial officer of the Shirengou Gold Mine from December 2006 to August 2007, mainly responsible for accounting management and tax planning. During this period, Mr. Cui also provided financial advice on the future development of the Shirengou Gold Mine.

Mr. Cui is also a director of Balinzuo Banner Guotao Materials Products Trading Co., Ltd., Guangxi Jinding Mineral Resources Co., Ltd. and Rich Vision Holdings Limited.

Mr. Li Qing

Executive Director and Deputy Head of the Production and Environmental Safety Department

Mr. Li, aged 46, joined the Company in August 2007. He graduated from Shenyang Institute of Gold (瀋陽黃金學院) in July 1991 majoring in geological surveying, and graduated from Changchun University of Technology (長春工業大學) in September 2007 majoring in mining engineering. Mr. Li Qing is qualified as a senior geodetic engineer (高級測繪項目工程師).

Between July 1991 and June 1998, Mr. Li held the position of surveyor with the Honghuagou Mine, one of the largest state-owned gold mines in the PRC.

Between June 1998 and June 2004, Mr. Li held the position of surveyor with Inner Mongolia Hong Feng Industrial Co., Ltd. (內蒙宏峰實業股份有限公司) (formerly a listed company specializing in nonferrous metals and precious metals). Mr. Li was mainly responsible for the surveying of five major gold and lead mines, monitoring and inspecting data measurement, and surveying and map administration for all the mines. In addition, Mr. Li worked on the planning, statistics gathering and allocation of resources.

Further, he was responsible for the surveying and construction of the principal hauling shaft. Between June 2004 and August 2007, Mr. Li held the position of technical mining director with the Shirengou Gold Mine, responsible for the production technology.

Mr. Li was appointed as an executive director of the Company on 5 May 2011. He is also a director of Chifeng Nantaizi Mining Co., Ltd. and Rich Vision Holdings Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xiaoping

Independent Non- Executive Director

Mr. Li, aged 62, joined the Company as an independent non-executive director on 18 November 2011. He is a partner of Shan Dong Zhong Rui China Certified Public Accountants ("Zhong Rui") (山東中瑞會計師事務所) in the PRC. He has over 30 years of experience in the finance, accounting and internal auditing and CPA field. He joined Zhong Rui and was admitted to the firm's partnership in 1999. Mr. Li is a member of the Institute of Internal Auditors, a Certified Enterprise Risk Manager (企業註冊風險管理師), a practising Certified Tax Agent (執業註冊税務師) and a practising Certified Public Accountant (執業註冊會計師) in the PRC. Mr. Li graduated from the Ocean University of China (中國海洋大學) in corporate management in 1985 and in national economics management in 1990. Mr. Li has been appointed as the vice-chairman of the China Machinery Industry Audit Society since 2010 and he is currently serving as a part-time researcher at the Management College of Ocean University of China.

Mr. Zhao Enguang

Independent Non-Executive Director

Mr. Zhao, aged 72, joined the Company as a director in April 2008 and was designated as an independent non-executive director in January 2009. He graduated from Lanzhou University (蘭州大學) with a Bachelor's degree in Operational Research (數力系運籌專業) in 1966.

Mr. Zhao was an assistant to the chief executive and a vice project engineer of the Automation Research and Development Institute of Metallurgical Industry (冶金自動化研究院). He was also a director and the board secretary of Aritime Company Limited (北京金自天正智能控制股份有限公司) from December 1999 to January 2003. Mr. Zhao was the standing deputy secretary general of the Listed Companies Association of Beijing (北京上市公司協會) from January 2004 to November 2010. He is currently a member of the Professional Technology Engineering Appraisal Committee of the China Iron and Steel Association (中國鋼鐵工業協會工程技術專業職務評審委員會) and a professor grade engineer.

Mr. Yang Yicheng

Independent Non- Executive Director

Mr. Yang, aged 75, joined the Company as an independent non-executive director on 25 June 2009. He obtained a diploma from the Mining Department in Central South Institute of Mining and Smelting (中南礦冶學院採礦系) in China in 1965 and a diploma from the Department of Management in Jilin University (吉林大學管理系) in China in 1987.

Mr. Yang's career in the mining business spans over a period of approximately 55 years and he has experience in the exploration, mining and smelting of gold. From 1969 to 1992, he worked in various positions including those of Deputy Chief and Chief of Mine in Guangxi Longshui Gold Mine (廣西龍水金礦), the largest state-owned gold mine joint-venture in Guangxi Zhuang Autonomous Region in China at the time, which was highly rated for its technology and its efficiency.

From 1992 to 2000, he was the Deputy Bureau Chief at Guangxi Gold Management Bureau (廣西黃金管理局) in China and held various positions (including the post of Manager) at China Gold Guangxi Company (中國黃金廣西公司) in China. After his retirement from a government office, from 2000 to 2009 before his appointment by the Company, he worked as a senior consultant and senior engineer at Blackwatch Resources China Limited (廣西金沃礦業勘探開發有限公司), a sino-foreign joint venture in China.

OTHER SENIOR MANAGEMENT

Mr. Zhao Guoming

Deputy Head of the Ore Processing Department

Mr. Zhao, aged 50, joined the Company in August 2007. Mr. Zhao graduated from Shanxi Mining Institute (山西礦業學院) in July 1988 with a major in mining mechanical engineering and is qualified as a project engineer (項目工程師) and a mechanical engineer (機械工程師).

Between July 1988 and October 1998, Mr. Zhao held various positions with Inner Mongolia Jintao Co., Ltd. (內蒙古金陶股份有限公司) (one of the largest gold mining companies in Inner Mongolia) including technician, head of the mechanical and electrical department, and manager of machinery and production.

Between November 1998 and March 2003, Mr. Zhao held the position of production manager of Changchun Gold Design Institute (長春黃金設計院) and was responsible for its sub- contracting projects.

Between January 2004 and September 2007, Mr. Zhao held the position of deputy head of the ore processing department of the Shirengou Gold Mine, responsible for system design, configuration and management in mine upgrading, transportation, ventilation, drainage and air pressure.

Mr. Zhao has been awarded numerous technical achievement awards, including Third Prize in National Gold System Equipment Management Knowledge Contest (全國黃金系統設備管理知識競賽三等獎) in 1990.

Mr. Leung Wai Chiu, Albert

Company Secretary

Mr. Leung Wai Chiu, Albert is our company secretary. He has been working for our Company on a full-time basis since April 2009.

Mr. Leung graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a Higher Diploma in Accountancy, and from L'Ecole des Hautes Etudes Commerciales, France (HEC Paris) with a Diplome des Hautes Etudes Commerciales (Master of Science in Management).

Mr. Leung, aged 58, is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 30 years of experience in accounting and finance.

Mr. Leung is also a director of Great Future Investments Limited.

DIRECTORS' REPORT

The Board hereby presents its report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in Note 18 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the Group's property, plant and equipment are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in Note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY AND DECLARATION OF DIVIDEND

As at 31 December 2013, the Company's reserves available for distribution to shareholders were as follows:

	2013 RMB'000	2012 RMB'000
Share premium	**2,765,899**	2,765,899
Accumulated losses	**(267,316)**	(231,251)
	2,498,583	2,534,648

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

No final dividend was recommended by the Board for the year ended 31 December 2013.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years are set out on page 92 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For both of the years ended 31 December 2013 and 2012, sales to the Group's five largest customers, in aggregate represented 100% of the Group's total sales, For the years ended 31 December 2013 and 2012, sales to the single largest customer amounted to approximately 69.9% and 55.7% of our total sales, respectively.

For both of the years ended 31 December 2013 and 2012, our purchases of raw materials and auxiliary materials from our five largest suppliers accounted for 100% of the Group's total purchases. For the years ended 31 December 2013 and 2012, purchases from the single largest supplier amounted to approximately 74.7% and 66.9% of our total purchases, respectively.

For the year ended 31 December 2013, none of the directors or any of their associates or any shareholders who, to the knowledge of our directors, owns more than 5% of the Company's issued share capital, had any interest in our five largest suppliers or customers.

DIRECTORS

The directors during the year and up to the date of this annual report are as follows:

Executive Directors

Mr. Lu Tianjun	(appointed on 25 August 2008 and designated as an executive director on 30 January 2009)
Mr. Ma Wenxue	(appointed on 13 March 2008 and designated as an executive director on 30 January 2009)
Mr. Cui Jie	(appointed on 13 March 2008 and designated as an executive director on 30 January 2009)
Mr. Li Qing	(appointed and designated as an executive director on 5 May 2011)

Independent Non-executive Directors

Mr. Zhao Enguang	(appointed on 30 April 2008 and designated as an independent non-executive director on 30 January 2009)
Mr. Yang Yicheng	(appointed and designated as an independent non-executive director on 25 June 2009)
Mr. Li Xiaoping	(appointed and designated as an independent non-executive director on 18 November 2011)

Pursuant to Article 84 of the Company's Articles of Association, all the existing directors will retire from their office at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Lu Tianjun, mr. Ma Wenxue and Mr. Cui Jie previously entered into an executive director service contract with teh Company on 30 January 2009. The remuneration of each of Mr. Lu Tianjun, Mr. Ma Wenxue and Mr. Cui Jie, executive directors, was adjusted on 1 January 2011. Upon its expiry on 30 January 2012, each of their executive director service contracts was renewed for another three years with the same conditions of service as existed at the time of expiry of the previous contract.

Mr. Li Qing has entered into an executive director service agreement with the Company for an initial fixed term of three years commencing on 5 May 2011.

Mr. Zhao Enguang has previously entered into an independent non-executive director service contract with the Company on 30 January 2011. The remuneration of Mr. Zhao Enguang, independent non-executive director, was adjusted on 1 December 2011. Upon its expiry on 30 January 2013, Mr. Zhao Enguang's independent non-executive director service contract was renewed for another two years with the same conditions of service as existed at the time of expiry of the previous contract.

Mr. Yang Yicheng has previously entered into an independent non-executive director service contract with the Company on 25 June 2011. The remuneration of Mr. Yang Yicheng, independent non-executive director, was adjusted on 1 December 2011. Upon its expiry on 25 June 2013, Mr. Yang Yicheng's independent non-executive director service contract was renewed for another two years with the same conditions of service as existed at the time of expiry of the previous contract.

