LINGJIN
灵 金

Lingbao Gold Group Company Ltd.
靈寶黃金集團股份有限公司

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

(Stock Code: 3330)

ANNUAL REPORT 2017

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Jianzheng *(Chairman)*
Mr. Wang Leo
Ms. Zhou Xing
Mr. Zhao Kun
Mr. Xing Jiangze

Non-executive Director

Mr. Shi Yuchen

Independent Non-executive Directors

Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua

SUPERVISORS

Mr. Wang Guodong
(Chairman of the Supervisory Committee)
Mr. Yao Shun
Mr. Guo Xurang
Mr. Meng Shouji
Mr. Jiao Xiaoxiao

AUDIT COMMITTEE

Mr. Yang Dongsheng *(Chairman of Audit Committee)*
Mr. Shi Yuchen
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua

NOMINATION COMMITTEE

Mr. Wang Guanghua
(Chairman of Nomination Committee)
Mr. Xing Jiangze
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Jiheng

REMUNERATION AND REVIEW COMMITTEE

Mr. Wang Jiheng
(Chairman of the Remuneration and Review Committee)
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Guanghua

COMPANY SECRETARY

Mr. Poon, Lawrence Chi Leung

AUTHORISED REPRESENTATIVES

Mr. Chen Jianzheng
Mr. Poon, Lawrence Chi Leung

INTERNATIONAL AUDITOR

KPMG

PRC AUDITOR

KPMG Huazhen LLP

LEGAL ADVISER

Hong Kong law
Haiwen & Partners

PRC law
Commerce & Finance Law Offices

PRINCIPAL BANKERS

Bank of China, Lingbao City Branch
Agricultural Bank of China, Lingbao City Branch
China Construction Bank, Lingbao City Branch
Industrial and Commercial Bank of China, Lingbao City Branch
Industrial Bank of China, Zhengzhou Branch
Bank of Communications of China, Zhengzhou Branch
China Development Bank
Zhongyuan Bank, Sanmenxia Branch

SHARE REGISTRAR AND TRANSFER OFFICE FOR H SHARES

Computershare Hong Kong Investor Services Limited
17M Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE OF THE COMPANY

Hangu Road and Jingshan Road Intersection
Lingbao City
Henan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1902, 19th Floor
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong

INVESTOR RELATIONS CONTACT

Mr. Xing Jiangze
PRC Office
Hangu Road and
Jingshan Road Intersection
Lingbao
Henan
The People's Republic of China
(Postcode: 472500)
Tel: (86–398) 8862–218
Fax: (86–398) 8860–166
Email: lingbaogold@vip.sina.com

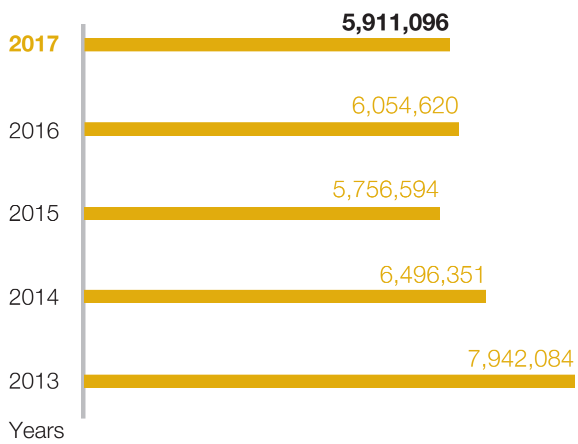
Mr. Poon, Lawrence Chi Leung
Hong Kong Office
Room 1902, 19th Floor
China Evergrande Centre
38 Gloucester Road
Wanchai
Hong Kong
Email: lingbaogold@vip.sina.com

STOCK INFORMATION

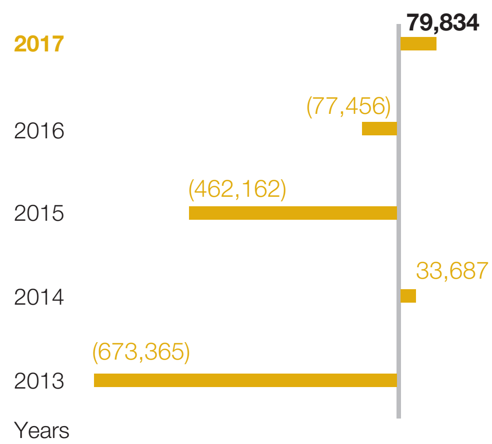
Stock Code	:	3330
Listing Date	:	12 January 2006
Issued Shares	:	297,274,000 shares (H Shares)
		566,975,091 shares (Domestic Shares)
Nominal Value	:	RMB0.20 per share
Stock Name	:	Lingbao Gold
Website of the Company	:	www.lbgold.com
Investors' website	:	www.irasia.com/listco/hk/lingbao

FINANCIAL HIGHLIGHTS

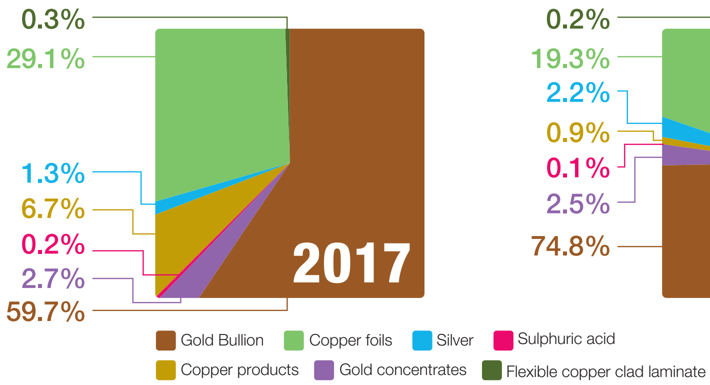
REVENUE
RMB'000



PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
RMB'000



SALES ANALYSIS BY PRODUCTS



CAPITAL RESOURCES

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Total assets	**7,946,667**	7,489,783	7,508,139	7,139,623	6,723,546
Cash and cash equivalents	**455,427**	1,164,569	1,117,524	372,312	367,202
Bank and other borrowings	**4,893,411**	5,073,509	5,130,495	4,190,919	3,792,152
Total equity attributable to equity shareholders of the Company	**1,223,931**	1,119,144	1,219,448	1,696,307	1,663,494

CORPORATE PROFILE

Lingbao Gold Group Company Ltd. ("Lingbao Gold" or the "Company" and together with its subsidiaries, the "Group") is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 January 2006.

The Group is an integrated gold mining enterprise in the People's Republic of China ("PRC"), and is mainly engaged in gold mining, smelting, refining and copper processing. The products of the Group are gold, silver, copper products, copper foils and sulphuric acid. The Shanghai Gold Exchange certified the Group as a standard gold bullion production enterprise. The Group's mineral resources are scattered in the PRC regions of Henan, Xinjiang, Jiangxi, Inner Mongolia, Gansu and Kyrgyz Republic ("KR") with 41 mining and exploration rights with a total area of 1,585.14 sq. km. The total gold reserve and resources as at 31 December 2017 were approximately 49.62 tonnes (approximately 1,595,320 ounce) and 136.25 tonnes (approximately 4,380,539 ounce) respectively. The gold reserve and resources report is prepared in accordance with PRC GB/T17766–1999, "Solid Mineral Resources/Reserves Classification", GB/T13908-2002 "General Requirements for Solid Mineral Geological Exploration" and DZ/T0205–2002 "Geological Exploration Requirements for Hard-Rock Gold". In 2017, approximately 12,702 kg (approximately 408,378 ounce) of gold was produced, and the profit for the year of the Group attributable to the equity shareholders amounted to RMB79,834,000.

The objective of the Group's strategy in the future is continuous expansion, to become the leading integrated gold mining enterprise in the PRC and gradually promote our brand in the international market. The Group will focus on the exploration and expansion of production scale and continue to acquire gold resources with potential.

The following is a table of gold resources and reserves of the Group as at 31 December 2017:

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
1	Henan Lingjin No. 1 Mine	Gold	Ore (t)	782,518	129,568	912,086
			Grade (g/t)	5.44	6.10	5.53
			Gold Contained (kg)	4,259	812	5,070
2	Deep exploration area of Henan Lingjin No. 1 Mine	Gold	Ore (t)	2,772,542	3,435,474	6,208,016
			Grade (g/t)	4.09	5.10	4.65
			Gold Contained (kg)	11,348	17,525	28,873
3	Henan Hongtuling Gold Mine	Gold	Ore (t)	1,014,659	287,383	1,302,042
			Grade (g/t)	6.86	7.69	7.04
			Gold Contained (kg)	6,956	2,210	9,166
4	Henan Hongxin No. 1 Mine	Gold	Ore (t)	138,891	36,065	174,956
			Grade (g/t)	4.28	3.89	4.20
			Gold Contained (kg)	595	140	735
5	Henan Lingjin No. 2 Mine	Gold	Ore (t)	691,058	364,941	1,055,999
			Grade (g/t)	7.44	7.42	7.43
			Gold Contained (kg)	5,144	2,707	7,851
6	Henan Lingjin No. 3 Mine	Gold	Ore (t)	126,395	131,354	257,749
			Grade (g/t)	5.60	4.62	5.10
			Gold Contained (kg)	708	607	1,315

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
7	Henan Pengjialaozhuang Gold Mine	Gold	Ore (t)	73,344	599,724	673,068
			Grade (g/t)	4.69	4.56	4.58
			Gold Contained (kg)	344	2,736	3,080
8	Henan Shangshanghe Gold Mine	Gold	Ore (t)	504,897	329,843	834,740
			Grade (g/t)	4.56	4.63	4.59
			Gold Contained (kg)	2,302	1,526	3,828
9	Periphery of Henan Shangshanghe Gold Mine	Gold	Ore (t)	388,920	3,084,203	3,473,123
			Grade (g/t)	5.53	4.73	4.82
			Gold Contained (kg)	2,151	14,594	16,745
10	Henan Laowan Gold Mine	Gold	Ore (t)	152,805	135,467	288,272
			Grade (g/t)	4.36	3.26	3.85
			Gold Contained (kg)	666	442	1,109
11	Henan Eastern Laowan Gold Mine	Gold	Ore (t)	53,421	387,592	441,013
			Grade (g/t)	5.88	4.92	5.04
			Gold Contained (kg)	314	1,907	2,221
12	Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)	231,147	1,951,496	2,182,643
			Grade (g/t)	4.02	3.85	3.86
			Gold Contained (kg)	928	7,507	8,435
13	Deep part of Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)		854,443	854,443
			Grade (g/t)		4.71	4.71
			Gold Contained (kg)		4,021	4,021
14	Periphery of Xinjiang Duolanasayi Gold Mine	Gold	Ore (t)		129,803	129,803
			Grade (g/t)		5.18	5.18
			Gold Contained (kg)		672	672
15	Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	69,527	499,664	569,191
			Grade (g/t)	5.02	2.89	3.15
			Gold Contained (kg)	349	1,445	1,794
16	Deep part of Xinjiang Tuokuzibayi Gold Mine	Gold	Ore (t)	21,828	470,695	492,523
			Grade (g/t)	4.77	3.98	4.01
			Gold Contained (kg)	104	1,872	1,976
17	Jinchanshan Gold Mine of Inner Mongolia	Gold	Ore (t)	662,995	321,087	984,082
			Grade (g/t)	4.67	4.85	4.73
			Gold Contained (kg)	3,097	1,558	4,655
18	Jinchanshan Changgao Gold Mine of Inner Mongolia	Gold	Ore (t)		746,112	746,112
			Grade (g/t)		10.13	10.13
			Gold Contained (kg)		7,560	7,560
	Total of gold contained — Domestic			39,264	69,843	109,107

No.	Mine (Project) Name	Minerals	Unit	Proven+ Indicated	Inferred	Total
19	Upper part of Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	961,759	1,825,712	2,787,471
			Grade (g/t)	8.30	6.44	7.08
			Gold Contained (kg)	7,982	11,750	19,732
20	Eastern Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	101,075	1,560,364	1,661,439
			Grade (g/t)	7.96	6.64	6.72
			Gold Contained (kg)	805	10,359	11,164
21	Istanbul Gold Mine of Kyrgyzstan	Gold	Ore (t)	6,228	756,333	762,561
			Grade (g/t)	10.92	10.03	10.03
			Gold Contained (kg)	68	7,583	7,651
22	Akesu Gold Mine of Kyrgyzstan	Gold	Ore (t)	118,825	1,566,203	1,685,028
			Grade (g/t)	7.28	6.06	6.15
			Gold Contained (kg)	865	9,498	10,363
23	Tieliekelin Gold Mine of Kyrgyzatan	Gold	Ore (t)	105,002	480,609	585,611
			Grade (g/t)	5.51	5.65	5.62
			Gold Contained (kg)	579	2,714	3,293
24	Exploration area of Tieliekelin Gold Mine of Kyrgyzatan	Gold	Ore (t)	13,114	4,604,622	4,617,736
			Grade (g/t)	4.19	5.32	5.32
			Gold Contained (kg)	55	24,500	24,555
	Total of gold contained — Oversea			10,354	66,404	76,758
	Total of gold contained			49,618	136,247	185,865

The total gold resources and reserves of the Group were made in according to the Geological Exploration Requirements for Hard-Rock Gold (DZ/T 0205–2002) issued by the Ministry of Land and Resources of the PRC by adopting the following assumptions:

Henan Lingjin no. 1 Mine

1. Gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Lingjin No. 1 Mine was approximately 500kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Deep exploration area of Henan Lingjin no. 1 Mine

No geological exploration and mining activities have been conducted since the record in the Ministry of Land and Resources of the PRC in 2011. The former resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Henan Hongtuling Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Hongtuling Gold Mine was approximately 376kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 6m
   Distance between levels: 50m

Henan Hongxin no. 1 Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Hongxin No. 1 Mine was 27kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Lingjin no. 2 Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves depletion for Henan Lingjin No. 2 Mine was 71kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Pengjialaozhuang Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves increment for Henan Pengjialaozhuang Gold Mine was 36kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.