Mr. Li Xiaoping has previously entered into an independent non-executive director service contract with the Company on 18 November 2011. Upon its expiry on 18 November 2013, Mr. Li Xiaoping's independent non-executive director service contract was renewed for another two years with the same conditions of service as existed at the time of expiry of the previous contract.

None of the directors has or is proposed to have a service contract with any member of the Group which is not determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The remuneration of each director is determined by the members of the Nomination and Remuneration Committee with reference to the duties, responsibilities, performance of the directors and the results of the Group.

Details of the remuneration of the directors are set out in Note 12 to the consolidated financial statements of this annual report.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

RETIREMENT BENEFIT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organized by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited(the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent in accordance with Rule 3.13.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, the directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code"):

Long positions in share options

Name	Capacity	Number of options held	Number of underlying shares
Lu Tianjun *(Director)*	Beneficial owner	2,640,000	2,640,000
Ma Wenxue *(Director & Chief Executive Officer)*	Beneficial owner	2,640,000	2,640,000
Cui Jie *(Director)*	Beneficial owner	2,640,000	2,640,000
Li Qing *(Director)*	Beneficial owner	1,650,000	1,650,000

Other than as disclosed above, as at 31 December 2013, so far as known to any directors or chief executive of the Company, neither the directors nor the chief executive, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into in the register that was required to be kept under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company has adopted a share option scheme on 30 January 2009 (the "Share Option Scheme"). The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to our Company.

(b) Who may join

Our directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares at a price calculated in accordance with subparagraph (f) below:

(i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to our Company, any of our subsidiaries or any entity ("Invested Entity") in which our Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to our Group or any Invested Entity;

(iv) any customer of our Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to our Group or any Invested Entity; and

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by us for the subscription of shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by our directors from time to time on the basis of the participants' contribution to the development and growth of our Group.

(c) Maximum number of shares

(i) The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not in aggregate exceed 30% of our issued share capital from time to time. No options may be granted under any schemes of our Company or the subsidiary of our Company if such grant will result in the maximum number being exceeded.

(ii) The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme) to be granted under the Share Option Scheme and any other share option schemes of our Group must not in aggregate exceed 66,000,000 shares, being 10% of the total number of shares in issue at the time dealings in our shares first commence on the Stock Exchange ("General Mandate Limit").

(d) Maximum entitlement of each participant and connected persons

(i) Unless approved by our shareholders in general meeting, the total number of shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of our Group (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the shares in issue ("Individual Limit").

(ii) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our shareholders in compliance with the Note to Rule 17.03(4) and Rule 17.06 of the Listing Rules and/or such other requirements as prescribed in the Listing Rules and the separate approval of our shareholders in general meeting with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before our shareholders' meeting and the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

(iii) In addition to the shareholders' approval set out in Note (1) to Rule 17.03(3) and Note to Rule 17.03(4) of the Listing Rules, each grant of options to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non- executive director who is the grantee of the options).

(iv) Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) under the Share Option Scheme or any other share option schemes of our Group to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate more than 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of our shares at the date of each grant, in excess of HKD5 million,

such further grant of options must be approved by our shareholders in general meetings in which all connected persons (as defined in the Listing Rules) of the Company must obtain from voting in favor at such general meeting.

(e) Minimum period of holding an option and performance target

Our directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

(f) Subscription price for Shares

The subscription price of a share in respect of any option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of (i) the nominal value of our shares, (ii) the average closing price of our shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the option and (iii) the closing price of our shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a business day). A consideration of HKD1.00 is payable on acceptance of the offer of the grant of an option.

(g) Rights are personal to grantee

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

(h) Time of exercise of option

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our directors to each grantee, which period may commence on a day upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

(i) Ranking of Shares

The shares to be allotted upon the exercise of an option will be subject to all the provisions of our Memorandum of Association and the Articles of Association for the time being in force and will rank pari passu in all respects with the then existing fully paid shares in issue on the date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with reference to a record date falling before the date of exercise of the option. A share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee of such option has been duly entered on our register of members or the holder thereof.

(j) Period of the Share Option Scheme

Unless terminated by us by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on 23 February 2009, the date on which shares of the Company were first listed on the Stock Exchange.

(k) Present status of the Share Option Scheme

The following table discloses details of movements of the Company's share options held by our directors and our chief executive officer and our employees during the year ended 31 December 2013:

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HKD	Number of share options: Outstanding at 1.1.2013	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31.12.2013
Lu Tianjun *(Director)*	12.3.2009	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	–	–	–	330,000
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	–	–	–	330,000
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	–	–	–	330,000
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	330,000	–	–	–	330,000
Ma Wenxue *(Director & Chief Executive Officer)*	12.3.2009	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	–	–	–	330,000
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	–	–	–	330,000
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	–	–	–	330,000
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	330,000	–	–	–	330,000
Cui Jie *(Director)*	12.3.2009	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	330,000	–	–	–	330,000
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	330,000	–	–	–	330,000
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	330,000	–	–	–	330,000
	12.5.2011	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	330,000	–	–	–	330,000
Li Qing *(Director)*	12.5.2011	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	330,000	–	–	–	330,000
		12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	330,000	–	–	–	330,000

Grantee	Date of grant	Vesting period	Exercisable period	Exercise price per share HKD	Number of share options: Outstanding at 1.1.2013	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31.12.2013
Employees	12.3.2009	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	1,320,000	–	–	–	1,320,000
		12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	1,320,000	–	–	–	1,320,000
		12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	1,320,000	–	–	–	1,320,000
	12.5.2011	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	5,070,000	–	–	–	5,070,000
		12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	5,070,000	–	–	–	5,070,000
		12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	5,070,000	–	–	–	5,070,000
		12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	5,070,000	–	–	–	5,070,000
		12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	5,070,000	–	–	–	5,070,000
Total					38,880,000	–	–	–	38,880,000

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Other than the option holdings disclosed above, 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 existing directors or chief executive to have the right to acquire benefits by means of acquisition of shares or debentures in the Company or any other legal entities.

SUBSTANTIAL SHAREHOLDERS, AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2013 so far as known to any director or chief executive of the Company, shareholders (other than a director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO were as follows:

Long and short positions in ordinary shares of HKD1.00 each of the Company

(including equity derivative interests)

Name of shareholder	Capacity	Long position number of ordinary shares	Long position percentage of the issued share capital of the Company	Short position number of ordinary shares	Short position percentage of the issued share capital of the Company
Lead Honest Management Limited (Note i)	Beneficial owner	479,376,000	52.75%	234,376,000	25.79%
Tercel Holdings Limited (Note i)	Interest of controlled corporation	479,376,000	52.75%	234,376,000	25.79%
Credit Suisse Trust Limited (Note i)	Trustee	479,376,000	52.75%	234,376,000	25.79%
Wu Ruilin (Note i)	Founder of a discretionary trust	479,376,000	52.75%	234,376,000	25.79%
Citigroup Inc. (Note ii & iii)	Interest of controlled corporation	110,248,825	12.13%	2,409,129	0.27%
	Custodian corporation/approved lending agent	238,810,802	26.28%	N/A	N/A
	Person having a security interest	362,000	0.04%	N/A	N/A
Value Partners Limited (Note iv)	Investment manager	77,678,000	8.54%	N/A	N/A
Value Partners Group Limited (Note iv)	Interest of controlled corporation	77,678,000	8.54%	N/A	N/A
Cheah Capital Management Limited (Note iv)	Interest of controlled corporation	77,678,000	8.54%	N/A	N/A
Cheah Company Limited (Note iv)	Interest of controlled corporation	77,678,000	8.54%	N/A	N/A
Hang Seng Bank Trustee International Limited (Note iv)	Trustee	77,678,000	8.54%	N/A	N/A
Cheah Cheng Hye (Note iv)	Founder of a discretional trust	77,678,000	8.54%	N/A	N/A
To Hau Yin (Note iv)	Interest of spouse of a substantial shareholder	77,678,000	8.54%	N/A	N/A
Victory Gold Management Inc. (Note v)	Beneficial owner	113,125,333	12.44%	N/A	N/A
Shi Guangwei (Note v)	Interest of controlled corporation	113,125,333	12.44%	N/A	N/A
Quanmin Investments Limited (Note vi)	Beneficial owner	226,250,667	24.90%	N/A	N/A
Lv Dezhi (Note vi)	Interest of controlled corporation	226,250,667	24.90%	N/A	N/A

Equity derivative interests in ordinary shares of HKD1.00 each of the Company

(included in long and short positions)

Name of shareholder	Long position number of ordinary shares	Long position percentage of the issued share capital of the Company	Short position number of ordinary shares	Short position percentage of the issued share capital of the Company
Lead Honest Management Limited (Note i)	105,000,000	11.55%	107,408,809	11.82%
Tercel Holdings Limited (Note i)	105,000,000	11.55%	107,408,809	11.82%
Credit Suisse Trust Limited (Note i)	105,000,000	11.55%	107,408,809	11.82%
Wu Ruilin (Note i)	105,000,000	11.55%	107,408,809	11.82%

Notes:

(i) As at 31 December 2013, Lead Honest Management Limited was 100% controlled by Tercel Holdings Limited, which in turn was ultimately controlled by Credit Suisse Trust Limited. Credit Suisse Trust Limited was a trustee of Tercel Trust, of which Mr. Wu Ruilin was the founder.

(ii) There was also a lending pool of 4,434,802 shares, representing 0.19% of the issued share capital of the Company.

(iii) Citigroup Inc.'s interests were held via the following companies controlled by Citigroup Inc. :

Citigroup Global Markets Hong Kong Limited was interested in a long position of 110,259,485 shares of the Company and a short position of 2,409,129 shares of the Company. Citigroup Global Markets Hong Kong Limited was controlled by Citigroup Global Markets Holdings GmbH which was in turn controlled by Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc.; both Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc. were controlled by Citigroup Financial Products Inc.; Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Ltd was interested in a long position of 378,500 shares of the Company. Citigroup Global Markets Ltd was controlled by Citigroup Global Markets Europe Ltd which was controlled by Citigroup Global Markets (International) Finance AG, Citigroup Financial Products Inc. and Citigroup Global Markets International LLC; both Citigroup Global Markets (International) Finance AG and Citigroup Global Markets International LLC were in turn controlled by Citigroup Financial Products Inc.; Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Holdings GmbH, which was controlled by Citigroup Global Markets (International) Finance AG and Citigroup Global Markets Pacific Holding Company Inc., was deemed to be interested in a long position of 110,259,485 shares of the Company and a short position of 2,409,129 shares of the Company.

Citigroup Global Markets Europe Ltd. was deemed to be interested in a long position of 378,500 shares of the Company and a short position of 320 shares of the Company.

Citigroup Global Markets Pacific Holding Company Inc. was deemed to be interested in a long position of 110,259,485 shares of the Company and a short position of 2,409,129 shares of the Company.

Citigroup Global Markets (International) Finance AG was deemed to be interested in a long position of 110,637,985 shares of the Company and a short position of 2,409,129 shares of the Company.

Citigroup Global Markets International LLC was deemed to be interested in a long position of 378,500 shares of the Company.

Citigroup Financial Products Inc. was deemed to be interested in a long position of 110,637,985 shares of the Company and a short position of 2,409,129 shares of the Company. Citigroup Financial Products Inc. was controlled by Citigroup Global Markets Holdings Inc. which was in turn controlled by Citigroup Inc.

Citigroup Global Markets Holdings Inc. was deemed to be interested in a long position of 110,637,985 shares of the Company and a short position of 2,409,129 shares of the Company.

Citibank N.A. was interested in a long position of 238,783,642 shares of the Company. Citibank N.A. was controlled by Citicorp Holdings Inc. which was in turn controlled by Citigroup Inc.

Citicorp Holdings Inc. was deemed to be interested in a long position of 238,783,642 shares of the Company.

(iv) As at 31 December 2013, Value Partners Limited was 100% controlled by Value Partners Group Limited, which in turn was 28.47% controlled by Cheah Capital Management Limited, which in turn was 100% controlled by Cheah Company Limited, which in turn was 100% controlled by Hang Seng Bank Trustee International Limited. Hang Seng Bank Trustee International Limited was the trustee of the C H Cheah Family Trust, of which Mr. Cheah Cheng Hye was the founder. Ms. To Hau Yin was the spouse of Mr. Cheah Cheng Hye.

(v) As at 31 December 2013, Victory Gold Management Inc. was 100% controlled by Mr. Shi Guangwei.

(vi) As at 31 December 2013, Quanmin Investments Limited was 100% controlled by Mr. Lv Dezhi.

Other than as disclosed above, as at 31 December 2013, the Company has not been notified by any person (other than the directors or chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

On 2 January 2011 and 9 March 2011, the Company entered into an acquisition agreement and a supplemental agreement with Top Lucky Management Limited ("Top Lucky"), a company controlled by the then controlling shareholder of the Company Mr. Wu Ruilin ("Mr. Wu"), for the acquisition of certain mining and exploration rights (the "Acquisition") for a consideration of HKD520,000,000. For further details, please refer to the announcement of the Company dated 22 August 2011. The Acquisition was brought to a halt as the Company was not satisfied that a reliable valuation basis could be relied upon to complete the Acquisition, and the consideration of HKD449,200,000 previously paid by the Company to Top Lucky was repaid to the Company by new debtors through debt restructuring (the "Debt Restructuring"). Further information relating to the Debt Restructuring and subsequent developments was set out in the Company's announcements dated 26 June 2012, 27 November 2013 and 10 June 2014 as well as the Company's circular dated 10 September 2012.

Between February 2011 and April 2011, three loan agreements were entered into between the Company and Mr. Wu, pursuant to which a total of approximately HKD955,000,000 was lent by the Company to Mr. Wu (the "Financial Assistance"). For further details on the Financial Assistance, please refer to the announcement of the Company dated 22 August 2011.

Pursuant to the debt restructuring agreement entered into by and among the Company, Mr. Wu, Top Lucky, Quanmin Investments Limited ("Quanmin") and Victory Gold Management Inc. ("Victory Gold", together with Quanmin, the "New Debtors") in relation to the Debt Restructuring, Mr. Wu and Top Lucky have provided an unconditional and irrevocable guarantee to the Company in respect of the due and punctual payment by the New Debtors of all outstanding amounts owed by Top Lucky and Mr. Wu pursuant to the Acquisition and Financial Assistance (the "Debts"). In the event that any amount under the Debts is not repaid in full to the Company, Mr. Wu and Top Lucky shall be liable for the repayment of the remaining amounts (including the relevant interest) under the Debt Restructuring Agreement. The New Debtors fully settled the payment of the Debts by May 2014.

Other than the above, no contracts of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

So far as the directors were aware, none of the directors or their associates had any interest in a business that competes or may compete with the business of the Group.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an Audit and Risk Management Committee for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. The Audit and Risk Management Committee presently comprises three independent non-executive directors of the Company, namely, Mr. Li Xiaoping (Chairman), Mr. Zhao Enguang and Mr. Yang Yicheng. The Audit and Risk Management Committee has reviewed the audited final results for the year ended 31 December 2013.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law of the Cayman Islands where the Company is incorporated.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to all the directors of the Company, the Board confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2013.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the then applicable Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules ("CG Code") to regulate the corporate governance issues of the Group. The Board has reviewed the Company's corporate governance practices for the year ended 31 December 2013 (the "Reporting Period"), and has formed the opinion that the Company, throughout the Reporting Period, has complied with the then applicable code provisions ("Code Provisions") as set out in the CG Code except for certain deviations as set out in the Corporate Governance Report.

For details of the Corporate Governance Report please refer to pages 34 to 40 of this annual report.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

As at 31 December 2013, 140,000,000 shares of the Company (representing approximately 15.41% of the issued share capital of the Company) held by Lead Honest Management Limited ("Lead Honest"), a controlling shareholder of the Company, were pledged as security for the payment obligations and performance of the obligations under exchangeable bonds of an aggregate principal amount of HKD1,164,000,000 issued by Lead Honest.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Stock Exchange on 23 February 2009. The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HKD569.3 million (equivalent to approximately RMB501.7 million), which is slightly more than the estimate of HKD565.2 million as stated in the announcement of the IPO allotment results dated 20 February 2009.

The Board has resolved on 25 February 2011 to change the proposed use of part of the unutilized net proceeds originally allocated for expanding exploration activities and capital expenditure at existing gold mines to future acquisitions of gold resources.

As at 31 December 2013, the net proceeds of IPO had been utilized in the following manner:

	Future acquisition of gold resources in		Expanding exploration activities			
	Inner Mongolia HKD million	**Other regions** HKD million	**Exploration activities** HKD million	**Facilitating actual production** HKD million	**Capital expenditures at existing gold mines** HKD million	**General corporate purpose** HKD million
Planned amount per Prospectus	20.9	158.8	72.3	35.6	170.3	11.3
Planned amount for actual net IPO proceeds 2009	25.4	192.7	87.7	43.2	206.6	13.7
Amount utilized up to 31 December 2010	(25.4)	(192.7)	–	–	–	(13.7)
Balance as at 31 December 2010	–	–	87.7	43.2	206.6	–
Amount utilized from 1 January to 25 February 2011	–	–	–	–	–	–
Balance as at 25 February 2011	–	–	87.7	43.2	206.6	–
Change of proposed use of the unutilized net proceeds	–	337.5	(87.7)	(43.2)	(206.6)	–
Balance after change of proposed use	–	337.5	–	–	–	–
Amount utilized from 25 February 2011 to 31 December 2013	–	–	–	–	–	–
Balance as at 31 December 2013	–	337.5	–	–	–	–

The unutilized balance is deposited in bank accounts at commercial banks in the PRC. The Group intends to utilize the net proceeds balance in the manner as set out above.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the directors' knowledge, information and belief, the Company has maintained a sufficient public float throughout the year ended 31 December 2013.

AUDITORS

On 13 October 2011, the Board announced that Deloitte Touche Tohmatsu ("DTT") resigned as auditors of the Group with effect from 12 October 2011 in view of the matters revealed in the announcements made by the Company on 19 June 2011 and 22 August 2011. Apart from the circumstances disclosed in the announcements of the Company dated 19 June 2011, 22 August 2011 and 13 October 2011, both the Board and DTT confirmed that there were no circumstances other than as mentioned above in respect of the change of auditors which they considered should be brought to the attention of the shareholders of the Company. The casual vacancy following the resignation of DTT was filled on 6 February 2015 by ZHONGHUI ANDA CPA Limited, which will hold office until the conclusion of the next annual general meeting of the Company pursuant to Article 155 of the Articles of Association of the Company.

On behalf of the Board
Lu Tianjun
Chairman

26 February 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the need for and importance of corporate governance as one of the key elements in enhancing value for shareholders of the Company. The Company is committed to improving its corporate governance practices in compliance with regulatory requirements. The Company has adopted the CG Code to regulate the corporate governance issues of the Group. The Board has reviewed the Company's corporate governance practices for the Reporting Period and has formed the opinion that the Company, throughout the Reporting Period, has complied with Code Provisions as set out in the CG Code except for the following deviations:

Relevant Code Provisions	**Deviations from the relevant Code Provisions**	**Remedial Actions**
A2.7	No meetings were held by the chairman with the non-executive directors (including independent non-executive directors) without the executive directors present during the Reporting Period.	The chairman held a meeting with the non-executive directors (including independent non-executive directors) without the other executive directors present on 2 December 2015 and will do the same annually in the future.
A6.5	The directors had not participated in any continuous professional development in respect of directors' knowledge and skills during the Reporting Period.	The independent non-executive directors received training on their roles, functions and duties on 2 December 2015 and all the directors attended a directors' training session on 22 December 2015. The Company will arrange and pay for training for directors at least once a year in the future.
C1.2	No monthly updates about the Company had been given to the directors during the Reporting Period.	The Company has been in compliance with this code provision since the management started to provide the directors with monthly management accounts of the Companies and its subsidiaries starting from July 2015.
C.2.1 and C.2.2	The Company had engaged a third party independent internal control consulting firm to assist the Board in conducting annual reviews of the internal control of the Group for 2009 and for 2010 but not after the trading of the shares of the Company was suspended on 27 May 2011. As a result, the Board was unable to conduct the annual review of the Company's internal control systems and matters stipulated in Code Provisions C.2.1 and C.2.2 during the Reporting Period.	ZHONGHUI ANDA Risk Services Limited, an external professional adviser, was engaged by the Company on 9 November 2015 to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. Moving forward, the Company intends to engage an external professional adviser to conduct annual reviews of the Company's internal control systems of the Company in the future.
D.2.1 and D.2.2	The Investigation Committee established in the board meetings of 28 July 2011 and 1 August 2011 was not given formal terms of reference to clearly set out its powers and functions as required under Code Provisions D.2.1 and D.2.2.	The Investigation Committee was dissolved on 24 December 2015. In the future, when board committees are established, they will be given formal terms of references with the requirement (among other things) that they report back to the Board on their decisions or recommendations.