Henan Shangshanghe Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The ore resources and reserves increment for Henan Shangshanghe Gold Mine was 199kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.3m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Deep exploration of periphery of Henan Shangshanghe Gold Mine

No geological exploration and mining activities have been conducted since the record in the Ministry of Land and Resources of the PRC in 2011. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

Henan Laowan Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Henan Laowan Gold Mine was 160kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.3m
   Pillar between blocks: 6m
   Crown pillar: 5m
   Distance between levels: 50m

Henan Eastern Laowan Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves increment for Henan Eastern Laowan Gold Mine was 84kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.

Xinjiang Duolanasayi Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Xinjiang Duolanasayi Gold Mine was 51kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for flat base short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 2m
   Pillar between blocks: 5m
   Crown pillar: 8m
   Distance between levels: 50m

Deep Part of Xinjiang Duolanasayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Periphery of Xinjiang Duolanasayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Xinjiang Tuokuzibayi Gold Mine

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves increment for Xinjiang Tuokuzibayi Gold Mine was 67kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for flat base short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 50m

Deep Part of Xinjiang Tuokuzibayi Gold Mine

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Jinchanshan Gold Mine of Inner Mongolia

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves increment for Jinchanshan Gold Mine was 18kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for short hole shrinkage mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Jinchanshan Changgao Gold Mine of Inner Mongolia

The mine is in the stage of applying mining permit procedure and no exploration and exploitation activities are carried out. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Upper Part of Istanbul Gold Mine of Kyrgyzstan

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.
2. The ore resources and reserves depletion for Upper Part of Istanbul Gold Mine was 331kg.
3. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
4. Parameters for sublevel caving mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Eastern Istanbul Gold Mine of Kyrgyzstan

1. The gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.
2. The resources and reserves included diluting materials with an assuming dilution grade of 0g/t.
3. Parameters for sublevel caving mining method:
   Length of block: 50m
   Minimum width of block: 1.2m
   Pillar between blocks: 5m
   Crown pillar: 6m
   Distance between levels: 40m

Istanbul Gold Mine of Kyrgyzstan

The mine is conducting geological exploration activities. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 3g/t.

Akesu Gold Mine of Kyrgyzstan

The mine is conducting geological exploration activities. And no mining activities were conducted The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

Tieliekelin Gold Mine of Kyrgyzstan

The mine was in construction stage and is conducting geological exploration activities. No mining activities were conducted. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

Exploration area of Tieliekelin Gold Mine of Kyrgyzatan

The mine is conducting geological exploration activities and no mining activities conducted. The former gold resources and reserves reporting cutoff grade was 1g/t, and the minimum industrial grade was 2.5g/t.

The gold resources and reserves estimates were based on the estimates of resources and reserves as approved for record by the Department of Land and Resources of the PRC in 2011. The changes in gold resources and reserves during the period were due to mining consumption and exploration and was confirmed by qualified mineral resources evaluator.

DEAR SHAREHOLDERS,

I hereby present you the results of the Company for the year ended 31 December 2017. The net profit before tax of the Group amounted to approximately RMB111,306,000 (2016: loss before tax of RMB77,754,000). Net profit for the year of the Group attributable to the equity shareholders amounted to RMB79,834,000 (2016: loss attributable to the equity shareholders of RMB 77,456,000). Earnings per share of the Group was RMB0.10 for the year ended 31 December 2017. After a discussion of the Board (the "Board") of Directors (the "Directors") of the Company, the Directors do not recommend the payment of any final dividend.

REVIEW FOR THE YEAR 2017

In 2017, the volume of gold, silver, electrolytic copper, copper foil and sulphuric acid produced by the Group amounted to 12,702 kg, 21,838 kg, 10,542 tonnes, 22,636 tonnes and 103,492 tonnes, respectively. As at 31 December 2017, the total gold reserves and resources were 185.87 tonnes. The Group held 41 mining and exploration rights in aggregate covering 1,585.14 square kilometres, of which 12 were mining rights.

The year 2017 is the first year of the Group's structural transformation and strategic changes. The new management team has carried out massive amount of fundamental and effective works throughout the year. Due to the production suspension and rectification among major production entities and disruption of normal production units, the Group made active responses to swiftly achieve a turnaround for the challenges faced by production and operation. For smelting business, with production affected by rectification on environmental protection for three months, various measures have been implemented to catch up with the original schedule, and thus production and operation have gradually recovered. In 2017, the production volume of copper foil has exceeded the target, yet the production volume of the Group's other main products, including gold, silver, electrolytic copper and sulphuric acid, all witnessed under-production, and the respective sales income and operating profit were both lower than the annual targets. Benefitted from the booming development of lithium battery industry and the new energy automobile industry in the PRC, the demand for electrolytic copper foil has continuously climbed up. The Group's copper foil segment recorded a significant growth in results, thereby becoming a new pillar of the Group's profit stream. In 2017, the Group proactively fostered the construction of Baoxin Electronic's 40,000 tonne of power lithium battery copper foil project and siezed the opportunity in the development of copper foil industry. The steel structure installation as well as deployment of equipment and infrastructures have been completed in the main plant, while major equipment is ready for installation, laying a solid foundation for the smooth production commencement in 2018. Amidst stringent implementation of safety and environmental protection policies, the Group are increasingly dedicated to safety and environmental protection works by actively fostering the application of advanced safety and environmental protection management techniques, enhancing hazards prevention, investigations and treatment as well as consolidating and conducting extensive investigation on safety and environmental protection. Such measures have effectively eliminated material causalities and incidents regarding environmental protection. The Group has built up excellent co-operation with numerous suppliers. For prudential selection of suppliers, the Group requires its suppliers to fulfill a number of assessment standards, including track record, experience, financial strength, reputation, quality production and effectiveness on quality control.

BUSINESS OUTLOOK OF 2018

In 2018, the Group's strategic direction is to promote the balanced development of its three major businesses, which are the business in mining, smelting and new energy industries. In particular, as the foundation of the Group's development, mining is an irreplaceable segment and to be strengthened with more resources, enhanced management and increase on mine exploration and mineral reserve. Since the Group's gold mining, smelting and copper foil industries are all technology intensive in nature and all require technical support, therefore, innovation has been placed as the primary driving force and core component for development. The Group comprehensively deepens the reform on technology and structure, while greatly promotes comprehensive innovation primarily driven by technology innovation. Emphasis is put on cost reduction, efficiency enhancement, and quality improvement with technological advancement, and with accelerated realisation of technology results, improve the Group's technology capabilities and overall economic effectiveness. For copper foil business, the Group adheres to the operation concept of optimisation of product structure, transformation into high-end products, expansion into high-end market and realisation of economy of scale. By offering supply services with high functionalities, quality and efficiency, the Group consolidates and enhances the leading position and customer portfolio of Wason brand in copper foil market to continuously enhance profitability. The Group aims to continue its 5-micron electrolytic copper foil research and development project and researches on high elongation lithium copper foil technology as well as improvement of lithium foil quality. Hence, scalable and industrialised production would be gradually formulated.

APPRECIATION

On behalf of the Board, I wish to express our sincere gratitude to all the shareholders for their support and trust, and to the management and all the staff for their dedication and hard work over the past year.

By order of the Board

Chen Jianzheng
Chairman

Lingbao, Henan, the PRC
29 March 2018

REVIEW OF BUSINESS

In 2017, the Group produced approximately 12,702 kg (equivalent to approximately 408,378 ounce) gold, representing a decrease of approximately 4,330 kg (equivalent to approximately 139,213 ounce) or 25.4% as compared with the previous year. The Group's revenue decreased by 2.4% to approximately RMB5,911,096,000. The net profit attributable to the equity shareholders of the Company for the year was approximately RMB79,834,000, while the loss attributable to the equity shareholders of the Company for the previous year was RMB77,456,000. The Company's basic earnings per share was RMB0.10. The increase in net profit for the year was mainly due to: (i) the enhancement of the Group's management measures and operation efficiency by the management team; (ii) the increase in sales of copper products as compared with previous year, which has higher gross profit; (iii) the impairment on construction in progress and intangible assets decreased by RMB32,802,000 as compared with previous year; and (iv) the decrease in realised and unrealised losses on financial instruments measured at fair value by RMB52,793,000.

Given that raw materials accounted for over 79% of total production cost, the Group intends to increase its self-produced output of gold mine through expansion of mining operation scale, and uplift the overall production and operation targets, so as to minimise the risks associated with raw materials purchased from outsiders.

1. Mining Segment

Revenue and production

Our mining business mainly comprises the sales of gold concentrates and compound gold. Most of the gold concentrates and compound gold were sold to the Group's smelting plant as inter-segment sales within the Group.

The following table sets forth the analysis of the production and sales volume of the mining segment by product category:

		2017		2016	
	Unit	**Approximate production volume**	**Approximate sales volume**	Approximate production volume	Approximate sales volume
Gold concentrates (contained gold)	kg	**1,379**	**1,338**	1,684	1,609
Compound gold	kg	**1,185**	**1,229**	1,273	1,156
Total	kg	**2,564**	**2,567**	2,957	2,765
Total	ounce	**82,435**	**82,531**	95,070	88,897

The total revenue of the mining segment of the Group for 2017 was approximately RMB709,820,000, representing a decrease of approximately 3.4% from approximately RMB734,733,000 in 2016. During the year, revenue of gold mines in Henan, Xinjiang, Inner Mongolia and Kyrgyzstan represented approximately 44.4%, 34.3%, 11.2% and 10.1% of the total revenue of the mining segment, respectively. The production volume of compound gold of the Group decreased by approximately 88 kg to approximately 1,185 kg while the production volume of its gold concentrates decreased by approximately 305 kg to approximately 1,379 kg.

The decrease in production volume of gold concentrates was mainly due to the renewal of production and safety permits by Tongbai Xingyuan Mining Company Limited, which has suspended production since October 2017 and is anticipated to recommence production in April 2018.

Segment results

The Group's results of the mining segment for 2017 were total loss of approximately RMB53,073,000, as compared to the total loss of approximately RMB3,668,000 in 2016. The segment results to segment revenue ratio of the Group's mining segment for 2017 was approximately (7.5)%, as compared to approximately (0.5)% in 2016.

As the first year after its trial production in 2016, Full Gold Mining Limited Liability Company ("Full Gold") met some problems in its production, and the recovery rate of the processing plant still could not meet the designed requirements. Therefore, the production volume of Full Gold is lower than expectation, which resulted in the increased production costs in 2017. In 2018, Full Gold will continue to improve its production process to enhance its recovery rate and production volume.

2. Smelting Segment

Our smelting plant is situated in Henan Province, and is capable of processing gold, silver, copper and sulphur. Its products include gold bullion, silver, copper products and sulphuric acid. The following table sets forth the analysis of the production and sales volume of the smelting segment by product category:

		2017		2016	
Products	Unit	**Approximate production volume**	**Approximate production volume**	Approximate production volume	Approximate production volume
Gold bullion	kg	**12,702**	**12,864**	17,032	17,105
	ounce	**408,378**	**413,587**	547,591	549,938
Silver	kg	**21,838**	**22,698**	40,824	41,695
	ounce	**702,108**	**729,758**	1,312,522	1,340,525
Copper products	tonne	**10,542**	**10,504**	12,666	13,410
Sulphuric acid	tonne	**103,492**	**107,112**	172,204	175,080

Sales and production

The Group's total revenue from the smelting segment for 2017 was approximately RMB4,062,843,000, representing a decrease of approximately 20.2% from approximately RMB5,093,715,000 in 2016.