Set out below is detailed discussion of the corporate governance practices adopted and observed by the Company.

A. Directors' Securities Transactions

The Company has adopted the Model Code as the code of conduct governing director's securities transactions. Trading in the shares of the Company on the Stock Exchange has been suspended at the request of the Company since 27 May 2011. All the directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 December 2013.

B. Board of Directors

(i) Board Composition

During the year 2013 and as at the date of this annual report, the composition of the Board is set out below:

Executive Directors:
Mr. Lu Tianjun *(Chairman)*
Mr. Ma Wenxue *(Vice Chairman & Chief Executive Officer)*
Mr. Cui Jie *(Chief Financial Officer)*
Mr. Li Qing

Independent Non-executive Directors:
Mr. Li Xiaoping
Mr. Zhao Enguang
Mr. Yang Yicheng

The executive directors, with the assistance from the senior management, form the core management team of the Company. The executive directors have the overall responsibility for formulating the business strategies and development plan of the Group and the senior management are responsible for supervising and executing the plans of the Company and its subsidiaries.

(ii) Board Functions and Duties

The principal functions and duties conferred on our Board include:

- convening general meetings and reporting our Board's work at general meetings;
- implementing the resolutions passed by our shareholders at general meetings;
- deciding our business plans and investment plans;
- formulating the proposals for profit distributions, recovery of losses and for the increase or reduction of our registered capital;
- performing corporate governance duties; and
- exercising other powers, functions and duties conferred by our shareholders at general meetings.

(iii) Board Meetings

During the year ended 31 December 2013, there were five board meetings held.

As per the latest improved corporate governance practice of the Company, since 2016, notice of regular board meetings has been dispatched to all directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days (or any other agreed date) before each board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The company secretary of the Company is responsible for keeping minutes for the board meetings.

At the meeting on 30 August 2013, the Board adopted a board diversity policy which aims to achieve the diversity of members of the Board to enhance the effectiveness of the Board. The Company recognizes and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board possesses diverse skills, experience and perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates of Board members will be based on diversity in their respective background and experience, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

(iv) Attendance Record

The following is the attendance record of the Board meetings held by the Board during the year ended 31 December 2013:

	Attendance at meetings
Executive Directors	
Mr. Lu Tianjun *(Chairman)*	5/5
Mr. Ma Wenxue *(Vice Chairman & Chief Executive Officer)*	5/5
Mr. Cui Jie *(Chief Financial Officer)*	5/5
Mr. Li Qing	5/5
Independent Non-Executive Directors	
Mr. Zhao Enguang	4/5
Mr. Yang Yicheng	5/5
Mr. Li Xiaoping	5/5

(v) Independent Non-Executive Directors

At the date of this annual report, in compliance with Rule 3.10(1) of the Listing Rules, the Company has three independent non-executive directors. The Board considers that all independent non-executive directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company. One of the independent non-executive directors, Mr. Li Xiaoping, has over 30 years' experience in the finance and accounting field. Mr. Li is a practicing Certified Public Accountant (執業註冊會計師) in the PRC.

Prior to their respective appointment, each of the independent non-executive directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive directors in respect of their independence. The Board considers that all independent non-executive directors are being considered to be independent by reference to the factors stated in the Listing Rules.

C. Chairman and Chief Executive Officer

The roles of the Company's chairman and the chief executive officer are segregated. Mr. Lu Tianjun is the chairman of the Board who is chiefly responsible for managing the Board, while Mr. Ma Wenxue is the chief executive office of the Company who takes charge of the supervision of the execution of the policies determined by the Board. The chairman also chairs the Board meetings and briefs the Board members on the issues discussed at the board meetings. Save and except by virtue of their offices, Mr. Ma and Mr. Lu are unrelated (whether financially, by family relations, or otherwise).

D. Independent Non-Executive Directors

Mr. Zhao Enguang has previously entered into an independent non-executive director service contract with the Company on 30 January 2011. Upon its expiry on 30 January 2013, Mr. Zhao Enguang's service contract has been renewed with the same conditions of service as existed at the time of expiry of the previous contract with the approval of the Nomination and Remuneration Committee.

Mr. Yang Yicheng has previously entered into an independent non-executive director service contract with the Company on 25 June 2011. Upon its expiry on 25 June 2013, Mr. Yang Yicheng's service contract has been renewed with the same conditions of service as existed at the time of expiry of the previous contract with the approval of the Nomination and Remuneration Committee.

Mr. Li Xiaoping has previously entered into an independent non-executive director service contract with the Company on 18 November 2011. Upon its expiry on 18 November 2013, Mr. Li Xiaoping's service contract has been renewed with the same conditions of service as existed at the time of expiry of the previous contract with the approval of the Nomination and Remuneration Committee.

The independent non-executive directors have attended the board meetings held during the year ended 31 December 2013 and provided independent judgment on the issues discussed.

E. Nomination and Remuneration Committee

The Company established a Nomination and Remuneration Committee on 30 January 2009 with written terms of reference in compliance with the CG Code (as amended from time to time). The revised terms of reference of the Nomination and Remuneration Committee was adopted on 30 August 2013 in compliance with the amendments to the CG Code which became effective on 1 September 2013. The Nomination and Remuneration Committee comprises Mr. Zhao Enguang, Mr Yang Yicheng and Mr. Li Xiaoping. Mr. Zhao Enguang is the chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the directors and senior management, and to identify suitable individuals to become members of the Board and advise on the selection of individuals nominated for directorships. The Nomination and Remuneration Committee selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Company's business. It is the Company's policy that the remuneration package of each director and senior management shall be determined by reference to, inter alia, their duties, responsibilities, experience and qualifications.

No committee meeting was held by the Nomination and Remuneration Committee during the year ended 31 December 2013.

According to the Articles of Association of the Company, at each annual general meeting one-third of the directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and shall be eligible for re-election. The directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-election. Every director shall be subject to retirement at an annual general meeting at least once every three years.

F. Audit and Risk Management Committee

The Company has established an Audit and Risk Management Committee on 30 January 2009 with written terms of reference in compliance with the CG Code (as amended from time to time) for the purposes of reviewing and providing supervision over the Company's financial reporting process and internal controls. At present, the Audit and Risk Management Committee comprises Mr. Li Xiaoping, Mr. Zhao Enguang and Mr. Yang Yicheng, being independent non-executive directors of the Company. Mr. Li Xiaoping is the chairman of the Audit and Risk Management Committee.

No committee meeting was held by the Audit and Risk Management Committee during the year ended 31 December 2013.

G. Auditors' Remuneration

ZHONGHUI ANDA CPA Limited provided audit and non-audit services for the years ended 31 December 2013 and 2012.

For the years ended 31 December 2013 and 2012, the total fee paid or payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Nature of services	For the year ended 31 December **2013** **HKD'000**	 2012 HKD'000
Audit services		
Annual audit services	**1,150**	1,150
Non-audit services		
Interim review services	**150**	150

The Audit and Risk Management Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders.

H. Director's Responsibility on the Financial Statements

The directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

I. Internal Control

The internal control system is implemented to minimize the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The internal control system has been designed to safeguard the assets of the Company, maintain proper accounting records, ensure execution of contracts with appropriate authority and ensure compliance of the relevant laws and regulations. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The Board is responsible for implementing and maintaining the Group's internal control system and reviewing its effectiveness. The Company had engaged a third party independent internal control consulting firm to assist the Board in conducting annual reviews of the internal control of the Group for 2009 and for 2010, but not after the trading of the shares of the Company was suspended on 27 May 2011. As a result, the Board was unable to conduct the annual review of the Company's internal control systems and matters stipulated in Code Provisions C.2.1 and C.2.2 during the Reporting Period.

ZHONGHUI ANDA Risk Services Limited, an external professional adviser, was engaged by the Company on 9 November 2015 to conduct an independent internal control review and to assist the management to improve the internal control systems of the Group. As at the date of this annual report, the review is still on-going. Moving forward, the Company intends to engage an external professional adviser to conduct annual reviews of the Company's internal control systems of the Company in the future.

J. Going Concern

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

K. Company Secretary

Mr. Leung Wai Chiu, Albert is the company secretary of the Company. He has been working for the Company on a full-time basis since April 2009. The company secretary is responsible for advising the Board on corporate governance matters and ensuring board procedures are followed.

During the Reporting Period, Mr. Leung completed not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

L. Shareholders' Rights and Constitutional Documents

According to the current Articles of Association of the Company, any one or more Shareholders of the Company holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in the requisition. If within 21 days of such requisition the Board fails to proceed to convene the extraordinary general meeting, the requisitionists may themselves do so, and all reasonable expenses incurred by the requisitionists in this regard shall be reimbursed by the Company.

During the Reporting Period, there has been no change to the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDERS OF REAL GOLD MINING LIMITED
瑞金礦業有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Real Gold Mining Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 91, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 International Financial Reporting Standards 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's results and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention to note 16 to the consolidated financial statements which describes the uncertainty related to the successful renewal of 3 exploration permits with Department of Land and Resources of the Guangxi Zhuang Autonomous Region in China continuously at insignificant cost. Our opinion is not qualified in respect of this matter.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Ng Ka Lok
Practising Certificate Number P06084

Hong Kong, 26 February 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	7	**252,858**	790,482
Cost of sales		**(503,040)**	(438,314)
Gross (loss)/profit		**(250,182)**	352,168
Other income	8	**61,121**	139,484
Administrative expenses		**(74,655)**	(89,977)
Other expenses	9	**(1,680,265)**	(387,833)
(Loss)/Profit before tax		**(1,943,981)**	13,842
Income tax expense	10	**(688)**	(102,395)
Loss and total comprehensive loss for the year	11	**(1,944,669)**	(88,553)
Loss and total comprehensive loss for the year attributable to:			
Owners of the Company		**(1,866,894)**	(66,964)
Non-controlling interests		**(77,775)**	(21,589)
		(1,944,669)	(88,553)
Loss per share			
Basic	13	**(RMB205.43 cents)**	(RMB7.37 cents)
Diluted	13	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	14	**755**	825
Mining rights	15	**—**	—
Exploration and evaluation assets	16	**506,668**	480,170
Prepaid land lease payments	17	**2,695**	2,753
		510,118	483,748
Current assets			
Prepaid land lease payments	17	**62**	62
Inventories	19	**27,796**	11,439
Trade and other receivables	20	**156,248**	682,322
Bank and cash balances	21	**1,328,742**	2,766,249
		1,512,848	3,460,072
Current liabilities			
Other payables		**130,764**	117,297
Current tax liabilities		**1,010**	10,885
		131,774	128,182
Net current assets		**1,381,074**	3,331,890
Total assets less current liabilities		**1,891,192**	3,815,638
Non-current liabilities			
Provision for restoration cost	22	**9,094**	9,094
Deferred tax liabilities	23	**16,724**	16,724
		25,818	25,818
NET ASSETS		**1,865,374**	3,789,820

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Capital and reserves			
Share capital	24	**797,619**	797,619
Reserves		**1,127,166**	2,973,837
Equity attributable to owners of the Company		**1,924,785**	3,771,456
Non-controlling interests		**(59,411)**	18,364
TOTAL EQUITY		**1,865,374**	3,789,820

The consolidated financial statements on pages 43 to 91 were approved and authorized for issue by the Board on 26 February 2016 and are signed on its behalf by:

Lu Tianjun
Director

Cui Jie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Capital reserve* RMB'000	Other reserve* RMB'000	Share options reserve* RMB'000	(Accumulated losses)/ retained profits* RMB'000	Total RMB'000	Non-Controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	797,619	2,428,631	73,165	12,221	(143,287)	52,829	585,233	3,806,411	39,953	3,846,364
Loss and total comprehensive loss for the year	–	–	–	–	–	–	(66,964)	(66,964)	(21,589)	(88,553)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	32,009	–	32,009	–	32,009
Lapse of share options	–	–	–	–	–	(3,181)	3,181	–	–	–
Appropriation to reserve	–	–	–	5,898	–	–	(5,898)	–	–	–
Changes in equity for the year	–	–	–	5,898	–	28,828	(69,681)	(34,955)	(21,589)	(56,544)
At 31 December 2012	797,619	2,428,631	73,165	18,119	(143,287)	81,657	515,552	3,771,456	18,364	3,789,820
At 1 January 2013	**797,619**	**2,428,631**	**73,165**	**18,119**	**(143,287)**	**81,657**	**515,552**	**3,771,456**	**18,364**	**3,789,820**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(1,866,894)**	**(1,866,894)**	**(77,775)**	**(1,944,669)**
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**20,223**	**–**	**20,223**	**–**	**20,223**
Appropriation to reserve	**–**	**–**	**–**	**6,048**	**–**	**–**	**(6,048)**	**–**	**–**	**–**
Changes in equity for the year	**–**	**–**	**–**	**6,048**	**–**	**20,223**	**(1,872,942)**	**(1,846,671)**	**(77,775)**	**(1,924,446)**
At 31 December 2013	**797,619**	**2,428,631**	**73,165**	**24,167**	**(143,287)**	**101,880**	**(1,357,390)**	**1,924,785**	**(59,411)**	**1,865,374**

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	**(1,943,981)**	13,842
Adjustments for:		
Interest income	**(29,970)**	(39,156)
Amortisation of prepaid land lease payments	**58**	62
Depreciation of property, plant and equipment	**414**	589
Impairment losses on property, plant and equipment	**1,264,840**	276,554
Impairment losses on exploration and evaluation assets	**379,069**	111,279
Written off of property, plant and equipment	**44**	116
Equity-settled share-based payment expense	**20,223**	32,009
Operating (loss)/profit before working capital changes	**(309,303)**	395,295
Decrease/(Increase) in trade and other receivables	**1,899**	(12,930)
Increase in inventories	**(16,357)**	(2,674)
Increase in other payables	**13,467**	44,437
Cash (used in)/generated from operations	**(310,294)**	424,128
Interest received	**29,970**	39,156
Income tax paid	**(10,563)**	(114,292)
Net cash (used in)/generated from operating activities	**(290,887)**	348,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,265,228)**	(276,584)
Additions of exploration and evaluation assets	**(405,567)**	(111,279)
Repayment of amounts due from debtors	**524,175**	—
Net cash used in investing activities	**(1,146,620)**	(387,863)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,437,507)**	(38,871)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,766,249**	2,805,120
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,328,742**	2,766,249
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**1,328,742**	2,766,249

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business is Units 3601–3, 36/F, AIA Tower, 183 Electric Road, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 27 May 2011.

The Company is an investment holding company. Its subsidiaries are principally engaged in exploration, mining and processing of gold ore and sale of concentrates in the People's Republic of China (the "PRC").

The consolidated financial statements have been presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised standards, amendments and interpretations (hereinafter collectively referred to as "new and revised IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

(a) Amendments to IAS 1 "Presentation of Financial Statements"

Amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 "Disclosure of Interests in Other Entities" specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of IFRS 12 only affects the disclosures relating to the Group's subsidiaries in the consolidated financial statements. IFRS 12 has been applied retrospectively.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards ("IFRSs"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	5%–12.5%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Depreciation of mining structures is calculated using the Units of Production ("UOP") method to write off the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Construction in progress represents mining structures in the course of construction, and is stated at cost less any impairment losses. Depreciation begins when the relevant assets are available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a UOP basis.

Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent thtat, in subsequent periods, the current period ratio falls short of the life of mine ratio. The life of mine ratio is based on economically recoverable reserves of the mine. Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of "Mining structures". These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, 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 are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment loss is recognised in profit and loss.

When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable and the mining rights is obtained, the carrying amounts of the recognised exploration and evaluation assets are reclassified as mining rights.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(a) Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(b) Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if 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 Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Provision for restoration cost

The Group is required to incur costs for restoration of the land after the underground sites have been mined. Provision for restoration cost is recognised when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the different provinces of the PRC at the end of the reporting period, and is discounted to their present value where the effect is material.

Restoration cost is provided in the period in which the obligation is identified and is capitalised to the costs of mining structures. This cost is charged to profit or loss through depreciation of the assets, which are depreciated using the UOP method based on the actual production volume over the estimated total proved and probable reserves of the ore mines.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. KEY SOURCES OF 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 discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Impairment of receivables, deposits and prepayments

Impairment of receivables, deposits, and prepayments is made based on an assessment of the recoverability of receivables, deposits and prepayments. The assessment of impairment of receivables, deposits and prepayments involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables, deposits and prepayments and thus the impairment loss in the period in which such estimate is changed.

(d) Mine reserves

Mining rights and mining structures are amortised or depreciated over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the mineral resources and reserves of the mines using the UOP method.

The process of estimating the quantities of the Group's gold reserve and resources is inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Changes in reported reserves and resources estimated can impact the carrying value of intangible asset.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(e) Exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest the carrying amount may exceed its recoverable amount. The directors of the Company exercise their judgment in estimating recoverable amount which requires the Group to estimate the total reserves of the ore mines. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available. If the quantities of reserves are different from current estimates, it will result in significant changes of the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. During the year ended 31 December 2013, the Group had bank and cash balances as well as amounts due from debtors that are denominated in foreign currencies which exposed the Group to foreign currency risks.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2013, if the RMB had weakened 5% per cent against HKD with all other variables held constant, consolidated loss after tax for the year would have been RMB45,520,000 (2012: RMB61,061,000) lower, arising mainly as a result of the foreign exchange gain on amounts due from debtors and bank and cash balances denominated in HKD. If the RMB had strengthened 5% per cent against the HKD with all other variables held constant, consolidated loss after tax for the year would have been RMB45,520,000 (2012: RMB61,061,000) higher, arising mainly as a result of the foreign exchange loss on amounts due from debtors and bank and cash balances denominated in HKD.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

The carrying amount of the bank and cash balances and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise credit risk, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own funding sources.

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets:		
Loans and receivables		
Trade and other receivables	**153,265**	679,150
Bank and cash balances	**1,328,742**	2,766,249
	1,482,007	3,445,399
Financial liabilities:		
Financial liabilities at amortised cost		
Other payables	**27,646**	23,427

6. SEGMENT INFORMATION

The Group has 3 operating mines in Nantaizi, Shirengou and Luotuochang in Inner Mongolia, the PRC. The Group is organised based on the locations of its ore processing plants. The ore processing plant located at Nantaizi processes ore from the mines in Nantaizi and Shirengou. The ore processing plant located at Luotuochang only processes ore from the mine in Luotuochang. For management reporting purpose, the Group's executive directors, who are the chief operating decision maker ("CODM") reviewed the financial information of each ore processing plant for the purpose of resources allocation and performance evaluation. Hence, the processing activities at each of the ore processing plants in Nantaizi and Luotuochang represented as an operating segment.

The Group acquired certain subsidiaries engaged in exploration activities in Yunnan and Guangxi, the PRC. The CODM also reviewed financial information of each subsidiary separately. Because all these subsidiaries carry out exploration activities, they are aggregated as one reportable segment of exploration of gold mines.