The daily processing capacity of gold concentrates of the Group was approximately 919 tonnes, at a production utilisation rate of approximately 100%. The Group's production volume of gold, silver, copper and sulphuric acid decreased by approximately 25.4%, 46.5%, 16.8% and 39.9%, respectively as compared with the previous year. During the year, the gold recovery rate was approximately 96.8%, the silver recovery rate was approximately 72.7% and the copper recovery rate was approximately 96.3%. The recovery rates of the Group remained at a relatively high level.

Segment results

The Group's results of the smelting segment for 2017 were a total profit of approximately RMB146,142,000, as compared to a total profit of approximately RMB189,612,000 in 2016. The segment results to segment revenue ratio of our smelting business in 2017 was approximately 3.6%, as compared to approximately 3.7% in 2016.

In 2017, the Group recorded a decline in the revenue and profit of its smelting segment, mainly because its smelting plant suspended production for about three months. The smelting branch received an "Emergency Notice in relation to Immediate Suspension of Production of Enterprises Involving Emission of Heavy-metal Pollutants" (《關於對轄區內涉及重金屬污染物排放企業立即進行停產整治的緊急通知》) issued by Lingbao Municipal Environmental Protection Commission's Office (靈寶市環境保護委員會辦公室) on 25 January 2017. Due to the excessive emission of heavy metals to Hongnongjian River, Yangping River and Zaoxiang River, there is a serious threat to the water quality of the downstream Sanmenxia Reservoir. To quickly remove pollution, improve the water quality of the above rivers and ensure the safety of water environment, seven enterprises' production (including the smelting branch) were suspended. The smelting branch was actively engaged in treatment work concerning safety and environmental protection, striving to resolve the issues and seeking early resumption of work and production. Having met the requirements on treating heavy-metal pollution from environmental protection authorities, the smelting plant has resumed its production since April 2017.

Outlook

In 2018, the Group's strategic direction is to promote the balanced development of its three major business, which is the business in mining, smelting and new energy industries. Copper foil processing segment and smelting segment are still the core of the Group's profits and must continue to make new contribution to the growth, while mining enterprises would aim for realising strong profitability in general. For Full Gold, stringent measures would be formulated to reduce losses in stipulated timeframe. The Group will continue to increase mine exploration and reserve for its existing gold mines. With continuous enhancement of environmental protection management standards, the Group aims to conserve the beautiful environment and assumes its social responsibilities.

FINANCIAL INFORMATION

1. Operating Results

Revenue

The Group's sales analysis by products is shown as follows:

	2017			2016		
	Amount (RMB'000)	Sales volume (kg/tonne/m²)	Unit price (RMB per kg/tonne/m²)	Amount (RMB'000)	Sales volume (kg/tonne/m²)	Unit price (RMB per kg/tonne/m²)
Gold bullion	3,537,906	12,864 kg	275,024	4,534,592	17,105 kg	265,103
Silver	74,275	22,466 kg	3,306	133,459	41,695 kg	3,201
Copper cathode	396,493	9,312 tonnes	42,579	56,985	1,820 tonnes	31,310
Copper foils	1,726,660	22,700 tonnes	76,064	1,168,659	19,493 tonnes	59,953
Flexible copper clad laminate	15,903	133,625 m²	119	10,968	100,725 m²	85
Sulphuric acid	10,947	107,112 tonnes	102	5,969	175,080 tonnes	34
Gold concentrates	162,004	1,152 kg	140,628	154,661	659 kg	234,690
Revenue before tax	5,924,188			6,065,293		
Less: Sales tax	(13,092)			(10,673)		
	5,911,096			6,054,620		

The Group's revenue for 2017 was approximately RMB5,911,096,000, representing a decrease of approximately 2.4% as compared with the previous year, of which the revenue of gold bullion accounted for 59.9% of its total revenue. Such decrease was mainly attributable to the decrease in sales volume of gold bullion by approximately 24.5% during the year. Although there was a large decrease in sale volume of gold bullion, the decrease in the Group's revenue narrowed because of the increase in sales volume and average selling price of copper foils by approximately 16.5% and 26.9% respectively as compared with the previous year.

The Group commenced its copper processing business during the year 2008, mainly involving the production of copper foil. In 2016, the Group continued to accelerate the transformation of lithium battery copper foil products and expanded into high-end market to improve its service quality and expand its product sales. Benefitted from the booming development of lithium battery industry and the new energy automobile industry, the demand for electrolytic copper foil has continuously climbed up. In 2017, the Group's copper foil segment recorded a significant growth in results, and the production and sales volume of copper foil were 22,636 tonnes and 22,700 tonnes, respectively, representing an increase of approximately 19.9% and 16.5%, respectively as compared with those of previous year.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin for 2017 were RMB785,977,000 and 13.3%, respectively, the gross profit and gross profit margin for 2016 were RMB660,595,000 and 10.9%, respectively. In 2017, the increase in sales of copper products, which have higher gross profit margin, resulted in the increase in the Group's gross profit margin of 2.4% as compared with that of the previous year.

Other revenue

The Group's other revenue for 2017 was approximately RMB40,677,000, representing an increase of approximately 47.0% as compared with approximately RMB27,676,000 for 2016. Such increase was mainly attributable to the increase in interest income by RMB16,662,000.

Other net loss

The Group's other net loss for 2017 was approximately RMB41,956,000 as compared with other net loss of approximately RMB127,216,000 for 2016. Such decrease was mainly attributable to (i) a decrease in the impairment losses of construction in progress and intangible assets of approximately RMB32,802,000; and (ii) a decrease in the realised and unrealised losses on financial instruments at fair value of approximately RMB52,793,000.

Selling and distribution expenses

The Group's selling and distribution expenses for 2017 were approximately RMB48,127,000, representing an increase of approximately 27.5% as compared with the previous year. Such increase was mainly attributable to the increase of the copper foils business, and the corresponding increase in selling and distribution expenses.

Administrative expenses and other operating expenses

The Group's administrative expenses and other operating expenses for 2017 were approximately RMB378,617,000, representing an increase of approximately 2.1% as compared with approximately RMB370,831,000 for 2016.

Finance costs

The Group's finance costs for 2017 were approximately RMB246,648,000, representing an increase of approximately 7.1% as compared with approximately RMB230,232,000 for 2016. Such increase was mainly attributable to the increase in average bank loans interest rate during the reporting period.

Profit attributable to the Company's equity shareholders

The net profit attributable to equity shareholders of the Company for 2017 was approximately RMB79,834,000, as compared to the loss attributable to equity shareholders of the Company for 2016 of approximately RMB77,456,000. The basic earnings per share was RMB0.10. The Group does not recommend the payment of final dividend for the year ended 31 December 2017.

2. Liquidity and Financial Resources

The Group generally finances its acquisition and operations with internally generated funds and bank loans. The cash and bank balances as at 31 December 2017 amounted to RMB1,330,385,000 (31 December 2016: RMB1,322,843,000).

The total equity of the Group as at 31 December 2017 amounted to RMB1,383,362,000 (31 December 2016: RMB1,051,604,000). As at 31 December 2017, the Group had current assets of RMB3,922,443,000 (31 December 2016: RMB3,573,497,000) and current liabilities of RMB4,901,362,000 (31 December 2016: RMB4,462,533,000). The current ratio was 0.80 (31 December 2016: 0.80).

As at 31 December 2017, the Group had total outstanding bank and other borrowings of approximately RMB4,893,411,000 with interest rates ranging from 2.2% to 6.08% per annum, of which approximately RMB3,380,986,000 was repayable within one year, approximately RMB1,099,228,000 was repayable after one year but within two years, and approximately RMB413,197,000 was repayable after two years. The gearing ratio as at 31 December 2017 was 61.6% (31 December 2016: 67.7%), which was calculated by total borrowings divided by total assets.

As at 31 December 2017, the Group had unutilised bank facilities of RMB2,127,680,000 which could be drawn down by the Group to finance its operation when necessary.

3. Security

As at 31 December 2017, bank loans of the Group amounting to RMB64,035,000 were secured by the mining right of Istanbul Gold Mine with a carrying amount amounting to RMB66,523,000, the property, plant and equipment with carrying amount of RMB84,916,000 and equity interests in Full Gold, a subsidiary located in Kyrgyz Republic.

As at 31 December 2017, the machinery and equipment with carrying amount of RMB348,640,000 and equity interests in Lingbao Wason Copper-Foil Company Ltd. were pledged by the Group for a loan of RMB355,000,000 from a leasing company.

As at 31 December 2017, the Group secured the loans to a leasing company of RMB191,250,000 with a pledge of Nanshan Mine with carrying amount of RMB243,839,000 and pledged deposits with carrying amount of RMB10,000,000.

As at 31 December 2017, the Group secured bank loans of RMB969,763,000 with a pledge of secured deposits with carrying amount of RMB578,345,000 and bills receivable with carrying amount of RMB62,504,000.

4. Substantial Acquisition

During the reporting period, the Group had no substantial acquisition.

5. Market Risks

The Group is exposed to various types of market risks, including fluctuations in gold price and other commodity prices, as well as changes in interest rates and exchange rates.

Gold price and other commodities price risk

The Group's turnover and profit for the year were affected by fluctuations in the gold prices and other commodities price as all our products were sold at the market prices, where such fluctuation was beyond our control. The Group does not use and strictly prohibits the use of commodity derivative instruments or futures for speculation purpose. All commodity derivative instruments are used to minimise the potential price fluctuation of gold and other commodities.

Interest rate

The Group is exposed to risks associated with the fluctuation in interest rates on our debt obligations. The Group undertakes debt obligations for supporting capital expenditure and general working capital. The Group's bank loans bear interest rates that are subject to adjustment made by our lenders in accordance with changes of the relevant regulations of the People's Bank of China. If the People's Bank of China increases the interest rates, our finance cost increases accordingly. In addition, to the extent that we may need to raise our debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt.

Exchange rate risk

The Group's transactions are mainly denominated in Renminbi. As such, fluctuations in exchange rates may affect the international and domestic gold price, and our operation results may be affected. Renminbi is not freely convertible and the currency would fluctuate against a basket of currencies. The PRC government may take further actions and implement new measures on free trade of Renminbi.

In addition to the foregoing, the exchange rate risks to which the Group exposes are mainly from certain bank deposits, trade and other receivables, trade and other payables and bank loans, which are denominated in foreign currencies. The currency giving rise to risk is primarily United States dollars.

Fluctuations in exchange rates may adversely affect the value of our net assets, earnings and any dividends we declare when they are being converted or translated into Hong Kong dollars.

6. Contractual Obligations

As at 31 December 2017, the Group's total capital commitments in respect of the construction costs which were not provided for in the financial statements were approximately RMB83,767,000, representing an increase of approximately RMB40,484,000 from approximately RMB43,283,000 as at 31 December 2016.

As at 31 December 2017, the Group's total future minimum lease payments under non-cancellable operating leases amounted to approximately RMB15,128,000, of which approximately RMB4,241,000 was payable within one year, approximately RMB8,539,000 was payable after one year but within five years, and approximately RMB2,348,000 was payable after five years.

7. Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

8. Capital Expenditure

In 2017, the Group's capital expenditure was approximately RMB335,831,000, representing a decrease of approximately 18.3% from approximately RMB411,229,000 in 2016.

The Group's capital expenditure mainly relates to the construction of mining shafts, expansion of project equipment and upgrading of production equipment.

9. Employees

In 2017, the average number of employees of the Group was 6,058. The Company highly treasures its human resources and provides its employees with competitive remuneration and training programs.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chen Jianzheng (陳建正先生), aged 49, is the chairman of the Board and an executive Director. He graduated from Hunan Agricultural University (land management) in July 1990 and later obtained the bachelor degree in law from Hunan Administration Institute in December 2003. He has many years of experience related to the management and the operation of the mining industry. He also has worked in the underground mine and smelter for more than one year and is very familiar with the mining, mineral separation and smelting process. Prior to joining the Group, he was a member of the party leadership and deputy chief of Land and Resources Bureau of Yuanling County in Hunan Province. He was in charge of mine management and reserve management and possesses very good management experience in mining industry. Mr. Chen was appointed as the chairman of the Board and an executive Director on 23 January 2017.