6. SEGMENT INFORMATION (Continued)

The Group's reportable segments are set out as follows:

(i) Ore processing plant in Nantaizi — the mining and ore processing activities in respect of the mines in Nantaizi and Shirengou;

(ii) Ore processing plant in Luotuochang — the mining and ore processing activities in respect of the mine in Luotuochang;

(iii) Exploration of gold mines — the exploration activities in various places.

Information about reportable segment profit or loss, assets and liabilities:

	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Exploration of gold mines RMB'000	Total RMB'000
For the year ended 31 December 2013				
Revenue from external customers	138,269	114,589	—	252,858
Segment loss before tax	(1,014,811)	(482,404)	(380,202)	(1,877,417)
Addition to non-current assets	910,427	354,413	405,567	1,670,407
Amortisation of prepaid land lease payments	24	34	—	58
Impairment losses on property, plant and equipment	910,427	354,413	—	1,264,840
Impairment losses on exploration and evaluation assets	—	—	379,069	379,069
Bank interest income	149	34	—	183
Income tax expense	49	15	—	64
As at 31 December 2013				
Segment assets	21,008	13,972	508,399	543,379
Segment liabilities	84,903	52,454	478	137,835

6. SEGMENT INFORMATION (Continued)

	Ore processing plant in Nantaizi RMB'000	Ore processing plant in Luotuochang RMB'000	Exploration of gold mines RMB'000	Total RMB'000
For the year ended 31 December 2012				
Revenue from external customers	518,628	271,854	—	790,482
Segment profit/(loss) before tax	168,444	(5,676)	(112,209)	50,559
Addition to non-current assets	163,466	113,088	111,279	387,833
Amortisation of prepaid land lease payments	27	35	—	62
Impairment losses on property, plant and equipment	163,466	113,088	—	276,554
Impairment losses on exploration and evaluation assets	—	—	111,279	111,279
Bank interest income	118	84	—	202
Income tax expense	77,540	23,820	—	101,360
As at 31 December 2012				
Segment assets	11,545	11,675	482,024	505,244
Segment liabilities	88,718	55,737	234	144,689

6. SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2013 RMB'000	2012 RMB'000
Revenue		
Total revenue of reportable segments and consolidated revenue	252,858	790,482
Profit or loss		
Total (loss)/profit of reportable segments	(1,877,417)	50,559
Unallocated other income	30,817	41,640
Unallocated corporate expenses	(45,612)	(78,357)
Unallocated other expenses	(51,769)	—
Consolidated (loss)/profit before tax	(1,943,981)	13,842
Assets		
Total assets of reportable segments	543,379	505,244
Unallocated bank and cash balance	1,328,342	2,765,499
Unallocated corporate assets	151,245	673,077
Consolidated total assets	2,022,966	3,943,820
Liabilities		
Total liabilities of reportable segments	137,835	144,689
Unallocated corporate liabilities	19,757	9,311
Consolidated total liabilities	157,592	154,000

Apart from the above, the totals of other material items disclosed in the segment information are the same as the consolidated totals.

6. SEGMENT INFORMATION (Continued)

Geographical information:

(a) Revenue from external customers

For both years, all the revenue are derived from customers located in the PRC.

(b) Non-current assets

	2013 RMB'000	2012 RMB'000
Hong Kong	741	800
PRC	509,377	482,948
	510,118	483,748

In presenting the geographical information, revenue is based on the locations of the customers.

Information about major customers

	Segment	2013 RMB'000	2012 RMB'000
Customer A	Ore processing plant in Nantaizi and Lutuochang	176,805	440,103
Customer B	Ore processing plant in Nantaizi	54,730	241,422
Customer C	Ore processing plant in Nantaizi and Lutuochang	—	93,529

7. REVENUE

The Group's revenue which represents sales of goods to customers are as follows:

	2013 RMB'000	2012 RMB'000
Products:		
— Gold	**177,186**	574,368
— Copper	**51,767**	117,748
— Other (Silver, Lead and Zinc)	**23,905**	98,366
	252,858	790,482

8. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Government subsidies	**30,122**	97,643
Interest income arising from loans to a shareholder	**—**	9,518
Interest income arising from amounts due from debtors	**16,173**	12,448
Exchange gain	**—**	2,685
Bank interest income	**13,797**	17,190
Sundry income	**1,029**	—
	61,121	139,484

Government subsidies represent the benefit from tax concession granted by the PRC government to encourage the production and sale of gold concentrates. Under the tax concession, the Group is not required to pay to the government authority value-added tax which have been charged on the sale of gold concentrates.

9. OTHER EXPENSES

	2013 RMB'000	2012 RMB'000
Exchange losses	**36,356**	—
Impairment losses on property, plant and equipment	**1,264,840**	276,554
Impairment losses on exploration and evaluation assets	**379,069**	111,279
	1,680,265	387,833

10. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax — PRC Enterprise Income Tax ("EIT")		
— Current year	**624**	102,288
— Under-provision in prior years	**64**	107
	688	102,395

No provision for Hong Kong Profits Tax is required since the Group's income is derived from overseas sources which is not liable to Hong Kong Profits Tax.

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current year is 25% (2012: 25%).

In addition, the Law of the PRC on EIT has imposed withholding tax upon the distribution of the profits earned by the PRC subsidiaries from 1 January 2008 onwards to their non-PRC shareholders. At 31 December 2013, there were no temporary differences associated with retained earnings of the Group's PRC subsidiaries and no deferred taxation has been provided for in the consolidated financial statements for the year ended 31 December 2013. At 31 December 2012, the aggregate amount of temporary differences associated with retained earnings of the Group's PRC subsidiaries was approximately RMB812,467,000. Deferred taxation has not been provided for in the consolidated financial statements for the year ended 31 December 2012 in respect of these temporary differences attributable to retained profits of the Group's PRC subsidiaries amounting to approximately RMB645,228,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. INCOME TAX EXPENSE (Continued)

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the PRC EIT rate is as follows:

	2013 RMB'000	2012 RMB'000
(Loss)/profit before tax	**(1,943,981)**	13,842
Tax at applicable PRC EIT rate of 25% (2012: 25%)	**(485,995)**	3,461
Tax effect of income that is not taxable	**(540)**	(5,748)
Tax effect of expenses that are not deductible	**179**	64
Tax effect of temporary differences not recognised	**402,373**	87,824
Tax effect of tax losses not recognised	**84,607**	16,687
Under-provision in prior years	**64**	107
Income tax expense	**688**	102,395

11. LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR

The Group's loss and total comprehensive loss for the year is stated after charging the following:

	2013 RMB'000	2012 RMB'000
Auditor's remuneration	**918**	936
Amortisation of prepaid land lease payments	**58**	62
Cost of inventories processed and sold	**492,518**	427,112
Depreciation of property, plant and equipment	**414**	589
Operating lease payments for rented premises	**2,247**	2,581
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**38,713**	33,199
Equity-settled share-based payment expenses	**20,223**	32,008
Retirement benefits scheme contributions	**3,927**	3,370
	62,863	68,577

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(a) Directors' remuneration

The emoluments paid or payable to each director were as follows:

	For the year ended 31 December 2013					
	Fees RMB'000	Salaries, bonus and allowances RMB'000	Discretionary bonus RMB'000	Equity-settled Share-based payment expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors:						
Mr. Lu Tianjun	—	351	—	1,328	9	1,688
Mr. Ma Wenxue	—	356	—	1,328	9	1,693
Mr. Cui Jie	—	351	—	1,328	9	1,688
Mr. Li Qing	—	354	—	1,115	6	1,475
Independent Non-Executive Directors:						
Mr. Zhao Enguang	160	—	—	—	—	160
Mr. Yang Yicheng	120	—	—	—	—	120
Mr. Li Xiaoping	383	—	—	—	—	383
	663	1,412	—	5,099	33	7,207

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION (Continued)

(a) Directors' remuneration (Continued)

	For the year ended 31 December 2012					
	Fees RMB'000	Salaries, bonus and allowances RMB'000	Discretionary bonus RMB'000	Equity-settled Share-based payment expenses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors:						
Mr. Lu Tianjun	–	351	–	1,663	9	2,023
Mr. Ma Wenxue	–	351	–	1,663	9	2,023
Mr. Cui Jie	–	351	–	1,663	9	2,023
Mr. Li Qing	–	174	–	1,775	6	1,955
Independent Non-Executive Directors:						
Mr. Zhao Enguang	163	–	–	–	–	163
Mr. Yang Yicheng	122	–	–	–	–	122
Mr. Li Xiaoping	391	–	–	–	–	391
	676	1,227	–	6,764	33	8,700

During the two years ended 31 December 2013 and 2012, no director waived or agreed to waive any emoluments.

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION (Continued)

(b) Five highest paid employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2012: four) were directors of the Company whose emoluments are included in the disclosures in Note 12(a) above. The emoluments of the remaining two (2012: one) highest paid individuals was as follows:

	2013 RMB'000	2012 RMB'000
Salaries, bonus and allowances	**2,746**	1,147
Equity-settled share-based payment expenses	**1,688**	1,345
Retirement benefit scheme contributions	**24**	10
	4,458	2,502

The emoluments fell within the following band:

	Number of individuals	
	2013	2012
HKD2,500,000 to HKD3,000,000	**2**	—
HKD3,000,000 to HKD3,500,000	**—**	1

During each of the years ended 31 December 2013 and 2012, no emoluments were paid by the Group to the directors or the five highest paid individuals any inducement to join or upon joining the Group or a compensation for loss of office.

13. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB1,866,894,000 (2012: RMB66,964,000) and the weighted average number of ordinary shares of 908,786,000 (2012: 908,786,000) in issue during the year.