Mr. Wang Leo (王清貴先生), aged 52, graduated from Zhejiang Metallurgical Economics College (now renamed Jiaxing University) majoring in accounting in 1984. In 1991, he graduated from Tianjin Nankai University majoring in law under the self-taught examinations. He graduated from New Zealand University of Canterbury majoring in accounting and finance and obtained a bachelor's degree in commerce in 2001. He graduated from New Zealand University of Otago majoring in accounting and finance and obtained a postgraduate diploma in 2002. In 2003, he graduated from New Zealand University of Waikato majoring in accounting and obtained a master degree in business administration and later in 2005 he was a doctoral candidate of commerce in Australian National University majoring in corporation governance. Mr. Wang holds the Chinese lawyer qualification certificate, Chinese certified public accountant certificate (non-practising member), Chinese accountant qualification certificate and Shenzhen Stock Exchange qualification certificate of secretary to the board. Mr. Wang has over 30 years of experience in corporate finance management, corporate governance and accounting. Mr. Wang was appointed as an executive Director on 23 December 2016.

Ms. Zhou Xing (周星女士), aged 47, studied in Hunan College of Finance and Economics majoring in international trade from 1988 to 1992 and obtained a bachelor degree. Later she obtained a master degree in finance from the same college in 1998. She continued her study in National University of Singapore School of Business from 2004 to 2006 and obtained a master degree in business administration. Ms. Zhou has over 20 years of experience in business management and corporate governance. Prior to joining the Group, she worked in Singapore Exchange as a vice president of the corporate and listing department from January 2008 to July 2011 and has been working in James & Hina Capital Management Company Limited as a chief executive officer since July 2011. Ms. Zhou was appointed as an executive Director on 23 December 2016.

Mr. Zhao Kun (趙昆先生), aged 55, obtained bachelor degree from Central South University of Mining and Metallurgy (Central South University) (中南礦冶學院(中南大學)) in relation to the geology of mineral prospecting and exploration in 1983. He is also a geological engineer, senior economist and senior gold investment analyst. He is also the managing director of China Gold Association (中國黃金協會) and the vice chairman of the National Precious Metals Industry Committee (國家貴金屬產業委員會). He has many years of work experience in geological prospecting, mine construction, production management and technical transformation. Prior to joining the Group, Mr. Zhao was the general manager of the Tianjin International Mining Rights Exchange (天津國際礦業權交易所) and was responsible for the day-to-day management. Mr. Zhao was appointed as an executive Director on 23 January 2017.

Mr. Xing Jiangze (邢江澤先生), aged 51, holds a bachelor's degree and is a registered certified public accountant, certified tax agent, senior accountant, senior consultant and economist in the PRC, having over 25 years of work experience in finance, accounting and auditing. He has been working in the Group since April 2007 and had served as assistant financial controller, financial controller and chief investment officer. Mr. Xing has served as secretary of the Board since August 2013 and was appointed as an executive Director in June 2015.

Non-executive Directors

Mr. Shi Yuchen (石玉臣先生), aged 56, holds a doctoral degree in geology and is a senior engineer and a national mineral reserves appraiser. He is also a part-time professor and supervisor of postgraduate of Shandong University of Science and Technology. He studied in Changchun College of Geology majoring in regional geological survey and mineral resources prospecting from October 1978 to July 1982 and obtained a bachelor's degree. He continued his study in Jilin University majoring in mineral resources prospecting and exploration from February 1999 to May 2005 and obtained a master and doctoral degree. He had worked in Zhongrun Resources Investment Corporation as an executive director from May 2012 to October 2012 and is currently working in Huibang Investment and Development Corporation as a director since November 2012. Mr. Shi was appointed as a non-executive Director in June 2014.

Independent Non-executive Directors

Mr. Yang Dongsheng (楊東升先生), aged 53, is a senior accountant, a member of the Chinese Institute of Certified Public Accountant, a member of China Certified Public Valuer and a member of China Certified Tax Agent. Mr. Yang graduated from Henan University of Traditional Chinese Medicine with a bachelor degree in medicine, graduated from Henan Finance and Economics School with a college degree in accounting and graduated from Hong Kong Chinese University with a master degree in accounting. He has over 32 years extensive experience in accounting and auditing. He worked in accounting firms for 17 years and has been in charge of listed companies audit work and initial public offering projects. He is currently a partner of BDO China Shu Lun Pan Certified Public Accountants and a chief of Henan branch. Mr. Yang was appointed as an independent non-executive Director in January 2014.

Mr. Han Qinchun (韓秦春先生), aged 59, is currently the Executive President of China International Capital Management and Research Company Limited (Hong Kong) and the director of Real Estate Research Centre of Peking University HSBC Business School. Mr. Han obtained a Doctorate Degree of Philosophy in Urban Economics and Management from The University of Hong Kong in 1998. He is a Registered Appraiser, Planner and Engineer in the PRC. He has a corporate finance advisory license, an asset management license, a securities dealing advisory license and a securities floor trading license issued by the Hong Kong Securities and Futures Commission. Mr. Han served as an official of the PRC government authorities, the Hong Kong Investment Manager and Senior Management Member of an investment bank in Hong Kong and the vice chairman and co-president of Hong Long Holdings Limited, a listed company in Hong Kong, from early 2006 to January 2010. He has rich experience in financial investment field, equity capital market and listed companies' management. Mr. Han was appointed as an independent non-executive Director in March 2012.

Mr. Wang Jiheng (王繼恒), aged 50, holds a master's degree in law of NorthWest University of Politics and Law and a doctoral degree in law of Wuhan University, and is an associate professor and an advisor of master degree students. He currently engages in the teaching and research of environment and resources law in the Economic Law College of NorthWest University of Politics and Law, and serves as a vice president of the Resources and Energy Law Research Institute of that College, and also the director of the Resources and Energy Law Teaching and Research Department. His part-time jobs include secretary-general of the environment and resources law research association of Xi'an Society of Law, member of the policy advisory committee of Lianhu District of Xi'an, senior trainer of EU — China Environmental Governance Program and trainer of the environmental law institute of the International Union for Conservation of Nature (IUCN). Mr. Wang was appointed as an independent non-executive Director in June 2015.

Mr. Wang Guanghua (汪光華先生), aged 66, graduated from Beijing Institute of Chemical Technology (renamed Beijing University of Chemical Technology in 1994) majoring in chemical engineering in July 1974. Mr. Wang has more than 30 years of experience in investment, government affairs and business operation and management. He worked in New Era New Materials Development Company of China New Era Group Corporation as general manager from January 2006 to February 2012. He served as partner of Elevation China Capital from March 2012 to August 2014 and served as chairman of Ningxia Jiecheng Investment and Management Company Limited and executive partner of Ningxia Jiecheng Venture Capital Fund, which was approved to establish and funded by National Development and Reform Commission and Ministry of Finance from March 2014 to November 2015. He has been serving as chairman of Nanjing Jingtaiheng Investment and Management Company Limited since July 2015 and in charge of Nanjing Jingyong Healthcare Venture Capital Fund, which was funded by Zijin Group, a financial platform of Nanjing Municipal People's Government. Mr. Wang has more than 30 years of working experience in investment, government affairs and business operation and management. Mr. Wang was appointed as an independent non-executive Director in March 2016.

SUPERVISORY COMMITTEE AND SUPERVISORS

Mr Wang Guodong (王國棟先生), aged 47, holds a diploma, is a senior production and operation division manager and a mine engineer. Currently, he is serving as manager of smelting branch. Mr. Wang was appointed as a supervisor of the Group in April 2014 and the Chairman of the supervisory committee in June 2014.

Mr. Yao Shun (姚舜先生), aged 45, is a bachelor degree holder. He has been serving as the Office Director of Lingbao City State-owned Assets Management Co, Ltd. since August 2007. Mr. Yao was appointed as an supervisor of the Group in March 2012.

Mr. Guo Xurang (郭許讓先生), aged 46, obtained a master's degree in business administration from Hangzhou Dianzi University, Zhejiang Province, in July 2003. Since April 2007 Mr. Guo Xurang has been the chairman of Shannan Wanlaixin Investment Company Limited, which was named Beijing Wanlaixin Investment Company Limited from April 2007 to July 2013. Mr. Guo Xurang was a supervisor of the Group during the period from July 2010 to March 2012. Mr. Guo was appointed as a supervisor of the Group in June 2014.

Mr. Meng Shouji (孟首吉先生), aged 30, obtained a bachelor's degree in economics and statistics from the University of London, England, in August 2010, and obtained a master's degree in business administration from Imperial College Business School, England, in August 2011. Mr. Meng Shouji has been the general manager of Henan Xuanrui Assets Company Limited and the chairman of Henan Mengcheng Bio-Pharmaceutical Company Limited since September 2011. Mr. Meng is also a member of Sanmenxia Municipal Committee since January 2013. Mr. Meng was appointed as a supervisor of the Group in June 2014.

Mr. Jiao Xiaoxiao (焦瀟霄先生), aged 35, is currently the logistics officer of the Company. Mr. Jiao graduated with a degree in Chinese language from Henan University. Mr. Jiao was appointed as a supervisor of the Group in January 2009.

SENIOR MANAGEMENT

Mr. Wang Junqiang (王軍強先生), aged 45, graduated from China University of Mining and Technology. He also obtained master of engineering, professor of senior engineer and registered consulting engineer. Mr. Wang served as chief of mining and technology department in Qiangma gold mine of Lingbao city from September 1994 to July 2002. From July 2002 to March 2011, he worked in the Group as the technical development manager, chief operating officer and assistant to general manager. From March 2011 to March 2013, he served as deputy general manager of the Group. From July 2013 to July 2014, Mr. Wang served as an independent non executive director of Newtree Group Holdings Limited, a company listed in Hong Kong. From March 2013 to January 2017, he served as deputy general manager and chief engineer of the Group. Mr. Wang was appointed as the chief executive officer of the Group on 23 January 2017.

Mr. He Haifang (賀海防先生), aged 41, holds a diploma and is a senior accountant. He studied in Zhengzhou College of Animal Husbandry Engineering and obtained a diploma in computerized accounting in July 2008. Mr. He had worked in Qiangma Gold Mine of Lingbao City from October 1995 to September 2002. Mr. He held the posts of chief accountant, budget section chief, deputy manager and manager of the finance department of the Group from September 2002 to August 2013. Mr. He has served as financial controller of the Group since August 2013.

Mr. Poon, Lawrence Chi Leung (潘之亮先生), aged 43, is the company secretary and chief financial officer of the Company and is responsible for company secretarial, financial and accounting management, and investor relations affairs of the Company. Mr. Poon graduated from Monash University, Australia, with a bachelor degree of Commerce. He is a certified practising accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon has approximately 18 years of experience in auditing, accounting and finance. Mr. Poon was appointed as the company secretary of the Group in March 2007.

Being one of the integrated gold mining companies based in PRC, the Company is committed to continually achieving high standards of corporate governance practices and has put in place a set of well-defined corporate governance procedures to ensure the transparency of the Company and protect the overall interest and rights of shareholders as well as employees.

After our listing of H Shares on the Stock Exchange on 12 January 2006, the Company has complied with all Code Provisions under the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") save for the deviation from Code Provision A.2.7 (The chairman should at least annually hold one meeting with the non-executive directors (including independent non-executive director) without the executive director present).

THE BOARD

The Board is the executive organization of the Company and shall be responsible for formulating and executing the operation plans and management decisions of the Company as well as establishing the overall strategic direction. Its duties include evaluating the performance of senior management and supervising the system of the Company. The Board has to act in the best interest of the Company and its shareholders.

The composition of the Board are set out in the following table:

Director	Position
Mr. Chen Jianzheng (appointed on 23 January 2017)	Executive Director and Chairman
Mr. Jin Guangcai (resigned on 23 January 2017)	Executive Director and Chairman
Mr. Wang Leo	Executive Director
Ms. Zhou Xing	Executive Director
Mr. Zhao Kun (appointed on 23 January 2017)	Executive Director
Mr. Xing Jiangze	Executive Director
Mr. Qiang Shanfeng (resigned on 23 January 2017)	Executive Director
Mr. Ji Wanxin (resigned on 23 January 2017)	Executive Director
Mr. Shi Yuchen	Non-executive Director
Mr. Yang Dongsheng	Independent Non-executive Director
Mr. Han Qinchun	Independent Non-executive Director
Mr. Wang Jiheng	Independent Non-executive Director
Mr. Wang Guanghua	Independent Non-executive Director

Pursuant to the articles of association of the Company ("Articles of Association"), the term of appointment of the Directors (including the non-executive Directors and independent non-executive Directors) shall be three years and the Directors are eligible for re-election. The chairman of the Company, Mr. Chen Jianzheng, and the other four executive Directors are responsible for the business management of the Company, formulation and implementation of important strategies, making daily business decision, and coordination of overall business operation.

All of the Directors can give sufficient time and attention to the Company's affairs.

Non-executive Directors and independent non-executive Directors possess wide expertise and experience and are able to give professional advice in various aspects such as law, accounting, finance, tax, equity capital and industrial and commercial industries. The non-executive Directors would participate in Board meetings of the Company to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. In addition, they would take the lead in Board meetings where potential conflicts of interests arise. They also have to scrutinise the Company's performance in achieving agreed corporate goals and objectives.

Independent non-executive Directors are expressly identified in the corporate communications that disclose the names of the Directors by the Company.

The Company has received annual written confirmation from each of the independent non-executive Directors to ensure they are in compliance with Rule 3.13 of the Listing Rules in respect of their independence. Apart from employment relationships with the Company, there is no any financial, business, family or other material relationships amongst members of the Board. The Company considers that they are independent.

The Company has established various internal control systems which allow the Board to maintain high standard of corporate governance in the management of the Company. To ensure that the Board performs its duties effectively, the management is required to submit business and financial reports of the Company to the Board regularly. The Board is responsible for performing the corporate governance duties according to the code provision D.3.1 set out on the CG Code, which includes: (1) developing and reviewing the policies and practices on corporate governance of the Group; (2) reviewing and monitoring the training and continuous professional development of Directors and senior management; (3) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; (4) developing, reviewing and monitoring the code of conduct applicable to Directors and employees; and (5) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

Directors would make further enquiries if they require further enquiries than is information volunteered by management. The Board has separate and independent access to the company secretary and other senior management at all times to conduct informal discussions. It is at the Company's expense for the Board to contact the auditors, lawyers or other professionals to obtain independent professional opinions when appropriate. Management are regularly reminded by the company secretary that they have an obligation to provide the Board and its committees with adequate, complete and reliable information in a timely manner. All Directors have access to Board papers and related materials which will enable the Board to make an informed decision on matters placed before it. Steps are taken to respond to enquiries raised by Directors as fully as possible.

For the year ended 31 December 2017, the Board of the Company held twenty six meetings to discuss and approve various important matters. All such meetings were convened in accordance with the Articles of Association. The table below lists out the attendance of each Director at the Board meetings held during the year up to the date of the report. The attendance illustrates the attention of the Board to the management of the Company's affairs. The matters processed by the Board in the meetings are all recorded, and the relevant records are kept pursuant to relevant laws and regulations.

Director	Number of Board meetings that the Director was entitled to attend	Number of Board meetings that the Director attended	Attendance (%)	Number of general meetings and class general meeting attended/held
Mr. Chen Jianzheng	26	26	100	3/3
Mr. Wang Leo	26	26	100	3/3
Ms. Zhou Xing	26	26	100	3/3
Mr. Zhao Kun	26	26	100	3/3
Mr. Xing Jiangze	26	26	100	3/3
Mr. Shi Yuchen	26	26	100	3/3
Mr. Yang Dongsheng	26	26	100	3/3
Mr. Han Qinchun	26	26	100	3/3
Mr. Wang Jiheng	26	26	100	3/3
Mr. Wang Guanghua	26	26	100	3/3

Prior to each regular Board meeting, the management of the Company shall submit materials relevant to the affairs to be discussed in the meeting to the Board. Notice convening the regular Board meeting shall be sent to all Directors at least ten days before the meeting so that arrangements can be made to attend the meeting. Documents required for the Board meeting shall be sent to the Directors at least three days before the meeting, to ensure that enough time is given to the Directors to review the documents and get prepared for the meeting.

The Board meeting is chaired by the chairman to ensure that sufficient time is allocated to the consideration and discussion of each matter in the agenda and each Director is given an equal opportunity to speak. In addition, the Board are given an opportunity to include matters in the agenda. Minutes of Board meetings and meetings of Board committees record detailed concerns raised by Directors and dissenting views expressed. Minutes of Board meetings and meetings of Board committees would be kept by secretary and such minutes are opened for inspection at any reasonable time on reasonable notice by any Director.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a Board meeting would be held. Independent non-executive Directors have no material interest in the transaction would be present at such Board meeting.

Code Provision A.2.7 provides that the chairman should at least annually hold one meeting with the non-executive directors (including independent non-executive directors) without the executive directors present. During the year 2017, all meetings were held with the executive Directors' presence. However, the chairman has delegated the secretary to the Board to gather any concerns and/or questions that the non-executive Directors and the independent non-executive Directors might have and report to him and arrange a meeting with them.

Every newly-appointed Director would receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently continuous briefing and professional development would be arranged to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/ her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. All Directors are encouraged by the Group to participate in continuous professional development to develop and refresh their knowledge and skills. During the year, all Directors attended training sessions and updates relating to the Company's business or directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements etc. by reading.

BOARD COMMITTEE

The Board has established four committees. Each committee has its terms of reference, including the review of matters of extraordinary nature, giving suggestions to the Board and making decisions on behalf of the Board relating to such matters when appropriate.

(1) Audit Committee

The audit committee of the Board is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for the communication, supervision and inspection of internal and external audit.

After our listing, the Company has been in full compliance with the requirements of Rule 3.21 of the Listing Rules.

In 2017, the audit committee comprises of five members, all of which are either non-executive Director or independent non-executive Director. Any former partner of KPMG should be prohibited from acting as a member of the audit committee. Pursuant to the Listing Rules, a member of independent director specializing in accounting will be the chairman of the audit committee who will be in charge of the work of the committee. The committee now comprises of the following members:

Mr. Yang Dongsheng *(Chairman)*
Mr. Shi Yuchen
Mr. Han Qinchun
Mr. Wang Jiheng
Mr. Wang Guanghua

The principal duties of the audit committee are: (a) to suggest recruiting or changing external audit organization; (b) to supervise the internal audit system of the Company and its implementation; (c) to facilitate the communication between internal audit and external audit; (d) to review the financial information of the Company and its disclosure; (e) to inspect the internal control system of the Company and to audit major connected transactions; (f) to develop and implement policy on the engagement of an external auditor to supply non-audit service; (g) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The audit committee would discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; (h) to monitor integrity of financial statements and the annual reports of the Company and accounts, half-year reports and to review significant financial reporting judgments contained in them. In this regard, in reviewing the relevant statements and reports before the submission of the Company's annual reports and accounts, half-year reports to the Board, the committee would focus particularly on: (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) the going concern assumptions and any qualifications; (v) compliance with accounting standards; (vi) compliance with the Listing Rules and other legal requirements in relation to financial reporting; (vii) members of the committee would liaise with the Board, senior management of the Company and the qualified accountant and the committee must meet, at least once a year, with the Company's auditors; and (viii) the committee would consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the qualified accountant, compliance adviser and auditors; (i) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system; (j) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response; (k) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function; (l) to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response; (m) to report to the Board on the matters set out in Code Provision C.3.3; and (n) to be responsible for other matters as authorized by the Board of the Company.

The terms of reference of audit committee are kept at the registered office of the Company and have been published on the Company's website for reference.

The audit committee has been provided with sufficient resources to discharge its duty.

Details of audit committee meetings held during the year are as follows:

Director	Number of audit committee meetings in 2017	Number of meetings that Director attended	Attendance (%)
Mr. Yang Dongsheng	2	2	100
Mr. Shi Yuchen	2	2	100
Mr. Han Qinchun	2	2	100
Mr. Wang Jiheng	2	2	100
Mr. Wang Guanghua	2	2	100

In 2017, two meetings of the audit committee were held. On 31 March 2017, the audit committee met with the international auditors to discuss the general scope of their audit work. On 28 August 2017, the audit committee reviewed the Company's interim report for the year 2017. In addition, the audit committee had reviewed the financial statements for the year ended 31 December 2017 before the announcement of the Company's annual results. During the discussion, the audit committee had reviewed key areas in which management's judgment applied for adequate provision and disclosure, and internal control policies.

(2) Strategic Committee

The strategic committee of the Board is a body specifically set up by the Board according to the resolution of the general meeting and shall mainly be responsible for conducting research and giving advice regarding the long-term development strategies and material investment decisions of the Company.

In 2017, the strategic committee comprises of six members, with at least one independent Director pursuant to the implementation measure. The committee now comprises of the following members:

Mr. Chen Jianzheng *(Chairman)* (appointed on 23 January 2017)
Mr. Jin Guangcai *(Chairman)* (resigned on 23 January 2017)
Mr. Wang Leo
Ms. Zhou Xing
Mr. Zhao Kun (appointed on 23 January 2017)
Mr. Qiang Shanfeng (resigned on 23 January 2017)
Mr. Yang Dongsheng
Mr. Han Qinchun

The principal duties of the strategic committee are: (a) to conduct research and make suggestions concerning the long-term development strategic plans of the Company; (b) to conduct research and make suggestions concerning the material investment and financial proposals which are subject to the approvals of the Board and the general meeting pursuant to the Articles of Association; (c) to conduct research and make suggestions concerning the material capital management and assets management projects which are subject to the approvals of the Board and the general meeting pursuant to the Articles of Association; (d) to conduct research and make suggestions concerning other significant events that influence the development of the Company; (e) to carry out inspection concerning the implementation of the above matters; and (f) to be responsible for other matters as delegated by the Board.

No strategic committee meeting was held in 2017.

(3) Nomination Committee

The nomination committee of the Board is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for making suggestions regarding the selection of the Directors and managers of the Company, choosing and making suggestions relating to the selection standards and procedures.

The nomination committee comprises of the following members, a majority of which are independent non-executive Directors:

Mr. Wang Guanghua *(Chairman)*
Mr. Xing Jiangze
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Jiheng

The main duties of the nomination committee include: (a) making recommendations to the Board on the Board's scale and composition in accordance with the operating activities, scale of assets and shareholding structure of the Company; (b) studying the criteria and procedures for the election of Directors and management personnel and making recommendations to the Board thereon; (c) seeking for the right candidates for the position of Directors and management personnel; (d) reviewing the candidates for the position of Directors and management personnel and making recommendations thereon; (e) reviewing other senior management proposed to be appointed by the Board and making recommendations thereon; and (f) undertaking other tasks as delegated by the Board.

The terms of reference of nomination committee have been published on the Company's website.

The nomination committee would hold a meeting to discuss the appropriateness of the candidates and consult the chairman about their proposals relating to the nomination of other executive Directors and have access to professional advice if considered necessary. The criteria for selection include professional qualification, industrial experience and academic background.

Written notice of the intention to nominate a candidate together with the respective resume would be delivered to the Board for its consideration and approval.

In 2017, one meeting of the nomination committee was held. Attendance of individual members of nomination committee to the committee meeting in 2017 are as follows:

Director	Number of Nomination committee meetings in 2017	Number of meetings that member of committee held	Attendance (%)
Mr. Wang Guanghua	1	1	100
Mr. Xing Jiangze	1	1	100
Mr. Yang Dongsheng	1	1	100
Mr. Han Qinchun	1	1	100
Mr. Wang Jiheng	1	1	100

The meeting was held on 23 January 2017, the detail of the meeting was the proposal of Mr. Chen Jianzheng and Mr. Zhao Kun as executive Directors.

(4) Remuneration and Review Committee

The remuneration and review committee is a body specifically set up by the Board according to the resolutions of general meetings and shall mainly be responsible for formulating the review criteria of and conducting review for the Directors and senior management of the Company, as well as formulating and reviewing their remuneration packages and proposals. It is accountable to the Board. The committee would be provided with sufficient resources to discharge its duty.

In 2017, the remuneration and review committee comprises of four members, all of whom are independent non-executive Directors. The members of the committee are as follows:

Mr. Wang Jiheng *(Chairman)*
Mr. Yang Dongsheng
Mr. Han Qinchun
Mr. Wang Guanghua
Mr. Ji Wanxin (resigned on 23 January 2017)

The main duties of the remuneration and review committee include: (a) formulating and making recommendation to the Board on policy and structure for remuneration packages or proposals according to the major areas, duties and importance of the management position of Directors and senior management and the remuneration for relevant positions of other relevant enterprises; (b) establishing criteria, procedures and major assessment system for performance assessment and major proposals and systems for awards and punishments; (c) reviewing the performance of duties and conducting annual performance assessment of the Company's Directors and senior management; (d) monitoring the implementation of the Company's remuneration system; and (e) undertaking other tasks as delegated by the Board.

Moreover, the remuneration and review committee has to review and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.