Diluted earnings per share

The effects of all potential ordinary shares are anti-dilutive for the two years ended 31 December 2013 and 2012.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining structures RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2012	115,613	376,924	53,461	8,190	2,432	—	556,620
Additions	—	276,554	—	30	—	—	276,584
Written off	—	—	—	(507)	—	—	(507)
At 31 December 2012 and 1 January 2013	**115,613**	**653,478**	**53,461**	**7,713**	**2,432**	**—**	**832,697**
Additions	**111,969**	**1,096,686**	**56,185**	**388**	**—**	**—**	**1,265,228**
Written off	**—**	**—**	**—**	**—**	**(44)**	**—**	**(44)**
At 31 December 2013	**227,582**	**1,750,164**	**109,646**	**8,101**	**2,388**	**—**	**2,097,881**
Accumulated depreciation and impairment							
At 1 January 2012	115,613	376,924	53,461	7,507	1,615	—	555,120
Charge for the year	—	—	—	309	280	—	589
Written off	—	—	—	(391)	—	—	(391)
Impairment losses recognised in profit or loss	—	276,554	—	—	—	—	276,554
At 31 December 2012 and 1 January 2013	**115,613**	**653,478**	**53,461**	**7,425**	**1,895**	**—**	**831,872**
Charge for the year	**—**	**—**	**—**	**169**	**245**	**—**	**414**
Impairment losses recognised in profit or loss	**111,969**	**1,096,686**	**56,185**	**—**	**—**	**—**	**1,264,840**
At 31 December 2013	**227,582**	**1,750,164**	**109,646**	**7,594**	**2,140**	**—**	**2,097,126**
Carrying amount							
At 31 December 2013	**—**	**—**	**—**	**507**	**248**	**—**	**755**
At 31 December 2012	—	—	—	288	537	—	825

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year, the Group carried out reviews of the recoverable amount of property, plant and equipment. These assets are used in the Group's ore processing plant in Nantaizi and Luotuochang segment. The reviews led to the recognition of impairment losses of RMB1,264,840,000 (2012: RMB276,554,000), which has been recognised in profit or loss. The recoverable amounts of the relevant assets has been determined on the basis of their value-in-use using discounted cash flow method. The discount rate used in measuring the amount of value-in-use was 16.50% (2012: 16.31%) in relation to property, plant and equipment.

15. MINING RIGHTS

	RMB'000
Cost	
At 1 January 2012, 31 December 2012 and 31 December 2013	195,500
Accumulated amortisation and impairment	
At 1 January 2012, 31 December 2012 and 31 December 2013	195,500
Carrying amount	
At 31 December 2012 and 31 December 2013	–

16. EXPLORATION AND EVALUATION ASSETS

	2013 RMB'000	2012 RMB'000
At beginning of year	**480,170**	480,170
Additions	**405,567**	111,279
Impairment losses recognised in profit or loss	**(379,069)**	(111,279)
At end of year	**506,668**	480,170

The amount mainly represents the cost of acquisition of the exploration permits in various locations in the PRC. The 3 exploration permits of the Group were expired and in the opinion of the directors, the Group will be able to renew the exploration permits with Department of Land and Resources of the Guangxi Zhuang Autonomous Region in China continuously at insignificant cost.

16. EXPLORATION AND EVALUATION ASSETS (Continued)

During the year, the Group carried out reviews of the recoverable amount of the exploration and evaluation assets. These assets are used in the Group's exploration of gold mines segment. The reviews led to the recognition of an impairment losses of RMB379,069,000 (2012: RMB111,279,000), which has been recognised in profit or loss. The recoverable amounts of the relevant assets has been determined on the basis of fair value less costs of disposal (Level 2 fair value measurements).

Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2013:

Level 2 fair value measurements

Description	Valuation technique	Inputs
Exploration and evaluation assets	Market comparable approach	Metal resources prices (HKD/gram)

17. PREPAID LAND LEASE PAYMENTS

	2013 RMB'000	2012 RMB'000
At beginning of year	**2,815**	2,877
Amortisation for the year	**(58)**	(62)
At end of year	**2,757**	2,815
Analysed for reporting purposes as:		
Current portion	**62**	62
Non-current portion	**2,695**	2,753
At end of year	**2,757**	2,815

The prepaid land lease payments represent land use rights in the PRC held under medium-term lease.

18. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/voting power/ profit sharing Direct	Indirect	Principal activities
Lita Investment Limited (Note ii)	British Virgin Islands	USD55,942,117	100%	–	Investment holding
Rich Vision Holdings Limited (Note ii)	Hong Kong	HKD1	–	100%	Inactive
富邦工業(惠州)有限公司 Fubon Industrial (Huizhou) Co., Ltd.* (Note i)	PRC	HKD437,000,000	–	100%	Investment holding
赤峰富僑礦業有限公司 Chifeng Fuqiao Mining Co., Ltd.* (Chifeng Fuqiao) (Note ii)	PRC	RMB5,000,000	–	100%	Investment holding
赤峰石人溝金礦有限責任公司 Chifeng Shirengou Mining Co., Ltd.* (Note ii)	PRC	RMB600,000	–	100%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
赤峰南台子金礦有限公司 Chifeng Nantaizi Mining Co., Ltd.* (Note ii)	PRC	RMB1,000,000	–	100%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
巴林左旗國濤礦產品貿易有限責任公司 Balinzuo Banner Guotao Materials Products Trading Co., Ltd.* (Note ii)	PRC	RMB1,000,000	–	100%	Exploration, mining and processing of gold ore and sale of concentrates in the PRC
雲南古道礦業有限公司 Yunnan Gudao Mining Limited* (Note ii)	PRC	RMB6,000,000	–	95%	Exploration of gold mine in the PRC
廣西金鼎礦業有限公司 Guangxi Jinding Mineral Resources Co., Ltd* ("Guangxi Jinding") (Note ii)	PRC	USD3,300,000	–	78.57%	Exploration of gold mine in the PRC
柳州市元義礦業有限責任公司 Liuzhou City Yuanyi Mining Co., Ltd* (Note ii)	PRC	RMB3,000,000	–	100.0%	Exploration of gold mine in the PRC
Great Future Investments Limited (Note ii)	Cayman Islands	USD1,000	–	100.0%	Investment holding

Notes:

(i) A Sino-foreign equity joint venture.

(ii) A limited liability company.

* English translated name is for identification only.

18. SUBSIDIARIES (Continued)

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

The following table shows information of subsidiary that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	**Guangxi Jinding**	
	2013	2012
Principal place of business/country of incorporation	**PRC/PRC**	PRC/PRC
% of ownership interests and voting rights held by NCI	**21.43%**	21.43%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	**444,668**	418,170
Current assets	**7,779**	7,783
Current liabilities	**(721,714)**	(332,394)
Net (liabilities)/assets	**(269,267)**	93,559
Accumulated NCI	**(57,704)**	20,050
Year ended 31 December:		
Revenue	**—**	—
Loss and total comprehensive loss for the year	**(362,825)**	(100,455)
Loss allocated to NCI	**(77,753)**	(21,528)
Net cash generated from operating activities	**388,726**	100,066
Net cash used in investing activities	**(388,829)**	(100,000)
Net (decrease)/increase in cash and cash equivalents	**(103)**	66

19. INVENTORIES

	2013 RMB'000	2012 RMB'000
Mineral ores	**13,452**	4,775
Concentrates	**14,344**	6,664
	27,796	11,439

20. TRADE AND OTHER RECEIVABLES

	Notes	2013 RMB'000	2012 RMB'000
Trade receivables	(i)	**3,392**	7,740
Bills receivables		**—**	253,000
Prepayments, deposits and other receivables		**23,351**	20,902
Amount due from debtors	(ii)	**129,505**	400,680
		156,248	682,322

Notes:

(i) The aging analysis of trade receivables presented based on the invoice date is as follows:

	2013 RMB'000	2012 RMB'000
0 to 90 days	**3,392**	7,740

The average credit period granted to the Group's customers is 90 days (2012: 90 days). The balances of trade receivables were denominated in RMB.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Majority of the trade receivables that were neither past due nor impaired had no default payment history.

(ii) The amounts due from debtors were transferred from prepaid project payments and loans to a shareholder according to the debt restructuring agreement. The amounts were unsecured, interest bearing with 4.75% per annum and past due. The settlement was completed in June 2014.

21. BANK AND CASH BALANCES

As at 31 December 2013 and 2012, the bank and cash balances of the Group were denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
RMB	**508,652**	1,906,351
USD	**39,203**	39,363
HKD	**780,887**	820,535
	1,328,742	2,766,249

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

Bank balances carry interest at market rates which range from 0.01% to 2.10% (2012: 0.01% to 0.92%) per annum.

22. PROVISION FOR RESTORATION COST

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group's existing mines. The provision for restoration cost has been determined by the directors based on their best estimates in accordance with the PRC rules and regulations.

23. DEFERRED TAX LIABILITIES

The followings are the deferred tax liability arising from withholding tax applied on the undistributed profits of the PRC subsidiaries and movement thereon during the current and prior years:

	RMB'000
At 1 January 2012, 31 December 2012 and 2013	16,724

At the end of the reporting period, the Group has unused tax losses of approximately RMB244,750,000 (2012: RMB2,779,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to unpredictability of future profit streams. The tax losses of approximately RMB244,750,000 (2012: RMB2,779,000) can be carried forward for 5 years from the year they arise with the remaining tax losses carried forward indefinitely.

24. SHARE CAPITAL

	Number of shares '000	Amount HK'000
Authorised:		
Ordinary shares of HKD1.00 each		
At 1 January 2012, 31 December 2012 and 31 December 2013	1,000,000	1,000,000
Issued and fully paid:		
Ordinary shares of HKD1.00 each		
At 1 January 2012, 31 December 2012 and 31 December 2013	908,786	908,786

	2013 RMB'000	2012 RMB'000
Shown in the consolidated statement of financial position as	**797,619**	797,619

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company which comprises issued share capital and reserves.

Management reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the payment of dividends, new shares issues as well as the issue of new debt.

25. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2012	2,428,631	52,829	(327,809)	2,153,651
Loss and total comprehensive loss for the year	—	—	(48,215)	(48,215)
Recognition of equity-settled share-based payment expenses	—	32,009	—	32,009
Lapse of share options	—	(3,181)	3,181	—
At 31 December 2012 and 1 January 2013	2,428,631	81,657	(372,843)	2,137,445
Loss and total comprehensive loss for the year	—	—	(1,030,502)	(1,030,502)
Recognition of equity-settled share-based payment expenses	—	20,223	—	20,223
At 31 December 2013	2,428,631	101,880	(1,403,345)	1,127,166

25. RESERVES (Continued)

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

Statutory reserve represents the appropriation of 10% of profit after taxation determined based on the accounting standards and regulations in the PRC as required by the Articles of Association of one of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory reserve has reached 50% of that PRC subsidiary's registered capital.

(iii) Capital reserve

Capital reserve comprises an amount of approximately RMB24,167,000 (2012: RMB18,119,000) representing an appropriation to safety production fund from retained profits pursuant to regulations in the PRC. The fund is not available for distribution to shareholders.

(iv) Other reserve

Other reserve comprises an amount of approximately RMB7,803,000 advanced and waived by Lead Honest Management Limited, the Company's immediate holding company during the year ended 31 December 2008 and an amount of approximately RMB151,090,000 representing the excess of the fair value of the consideration over the carrying amount of the net assets of additional interest in an existing subsidiary acquired during the year ended 31 December 2010.

(v) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in Note 3 to the consolidated financial statements.

26. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution of the then sole shareholder passed on 30 January 2009 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for a period of ten years from the date of adoption of the Scheme.

At 31 December 2013, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 38,880,000 (2012: 38,880,000), representing 4.3% (2012: 4.3%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share option lot A

				Number of share options				
Grantee	Vesting Period	Exercisable period	Exercise price per share HKD	Outstanding at 1.1.2012	Lapsed during the year	Outstanding at 31.12.2012	Movement during the year	Outstanding at 31.12.2013
Directors	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	990,000	–	990,000	–	**990,000**
	12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	990,000	–	990,000	–	**990,000**
	12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	990,000	–	990,000	–	**990,000**
Employees	12.3.2009–11.3.2011	12.3.2011–11.3.2014	6.25	1,650,000	(330,000)	1,320,000	–	**1,320,000**
	12.3.2009–11.3.2012	12.3.2012–11.3.2014	6.25	1,650,000	(330,000)	1,320,000	–	**1,320,000**
	12.3.2009–11.3.2013	12.3.2013–11.3.2014	6.25	1,650,000	(330,000)	1,320,000	–	**1,320,000**
				7,920,000	(990,000)	6,930,000	–	**6,930,000**
Exercisable at the end of the reporting period						4,620,000		**6,930,000**

26. SHARE-BASED PAYMENTS (Continued)

Share option lot A (Continued)

The above share options were granted on 12 March 2009. The closing price of the Company's shares immediately before the date of grant of the options was HKD4.86 and the estimated fair values of the options at the date of grant ranged from HKD1.79 to HKD2.60 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation were as follows:

Closing share price at date of grant	HKD4.9
Exercise price	HKD6.25
Suboptimal exercise factor	2
Expected volatility	71.7%
Expected dividend yield	—
Risk free rate	1.6%

The variables and assumptions used above were based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

Share option lot B

				Number of share options				
Grantee	Vesting Period	Exercisable period	Exercise price per share HKD	Outstanding at 1.1.2012	Movement during the year	Outstanding at 31.12.2012	Movement during the year	Outstanding at 31.12.2013
Directors	12.5.2011–31.12.2013	1.1.2014–31.12.2018	10.17	990,000	—	990,000	—	**990,000**
	12.5.2011–31.12.2014	1.1.2015–31.12.2018	10.17	990,000	—	990,000	—	**990,000**
	12.5.2011–31.12.2015	1.1.2016–31.12.2018	10.17	990,000	—	990,000	—	**990,000**
	12.5.2011–31.12.2016	1.1.2017–31.12.2018	10.17	990,000	—	990,000	—	**990,000**
	12.5.2011–31.12.2017	1.1.2018–31.12.2018	10.17	990,000	—	990,000	—	**990,000**
				4,950,000	—	4,950,000	—	**4,950,000**
Exercisable at the end of the reporting period						—		**—**

26. SHARE-BASED PAYMENTS (Continued)

Share option lot B (Continued)

The above share options were granted on 12 May 2011. The closing price of the Company's shares immediately before the date of grant of the options was HKD10.34 and the estimated fair values of the options at the date of grant ranged from HKD4.86 to HKD5.47 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation were as follows:

Closing share price at date of grant	HKD9.94
Exercise price	HKD10.17
Expected volatility	54%
Expected dividend yield	0.5%
Risk free rate	2.1%–2.3%

The variables and assumptions used above were based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

Share option lot C

				Number of share options				
Grantee	Vesting Period	Exercisable period	Exercise price per share HKD	Outstanding at 31.12.2011	Lapsed during the year	Outstanding at 31.12.2012	Lapsed during the year	Outstanding at 31.12.2013
Directors	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	330,000	–	330,000	–	**330,000**
	12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	330,000	–	330,000	–	**330,000**
	12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	330,000	–	330,000	–	**330,000**
	12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	330,000	–	330,000	–	**330,000**
	12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	330,000	–	330,000	–	**330,000**
Employees	12.5.2011–31.12.2011	1.1.2012–31.12.2016	10.17	5,650,000	(580,000)	5,070,000	–	**5,070,000**
	12.5.2011–31.12.2012	1.1.2013–31.12.2016	10.17	5,650,000	(580,000)	5,070,000	–	**5,070,000**
	12.5.2011–31.12.2013	1.1.2014–31.12.2016	10.17	5,650,000	(580,000)	5,070,000	–	**5,070,000**
	12.5.2011–31.12.2014	1.1.2015–31.12.2016	10.17	5,650,000	(580,000)	5,070,000	–	**5,070,000**
	12.5.2011–31.12.2015	1.1.2016–31.12.2016	10.17	5,650,000	(580,000)	5,070,000	–	**5,070,000**
				29,900,000	(2,900,000)	27,000,000	–	**27,000,000**
Exercisable at the end of the reporting period						5,400,000		**10,800,000**

26. SHARE-BASED PAYMENTS (Continued)

Share option lot C (Continued)

The above share options were granted on 12 May 2011. The closing price of the Company's shares immediately before the date of grant of the options was HKD10.34 and the estimated fair values of the options at the date of grant ranged from HKD4.06 to HKD4.81 per option. These fair values were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation were as follows:

Closing share price at date of grant	HKD9.94
Exercise price	HKD10.17
Expected volatility	54%
Expected dividend yield	0.5%
Risk free rate	2.1%–2.3%

The variables and assumptions used above were based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

During the year, the Group recognised share-based payment expenses of RMB20,223,000 (2012: RMB32,009,000) in relation to the share options granted by the Company.

27. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2013 RMB'000	2012 RMB'000
Capital expenditure in respect of exploration projects		
Contracted for but not provided in the consolidated financial statements	**296,658**	585,104

28. LEASE COMMITMENTS

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013 RMB'000	2012 RMB'000
Within one year	**2,337**	2,358
In the second to fifth years, inclusive	**2,149**	4,342
	4,486	6,700

Operating lease payments represent rentals payable by the Group for certain of its rented premises. Lease terms are ranged from 2 to 3 years with fixed rentals.

29. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

		2013 RMB'000	2012 RMB'000
(i)	The remuneration of directors and other members of key management during the year is as follows:		
	Short-term benefits	**3,589**	3,480
	Equity-settled share-based payment expenses	**5,943**	8,110
	Other long-term benefits	**49**	48
		9,581	11,638
(ii)	Interest arising from loans to the then controlling shareholder of the Company, Mr. Wu:		
	Interest income	**—**	9,518

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**741**	800
Investments in subsidiaries	**218,297**	387,521
	219,038	388,321
CURRENT ASSETS		
Other receivables	**143,491**	413,250
Amounts due from subsidiaries	**1,002,589**	1,532,638
Bank and cash balances	**570,479**	602,919
	1,716,559	2,548,807
CURRENT LIABILITIES		
Other payables	**10,812**	2,064
NET CURRENT ASSETS	**1,705,747**	2,546,743
NET ASSETS	**1,924,785**	2,935,064
EQUITY		
Share capital	**797,619**	797,619
Reserves	**1,127,166**	2,137,445
TOTAL EQUITY	**1,924,785**	2,935,064

31. EVENT AFTER THE REPORTING PERIOD

Chifeng Fuqiao Mining Co. Limited* (赤峰富僑礦業有限公司), being a subsidiary indirectly held and wholly owned by the Company, has taken over operational control of Inner Mongolia Siziwangqi Gaotai Mining Company Limited* (內蒙古四子王旗高台礦業有限責任公司), after acquiring its 70% equity interest from the third parties who are independent of and not connected with the Company and its connected persons at a consideration of RMB59,500,000 in the first quarter of 2015.

* For identification purpose only

32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized for issue by the Board on 26 February 2016.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and reclassified as appropriate, is set out below.

RESULTS

	For the year ended 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	**252,858**	790,482	1,412,736	1,368,227	1,011,154
(Loss)/Profit before tax	**(1,943,981)**	13,842	(545,790)	1,107,843	736,301
Income tax expenses	**(688)**	(102,395)	(307,691)	(299,339)	(193,043)
(Loss)/Profit and total comprehensive (loss)/income for the year	**(1,944,669)**	(88,553)	(853,481)	808,504	543,258
Non-controlling interests	**77,775**	21,589	95,121	(10,460)	(16,582)
(Loss)/Profit for the year	**(1,866,894)**	(66,964)	(758,360)	798,044	526,676
Attributable to:					
Owners of the Company	**(1,866,894)**	(66,964)	(758,360)	798,044	526,676
Non-controlling interests	**(77,775)**	(21,589)	(95,121)	10,460	16,582
	(1,944,669)	(88,553)	(853,481)	808,504	543,258

ASSETS AND LIABILITIES

	At 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Non-current assets	**510,118**	483,748	848,651	1,891,775	653,993
Current assets	**1,512,848**	3,460,072	3,119,173	3,018,110	2,423,884
Current liabilities	**(131,774)**	(128,182)	(95,642)	(167,031)	(539,664)
Non-current liabilities	**(25,818)**	(25,818)	(25,818)	(17,399)	(17,399)
Net assets	**1,865,374**	3,789,820	3,846,364	4,725,455	2,520,814
Attributable to:					
Owners of the Company	**1,924,785**	3,771,456	3,806,411	4,590,381	2,483,692
Non-controlling interests	**(59,411)**	18,364	39,953	135,074	37,122
Total equity	**1,865,374**	3,789,820	3,846,364	4,725,455	2,520,814