Besides, the remuneration committee would review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.

The remuneration and review committee will also ensure that none of the Directors or any of their associates is involved in deciding his own remuneration.

The remuneration committee makes available its terms of reference, explaining its role and the authority delegated to the Company by the Board, and copies of its terms of reference are kept at the registered office and has been published on the Company's website.

In 2017, one meeting of the remuneration and review committee was held. Attendance of individual members of remuneration and review committee to the committee meeting in 2017 are as follows:

Director	Number of Remuneration and review committee meetings in 2017	Number of meetings that member of committee held	Attendance (%)
Mr. Wang Jiheng	1	1	100
Mr. Yang Dongsheng	1	1	100
Mr. Wang Guanghua	1	1	100
Mr. Han Qinchun	1	1	100

The remuneration and review committee had considered the annual salary review as well as bonus plan of Directors and senior management for 2017.

Breakdown of the Directors' and the supervisors' remuneration for the year ended 31 December 2017 is set out in note 9 to the financial statements.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by Directors. The Company has made specific enquiry to all Directors and supervisors, who have confirmed that they have complied with the Model Code in 2017.

The Board has established written guidelines for employees who are likely to possess unpublished inside information in respect of their dealings in the securities of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Chairman of the Board and the chief executive officer of the Company (the "Chief Executive Officer") are currently two separate positions held by Mr. Chen Jianzheng and Mr. Wang Junqiang, respectively, with clear distinction in responsibilities. The Chairman of the Board is responsible for providing strategic advice and guidance on the business development of the Group, while the Chief Executive Officer is responsible for the day-to-day operations of the Group.

MANAGEMENT FUNCTIONS

The Board is responsible for formulating and executing the operation plans and management decisions of the Company as well as establishing the overall strategic direction. When the Board delegates its management functions to the management, clear directions will be given and management will report to the Board on regularly basis. The Board reserves most of the powers and delegates routine duties to management including bank loan arrangement. There would be a periodic review of the arrangement. Management must obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

CHIEF FINANCIAL OFFICER

Chief financial officer is responsible for the preparation of the interim and annual financial statements in accordance with the Hong Kong Accounting Standards and to make sure that the results and financial position of the Company are disclosed in an accurate and fair manner. Chief financial officer shall also be responsible for contacting the auditors regularly. The duties of the chief financial officer also include reviewing the financial risk management of the Company and making suggestions to the Board. Moreover, chief financial officer shall be responsible for giving advice to the Board regarding the disclosure of notifiable transactions, connected transactions and inside information.

COMPANY SECRETARY

Mr. Poon, Lawrence Chi Leung who is the company secretary of the Company reports directly to the Board. The company secretary is responsible for ensuring that the proceedings of the Board are complied with, making appropriate disclosures regarding the interests of securities of the Directors and giving advice to the Board regarding the disclosure of notifiable transactions, connected transactions and inside information. The company secretary acts as the principal channel of communication between the Company and the Stock Exchange. The company secretary also assists the Board in realizing and strengthening corporate governance practices in order to enhance the best interest of the Company and the shareholders.

During the year under review, the company secretary has taken not less than 15 hours of relevant professional training.

FINANCIAL REPORTING

Management provides financial information with explanation to the Board to assist the Board in assessing the financial position of the Company. Financial statements are the responsibilities of Directors. The Board has to present a balanced, clear and understandable assessment which extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

The reporting responsibilities of KPMG, the international auditors, are stated in the Auditor's Report on pages 59 to 67 of the Annual Report.

There was no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Board has taken the same view as that of the audit committee in relation to the appointment of KPMG as international auditors of the Company.

AUDITORS' REMUNERATION

During the year, the fees charged for all audit services including review of interim financial statements amounted to approximately RMB5,304,000.

INTERNAL AUDIT

The Company has an internal audit function. The task of internal audit of the Company during the Year has been performed by the Internal auditor. The Internal auditor is neither affiliated with the employees nor external auditor of the Company in order to enhance objectivity, creditability and independence and it reports to the Audit Committee directly.

The Internal Auditor submitted an assessment report to the Audit Committee and the Board. During the year ended 31 December 2017, the Board was of the view that the key areas of the Company's internal control and risk management systems had been reasonably implemented and considered sound and effective.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring the risk management and internal control systems of the Group remain sound and effective. The Audit Committee assisted the Board in fulfilling its responsibility. The tasks of risk management and internal control of the Company during the Year has been performed by the internal auditor of the Company. The internal auditor is neither affiliated with the employees nor our external auditor of the Company in order to enhance objectivity, creditability and independence. The internal auditor provided a review report to the Board that the risk management and internal control systems of the Company remains sound and effective throughout the Year.

During the year, the Board conducted a review of the adequacy and effectiveness of the risk management and internal control systems of the Group by reviewing the work of the internal audit department, the Group's external auditors, and regular reports from management. Such review covers all material controls, including financial, operational and compliance controls and risk management functions. During the year ended 31 December 2017, the Board considered the risk management and internal control systems of the Group effective and adequate and complied with the code provisions of the Corporate Governance Code.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures. Every senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company highly values its relationship with its investors and shareholders. It maintains amicable relationship with investors, fund managers and shareholders through one-on-one meetings, road shows, seminars and on-site inspection by investors, thereby allowing investors to have a better understanding of the Company's financial position, production operations, management decisions, overall strategic directions and latest development.

CHANGE IN CONSTITUTIONAL DOCUMENTS

There was no change in the Articles of Association of the Company for the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on every substantial matters, including the election of individual directors, for shareholders' consideration and voting. Furthermore, the Company regards the annual general meeting as an important event and Directors, chairman of each board committee, senior management and external auditors make an effort to attend the annual general meetings of the Company to address the shareholders' queries. All resolutions proposed at shareholders' meetings will be voted by poll. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/lingbao) on the same day of the relevant general meetings.

Procedures for shareholders to propose a general meeting

1. Two or more shareholders holding a total of ten percent (inclusive) or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary shareholder's general meeting or a meeting of shareholders of different series and stating the subject of the meeting. The Board shall convene the shareholder's general meeting or the meeting of shareholders of different series as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made; and

2. If the Board fails to issue a notice of such a meeting within 30 days after receipt of the written notice aforesaid, then the shareholders who made such request may themselves convene such meeting 4 months since after the Board's receipt of the request. The procedures to convene shall, to the extent possible, be identical to the procedures the Board convenes the general meetings.

When shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent Directors.

Procedures for Shareholders to make Proposals at the General Meeting

When the Company is to hold an annual general meeting, shareholders who individually or jointly hold five percent (inclusive) and more of the total number of the Company's voting shares shall be entitled to propose motions in writing to the Company. The Company shall include in such meeting's agenda the matters which fall within the functions and powers of general meetings.

Procedures and Contact Details for Making Enquiries

1. Deliver their verbal enquiries to the Board members, chairman of Board committees or their delegates, appropriate management executives or auditors who attend the Company's annual general meeting; or

2. Make enquiries to the Company through the following means:

   By post: The secretary office of the Board, Hangu Road and Jingshan Road intersection, Lingbao, Henan Province, the PRC.

   By tel: +86 398 8862218

   By fax: +86 398 8860166

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Listing Rules, which is the first environmental, social and governance report compiled by the Company following such guide, and makes general disclosures based on the requirement of "comply or explain" in such guide. The Environmental, social and governance report is a yearly report.

This report, related to the Group's annual report, is available on the websites of the Company at www.irasia.com/listco/hk/lingbao and the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk, respectively.

The Group ensures that the content of this report does not have any false information or misleading statement. If you have any advice or recommendation on this report, please email to lingbaogold@vip.sina.com for our continuous improvement.

The Group is an integrated gold mining enterprise in the People's Republic of China, and is mainly engaged in gold mining, smelting, refining and copper processing. The products of the Group are gold, silver, copper products, copper foils and sulphuric acid. The Group's mines are scattered in the PRC regions of Henan, Xinjiang, Jiangxi, Inner Mongolia, Gansu and KR. The Group aims to provide high-quality products to our customers and to manage the impact of our operations on the environment in a responsible manner. The Group also safeguards the safety and health of our employees and serves our surrounding communities, making contribution to the society surrounding our business. The report includes data and information of the Group's operating mines (excluding KR), smelting plants and copper foil plants, covering the financial year of the Company for the period from 1 January 2017 to 31 December 2017.

ENVIRONMENT PROTECTION

The Group strictly complies with environmental regulations, prevents environmental pollution, promotes energy conservation and waste reduction, utilizes resources reasonably, emphasizes on continuous improvement and develops green mines. The Group insists on complying with the law to manage enterprise, preventing and controlling pollution, leveraging technology to save energy and reduce waste, and maintaining stable development. The Group takes quality, environment and professional health management as the core, and energy saving and emission reduction as the main line, actively implements clean production, energy saving and emission reduction, and comprehensive utilization of resources. The Group also promotes the application of new technologies and new products in energy-saving to reduce energy consumption, recycle and reuse waste water, so that the sewage can be fully utilized, with less resource consumption and environmental impact to achieve greater economic benefits.

The main objectives for the Group to carry out environment operations are to strictly control the total amount of exhausting pollutants, such as waste water, waste residue and waste gas within target; implementing energy saving and consumption reduction, target the main product material and energy consumption at leading industry level; launching comprehensive utilization of resources and developing circular economy; putting an end to major pollution accidents and major environmental complaints. The Group is committed to resolutely complete the restrictive indicators of energy saving and emission reduction, strictly abiding by environmental laws and regulations, practically strengthening pollution prevention and control; strengthening the commitment of energy saving and consumption reduction and the level of technology transformation, ensuring the full realization to the goals of energy saving and consumption reduction; enhancing the operation management towards pollution management facilities, ensuring the exhaustion achieving the goal; eliminating the obsolete production equipment and skills, actively implementing the clean production in each step, such as procurement, production, transportation and sales, developing circular economy, raising the comprehensive utilization rate of resources, reducing the emission of pollutants, and ensuring zero existence of environment pollution incidents; firmly instilling the awareness of environment, resolutely realizing the indicators of environment protection, and accepting the supervision from the society. With the improvement of the industry standards, we promise further reducing the exhaustion of pollutants, increasing the investment in environmental protection, so that the enterprise environment protection level can keep up with the trend, and letting each pollutant exhausting indicators stay in the leading role in the industry, trying our best to formulate "resource-saving and environment-friendly" enterprise.

EMISSIONS

The Group strictly abides by the relevant pollutant discharge standards such as the "Integrated Wastewater Discharge Standard", the "Emission Standard of Pollutants into the Atmosphere" and the PRC laws and regulations, such as the "Environmental Protection Law", the "Atmospheric Pollution Prevention and Control Law" and the "Water Pollution Prevention and Control Law". We will never sacrifice our environment to exchange for the growth of our economic benefits, but insisting on the path of sustainable development, maintain the balance between production and operation and environment protection. The discharge of waste water and waste gas of the Group in 2017 is as follows:

			2017	2016
Smelting plants	waste water (ton)	COD	2.9	27.7
		NH_3-N	0.4	4.7
	waste gas (ton)	SO_2	45.7	125.4
		NO_x	38.7	105.6
Copper foil plants	waste water (ton)	COD	4.3	6.1
		NH_3-N	0.1	0.5
	waste gas (ton)	SO_2	6.0	33.9
		NO_x	6.5	8.7
Operating mines	waste water (ton)	COD	10.6	13.8
		NH_3-N	0.2	0.7
	waste gas (ton)	SO_2	31.3	36.3
		NO_x	2.1	0

UTILIZATION OF RESOURCES

The Group's energy saving and emission reduction measures: the implementation of clean production; recycling waste products and reusing packing and container products; strengthening maintenance and management of the atmospheric treatment equipment to achieve the emission reduction of pollutants, such as sulfur dioxide, nitrogen oxides, and dusts; implementing systematic water-replenishing technology, reusing the waste water after in-depth treatment, and increasing the recycling rate of water resource; improving the output rate of resources; establishing sound and modern enterprise environmental protection management system, and clearly requires the responsibilities of environmental protection at all levels, making each kind of work further standardized and institutionalized, promoting clean production and raising the enterprise economic benefits and social benefits.

During the reporting period, the Group's energy consumption is as follows:

	2017
Raw coal (Tons)	6,834
Gasoline (Tons)	144
Diesel (Tons)	903
Electricity (Million KWh)	39,785
Natural gas (Tons)	982
Water (cubic meter)	3,219,651

Packaging material used by copper foil business is mainly wood packaging material. In 2017, 2,124,052kg of wood packaging material consumed (93.84 kg consumed per tons of unit produced) and 871,556 kg of waste package material recover.

ENVIRONMENT AND NATURAL RESOURCES

The Group is a mining, smelting and processing enterprise. The wastes generated during the production process have a certain impact on the environment. The solid wastes generated from the mine are mainly waste rocks and tailings. By concentrating waste rocks from the mine in the dumping site, and covering those with the soil to plant trees and grass in a timely manner will help facilitate ecological restoration. Part of rock wastes are transported to the gravel plant for comprehensive utilization. The Group has continuously strengthened the discharge control of the waste during the production process, so as to minimize the waste discharge, and actively protect and beautify the environment.

EMPLOYMENT AND LABOUR PRACTICES

The Group emphasizes on talents. The reason is that talents are the most valuable asset of the Group and the key to success and maintaining sustainable development. The Group commits to providing our employees with career development and a safe and appropriate platform for promotion. The Group strictly complies with the "Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》)" combining with local government regulations where each branch and subsidiary locates, participates in pension insurance, unemployment insurance, medical insurance, major disease insurance, work-related injury insurance, maternity insurance, and housing fund for all employees, and make full payments on timely basis. We give away holiday consolation goods and funds during traditional holidays of China, goods and supplements that keep cool in summer and stay warm in winter, yearly health check for female employees, etc. Through these ways, we create a good working and living surroundings, raising up employees' belongings, safeguarding their interests and relieving them from future worries.

Remuneration: Every year, the Company makes an overall adjustment on the remuneration for all employees based on the effectiveness over completion of the previous year, combining macro factors such as China's labour safeguarding policy and CPI, and the industry and regional competition. The Group companies formulate the standard remuneration packages for the senior management, middle management, professional technicians and general staff annually, and has continuously increase the employees' remuneration standard for consecutive years. Each branch and subsidiary formulates the internal second level review mechanism according to the Company's remuneration managing approach, with the employees' actual salaries directly related to their capabilities, performances and the operating results of the enterprise for the period, stimulate their activeness at work.

Recruitment: We take into account of the actual needs and the vacancies at each unit of the Company to formulate the criteria for employment in terms of position, type of job, professional level, quantity, qualification, working period, and working experience for staff recruitment. The recruitment channels include: internal recruitment, social recruitment, current graduates, ex-military settlement and the recruitment through government poor aiding program.

Promotion: Recommendation, selection and mobilization based on the employees' and the cadre's working performance at the end of each year. The middle cadre of our branch and subsidiary is selected by competition, through speeches, working presentations, democratic voting. Outstanding management personnels are shortlisted to fill the positions suitable for one's capability and experiences, and provide them with a stage to shine, and refresh the Company's development and management.

Dismissal: The Group strictly in accordance with relevant requirements of the "Labour Law of the People's Republic of China《(中華人民共和國勞動法》)", the "Law of the People's Republic of China on Employment Contracts《(中華人民共和國勞動合同法》)". As for the situation of negotiable dismissal of labour relations between employees and the Company, the Company should report to the local social security situations for the record. We will handle unemployment procedures for those who are in line with relevant policies and guarantee unemployed staffs to receive unemployment benefits in a timely manner.

Working hours and holidays: We strictly complies with the "Labour Law of the People's Republic of China", the "Provisions of the State Council on Working Hours of Workers and Staff《(國務院關於職工工作時間的規定》)" and the "Notice of the Department of Human Resources and Social Security of Henan Province on Strengthening to Implement Flexible Working Hour System and the Approval and Administration Work of Comprehensive Calculation Working Time System by Employers《(河南省人力資源和社會保障廳關於進一步加強用人單位實行不定時工作制和綜合計算工時工作制審批 管理工作的通知》)" such relevant regulations, formulating systems in respect of annual leave, family visit leave, marriage leave and funeral leave. The Company carries out 8 working hours each day, 40 hours a week, and for voluntary overtime work, corresponding overtime pay shall be given if no alternative leave could be arranged for compensation, and triple pay for overtime work on national legal holidays.

Statistical Table of Employees' Gender and Age

Area	Category	Male	Female	Under 25	25 to 35	36 to 40	41 to 45	46 to 50	51 to 54	55 and above	Sub-total
Henan region		2,890	1,161	251	1,524	465	640	644	355	172	4,051
Xinjiang region		308	132	28	137	44	74	90	48	19	440
Inner Mongolia region		253	79	12	74	48	58	78	35	27	332
Gansu region		14	3	0	5	3	3	2	2	2	17
Jiangxi region		8	1		1	3	1	1		3	9
Kyrgyzstan		739	18	56	144	216	285	42	10	4	757
Total		4,212	1,394	347	1,885	779	1,061	857	450	227	5,606

Statistical Table of the Employee's Employment Category

Area	Category	Management and administration	Technology research and development	Sales and marketing	Quality control	Safety	Environmental Protection	Production	Sub-total
Henan region		683	125	182	222	122	54	2,663	4,051
Xinjiang region		91	14	0	12	5	2	316	440
Inner Mongolia region		53	11	7	16	33	7	205	332
Gansu region		5	0	0	0	3	1	8	17
Jiangxi region		1				4	4		9
Kyrgyzstan region		14	2	4	6	1		730	757
Total		847	152	193	256	168	68	3,922	5,606

HEALTH AND SAFETY

The Group strictly complies with the "Labour Law (《勞動法》)", the "Production Safety Law (《安全生產法》)", the "Mine Safety Law (《礦山安全法》)", the "Law on Prevention and Control of Occupational Disease (《業病防治法》)" and other laws of the PRC and local policies and regulations, and dispatches down the "Occupational Disease Prevention Plan (《職業病防治實施方案》)", which includes mental instructions, basic principles, organization founding, work requirements, as well as the relevant files such as the occupational hazards informing system, occupational safety promotion education training system, occupational hazards protection facilities maintenance and inspection system, employee protective gear management system, daily surveillance on occupational hazards management system, occupational hazards reporting system, employee's occupational health files monitoring and management system, occupational health files management system, performance appraisal measures of management on occupational diseases protection, 19 regulatory models of occupational diseases health and other relevant documents.

At the smelting branch, there are 279 employees who are exposed to occupational hazards, 2 in respect of occupational hygienic management. At Lingbao Wason Copper Foil Company Limited, there are 12 employees who are exposed to occupational hazard, 3 in respect of occupational hygienic management; at

Nanshan branch, there are 70 who are exposed to occupational hazards, 2 in respect of occupational hygienic management; at Hongxin, there are 80 employees who are exposed to occupational hazards, 4 in respect of occupational hygienic management. All personnel exposed to occupational hazards had undergone proper trainings.

DEVELOPMENT AND TRAINING

The Group provides training programmes such as safety knowledge and corporate culture to the new recruited employees, which allow them to understand the Company overview, rules and regulations, organization structure, and make them familiarize with job duties, work flow and job-related business knowledge, so that they can adapt to the environment more quickly. The training methods include off-work centralized training and post on-duty training. The offwork training adopted centralized lecturing; on-duty training adopted daily work guidance and one-to-one consulting. After passing the training, trainees are qualified to work.

The Company organizes relevant staff from corporate financial, production technology, securities law together to participate business training held by certain professional sociality training institute to improve professional staffs business skill.

Mining enterprise organizes safety knowledge education training, safety emergency drills for production accidents and conducting safety environmental protection knowledge learning and examination for cadre to keep the awareness of safety education at a high level and to protect and secure workers lives and safety.

To improve overall quality of the Company's employees team and to seek qualified talent for the Company to develop more, the Company has distributed "the Guidance in relation to conduct mentoring instructor activities" to further accelerate the development of the Company's talents backup.

Labour Standard

The Groups strictly complies with relevant laws and regulations of the "Labour Law of the People's Republic of China", the "Law of the People's Republic of China on Employment Contracts" and the "Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》)", and never engage with juveniles under 16 years-old. The Company has entered into Labor Contract with employees in timely manner and has entered Collective Contract (《集體合同》), and the "Collective Contract On the Protection Of Female Employees (《女職工權益保護專項集體合同》)" with the labor union to safeguard the labors rights, enhance the management of Labor and standardize the Labor behaviors.

SUPPLY CHAIN MANAGEMENT

The Groups has established a comprehensive procurement system to manage and monitor the procedures of supply chain management of the Group to conduct consolidated and comprehensive assessing to supplier's quality, credit, supply capacity and every aspect. Under the same conditions, the Group will consider the reputation of suppliers in environmental management and social responsibility as the priority to ensure that the levels of employed suppliers have meeting the requirements of the Group.

For the procurement of raw materials, the smelting branch has formulated the "Procurement of Raw Materials Management System (《原料採購管理制度》)", the "Gold Concentrates On-side Biding Management Regulations (《金精礦現場競買管理辦法》)", the "Standards of Raw Materials Procurement Market Environment and Compliance Standards (《原料採購市場環境及達標標準》)", the "Regulations for Raw Materials Procurement Pricing (《原料採購計價辦法》)", the "Procedures of Unqualified Gold Concentrates (《不合格金精礦處理辦法》)", the "Management Regulations of Gold Concentrates Prepayments (《金精粉預

付款管理辦法》)" and so on. In respect of material supply, we strictly complies with the "Material Management Approach (《物資管理辦法》)" of the Group and the "Material Management Approach" of the branch.

During the year, the numbers of smelting branch's major suppliers (over 500 tones) as follow:

Suppliers' area	Numbers of Suppliers in the region
Henan Province	47
Anhui Province	1
Gansu Province	2
Hebei Province	2
Hubei Province	2
Hunan Province	1
Inner Mongolia	1
Qinghai Province	2
Shandong Province	2
Shanxi Province	1
Fujian Province	1
Shaanxi Province	3
Xinjiang Autonomous Region	2
Overseas	5

Wason Copper-Foil Company Ltd has conducted the engagement, monitor and system implementation of supplier in accordance with the "Management Regulations of Supplier《供應商管理辦法》", the "Regulations of Mass Production Supplier Inspecting《量產供應商稽核辦法》", and the "Management Assessment Plan for Mass Production Supplier《量產供應商管理評核計劃》".

During the year, the numbers of major suppliers for Wason Copper-Foil Company Ltd are as follows:

Supplier's area	Numbers of Suppliers in the region
Henan Province	9
Shanghai City	2
Shanxi Province	2
Shaanxi Province	2
Guangdong City	1
Tianjin City	1
Jiangsu Province	2
Japan	1

PRODUCT RESPONSIBILITY

Smelting branch has formulated a "Record Control Program (《記錄控制程式》)" to ensure the efficient delivery of the information about the quality, environment, occupational health and safety management system, accurately and timely reflect each techno-economic indicators of the branch and provided the basis for the correct decision from the management to ensure that the statistics, accounting and review works were conducted smoothly. It also formulated "Substandard Product Control Program (《不合格產品控制程式》)", which applied to the quality control identification process of raw materials, semi-finished products and finished-substandard products.

Smelting branch commissioned the National Center of Quality Supervision & Inspection On Gold-Silver Products each year for the quality testing of the gold product (3 kg of gold bullion) and issued a test report. No gold product that has been sold or shipped out needed to be recalled because of safety and health reasons and no complaint was received in relation to the products and services.

Wason Copper-Foil strictly followed the requirement of the "Production and Service Process Control Program (《生產和服務程序控制程式》)" during process control of each stage of production and service of the Company's product. It has plans for all products and processes, which formed the documents for necessary inspection, measurement, and testing activities.

During the year, no copper-foil product that has been sold or shipped out needed to be recalled because of safety and health reasons. In 2017, five complaints were received on the copper-foil products and services. Wason Copper-Foil maintains and protects the intellectual property right by signing a confidentiality agreement, etc.

Copper-foil quality inspection process and product recall program determine and manage qualified and substandard products through the technical quality assurance department and is responsible for taking measures to prevent the emergence of substandard production and process and propose or recommend a solution for the substandard and verify the results. The relevant departments are responsible for identification, isolation and recording. The person in charge of the substandard product liability department effectively control the further production and service or delivery of the substandard product and corrected the situation of defect or failure to meet the requirements.

In the course of the assessment and disposal of the substandard product, the quality inspector shall mark the substandard product according to the rules and fill in the substandard facts delivered to the responsible department analysis reasons in the "Substandard Product Processing Orders (《不合格產品評審處置單》)" and propose disposal comments and give feedback to the responsible department. The outcome of assessment of substandard report (disposal orders) can be categorized into: (1) re-work to meet the requirements; (2) receive as a concession with return-for-repair or without return-for-repair; (3) downgrade or change it to other use; (4) refuse or scrap.

If the customer has opinions on the products and services of the manufacturing department, the receiving department will make a record and send the record to the relevant departments and deal with it according to the program. The substandard that was caused by common quality problems will be deal with by the relevant department delivering substandard processing orders to the responsible department according to the program. For the substandard found in the internal audit, the departments handle it according to the Substandard Notice" and relevant requirements. When substandard appears when the product is delivering or after it was delivered, whether found by the company or the customers, it should be promptly taken back for rework or return-for-repair, while taking corrective measures to implement and follow and verified the implementation effect.

The Group has signed confidentiality agreements with customers and strictly complied with the confidential information, rights and obligations under such agreements. The functional departments of the Company take part in the monitoring process.

ANTI-CORRUPTION

The Group highly emphasizes on anti-corruption, strictly complies with the "Certain Guidelines on Honest Governance of Leaders of the Communist Party of China (《中國共產黨黨員領導幹部廉潔從政若干準則》)", the "Certain Requirements on Honest Employment of State-owned Enterprise Leaders (《國有企業領導人員廉潔從業若干規定》)", the "Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》)" and other relevant laws and policies, implement the "Interim Provisions on Integrity Warning of Major Projects in Sanmenxia City (《三門峽市重大項目廉政預警工作暫行規定》)", the "Notice of Reaffirming Relevant Requirements on Incorruptibility and Self-discipline of Leaders by Discipline Commission in Lingbao City (《靈寶市紀委關於重申領導幹部廉潔自律有關規定的通知》" and other requirements, and have a strict monitoring system in place, which is applicable to all of its departments, subsidiaries and branches of the Group. The Group has set up a monitoring room at all of its branches and subsidiaries in Lingbao City, serving as the institution management operation under the Group's monitoring department to ensure its independence. For enhancing the professional competency of the inspectors, the Group arranged the inspectors to participate the training course on discipline inspection.

The Group has issued a strict internal management system for supervision, which involved business entertainment, the use of Group's vehicles, integrity and discipline by leaders, the policy of "Three Importance and One Significance (三重一大)" as well as tendering and bidding. The Group documents have been issued to explain the "non-compliance" of holding wedding and funeral matters. The Group strictly implemented the "Eight Point Guide for Official Conduct" (八項規定) to stop the loophole and protect the integrity and justice culture for the Group companies.

In addition, the responsible person of the subsidiaries of the Group is required to enter into a liability statement regarding the goal of construction of the Party's honesty and integrity. Every unit under the Group has to bear the responsibility of the implementation of the construction of honesty and integrity within the Party and closely apply it to production and management, forming the layout of "one post, two duties" (一崗雙責). The Group has also set up the a box and a hotline for whistle-blowing from the public, accepting supervision by, and visiting from, the public.

The Group set up a comprehensive filing system for the management of the cadre on integrity records. It records the status of their family and part-time jobs for the immediate information for disciplinary inspection and monitoring department, in order to minimize the risk of corruption. The Group carry out the mindful conversation with those employees with potential corruption risks on a timely basis. We initiate it as soon as possible no matter the scale of risk to avoid anything getting worse as time goes by.

Apart from enhancing the monitoring system, the Group also actively set the integrity culture of corporates, and build up the atmosphere of "would not, could not, and dare not corrupt (不想腐、不能腐、不敢腐)" at the workplace.

The branches and subsidiaries of the Group also set up a integrity cultural wall in the obvious spots such as the plants and open pit. They have a wide range of contents and diversified models, with a strong sense of integrity. To keep itself up-to-date, the Group capitalizes the promotion base of its own WeChat public platform of "Lingbao Gold" to release the educational information of integrity, which has a wide coverage and strong interaction, having significant contribution to enhancing integrity culture of an enterprise.

During the reporting period, the Group did not have any litigations or corresponding penalties arising from corruption or bribery.

COMMUNITY INVESTMENT

The Group endeavored to meet the community's needs through participating community activities with our expertise and resources, striving to improve the quality of people's lives. The Group have contributed a total of RMB553,000 to the society.

— In 2017, the senior management of the Group visited the Yaozitou Village, Yuling Town, Lingbao City for many times to carry out poverty alleviation accuracy work.

— In June 2017, the Group participated in the "Safety Production Month" related activities in Lingbao City to provide safety production consultation and deepen the concept of safety production.

— In September 2017, Habahe Huatai Gold Co., Ltd. organized all employees to make donation to sick people.

— In 2017, the Group participated in the "financial and poverty alleviation" campaign in Lingbao City, effectively playing a financial role in poverty alleviation, and making financial services more in line with the needs of the poor.

— In December 2017, the Group participated in the "Legal advocacy Campaign" in Lingbao City, to promote the constitutional spirit and to create and contribute a good atmosphere of the rule of law.

The Group will continue to enhance the corporate governance, the quality of the products and the level of safety. We will also continue to improve the environmental protection measures, energy saving and emission reduction, the technical skills of staff and remuneration treatment to provide appropriate assistance and support for the near community.

REPORT OF THE SUPERVISORY COMMITTEE

1. MEETINGS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2017, two supervisory committee meetings were held by the supervisory committee.

2. INDEPENDENT WORK REPORT OF THE SUPERVISORY COMMITTEE

In 2017, aiming at protecting the interest of the Company and the shareholders, the supervisory committee of the Company seriously performed the duties in accordance with the Company Law of the PRC ("Company Law"), Securities Law, Listing Rules and other relevant rules and regulations and the Articles of Association, comprehensively monitored aspects such as the Company's capital operation, operating management, financial position and the fulfillment of obligations by senior management. After a serious review, members of the committee unanimously agreed to the following:

i. Legal Compliance of the Company's Operations

The supervisory committee of the Company conscientiously carried out various resolutions according to the relevant resolutions in general meetings, during which its decision-making procedures were in compliance with the relevant requirements of the Company Law, Listing Rules and the Articles and Association. It also set up rules and systems for internal control, project investment management approach, connected transactions, resources purchase and project tendering management. None of the officers, including directors and managers, were aware of any violations of the laws, regulations and articles of association or any act which would prejudice the Company's interests.

ii. Inspection of the Financial Status of the Company

In 2017, the supervisory committee reviewed the financial system and position of the Company and considered that the financial report of the Company for 2017 truly reflected its financial position and operating results.

iii. External Guarantees

The Company had no external guarantees for the year ended 31 December 2017.

The Directors hereby submit their annual report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL PLACE OF BUSINESS

Lingbao Gold Group Company Ltd. is a company incorporated and domiciled in the PRC and has its registered office at Hangu Road and Jingshan Road intersection, Lingbao, Henan Province, the PRC and its principal place of business in Hong Kong at Room 1902, 19th Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the mining, processing, smelting and sales of gold and other metallic products in the PRC. Further details regarding the Group's principal activities are disclosed in note 35 to these financial statements.

BUSINESS REVIEW

A review of the Group's business during the year is provided in the "Chairman's Statement" on pages 13 to 14 and the "Management Discussion & Analysis" on pages 15 to 22 of this annual report. Description of the risks and uncertainties that the Group may face can be found in the "Management Discussion & Analysis" on pages 15 to 22 in this annual report. The financial risk management of the Group are also set out in the note 34 to the financial statements and the financial highlights of the Group are set out on page 4 to 5 in this annual report.

EVENT AFTER THE REPORTING PERIOD

a) Issuance of new domestic shares

On 4 January 2018, the Company entered into the subscription agreement ("SAI") with 9 subscribers respectively pursuant to which the Company has agreed to allot and issue an aggregate of 94,000,000 ordinary shares of the Company ("Subscription Shares I") to 9 subscribers at a price of RMB0.912 per share. The directors believed that the 9 subscribers are independent third parties. The Subscription Shares I, when issued and fully paid, will rank pari passu in all respects among themselves and with the existing domestic shares and H-Shares of the Company in issue on the date of subscription. The Subscription Shares I will be allotted and issued under the general mandate granted to the Directors and is conditional and subject to the conditions.

On 7 February 2018, all the conditions precedent under the SAI have been fulfilled, and an aggregate of 94,000,000 domestic shares of the Company have been issued to the 9 subscribers at the price of RMB0.912 (equivalent to approximately HK$1.096) per share pursuant to the terms and conditions of the SAI. None of the 9 subscribers has become a substantial shareholder of the Company immediately after the completion to SAI. The net proceeds from the subscription, after deducting relevant expenses, is approximately RMB85.2 million (equivalent to approximately HK$102.4 million). The net proceeds raised per share upon completion to SAI is approximately HK$1.089 per subscription share of the Company. The Company intends to use such net proceeds to repay the Company's existing short term bank loans.

b) Issuance of new H shares

On 14 February 2018, the Company entered into a subscription agreement ("SAII") with a subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 58,860,252 new H Shares ("Subscription Shares II") at the subscription price of HK$1.276 per subscription share to the subscriber. The directors believed that the subscriber and its ultimate beneficial owners are independent third parties and are not connected persons of the Company.

Completion of the subscription under each of the SAII is conditional upon fulfillment of the following conditions:

(i) The Board and the shareholders of the Company (if applicable) approving the issue of the Subscription Shares II;

(ii) The general mandate granted to the Directors remaining in effect and having not been revoked;

(iii) The Listing Committee of the Stock Exchange of Honey Kong Limited granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Subscription Shares II;

(iv) The Company to obtain approval from China Securities Regulatory Commission to issue the Subscription Shares II;

(v) The obtaining of other relevant approval and permission (if any) in relation to the issue of the Subscription Shares II; and

(vi) The representations and warranties by the parties to the SAII remaining true, accurate and complete in all aspects.

If the above conditions precedent cannot be fulfilled before 31 August 2018, the SAII will be automatically terminated and become null and void.

As at the date of this report, the above conditions have not been fully met.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the current financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	59.7	
Five largest customers in aggregate	68.1	
The largest supplier		10.4
Five largest suppliers in aggregate		22.6

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The financial results of the Group for the year ended 31 December 2017 and the financial position of the Group as at that date are set out in the financial statements on pages 68 to 159 of the Annual Report.

DIVIDEND

At the Board meeting held on 29 March 2018, the Directors did not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in note 32(a) to the financial Statements. The Company's reserves available for distribution to shareholders as at 31 December 2017 is RMB81,276,000 (2016: Nil).

SHARE CAPITAL

As at the date of this report, there was a total of share capital of 864,249,091 shares of the Company which includes:

	Number of shares	Approximate percentage of total share capital
Domestic shares	566,975,091	65.60%
H Shares	297,274,000	34.40%
Total	864,249,091	100.00%

Details of the movements in share capital of the Company during the year are set out in note 32(b) to the financial statements.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Company during the reporting period.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

There was no purchase, sale or redemption of the Company's securities by the Company or any of its subsidiaries for the year ended 31 December 2017.

MANAGEMENT CONTRACTS

Other than the directors' service contracts, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company for the year ended 31 December 2017 and up to the date of this report are as follows:

Directors

Executive Directors

Mr. Chen Jianzheng, *(Chairman)* (appointed on 23 January 2017)
Mr. Jin Guangcai, *(Chairman)* (resigned on 23 January 2017)
Mr. Wang Leo
Ms. Zhou Xing
Mr. Zhao Kun (appointed on 23 January 2017)
Mr. Xing Jiangze
Mr. Qiang Shanfeng (resigned on 23 January 2017)
Mr. Ji Wanxin (resigned on 23 January 2017)

Non-executive Directors

Mr. Shi Yuchen

Independent Non-executive Directors

Mr. Yang Dongsheng
Mr. Xu Qiangsheng
Mr. Han Qinchun
Mr. Wang Jiheng

Supervisors

Mr. Wang Guodong
Mr. Yao Shun
Mr. Guo Xurang
Mr. Meng Shouji
Mr. Jiao Xiaoxiao

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, supervisors and senior management of the Company are set out on pages 23 to 26 of the annual report.

HIGHEST PAID INDIVIDUALS

During the year, the relevant information of the five individuals with the highest remuneration in the Group is disclosed in note 10 to the financial statements.

The remuneration paid to members of senior management who are not Directors by bands for the year is set out below:

Remuneration band	Number of individual
Nil to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	1

REMUNERATION

The Company has a remuneration committee to formulate compensation policies and determine and manage the compensation of the Company's Directors and senior management with reference to their duties, responsibilities, performance and results of the Group.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of Directors and supervisors has a service contract with the Company until the expiry of the term of 5th Session of the Board on 3 June 2018.

Under these deeds, no remuneration is payable to the supervisors.

No Director or supervisor has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

CHANGE IN INFORMATION OF DIRECTORS

During the reporting period, Mr. Chen Jianzheng and Mr. Zhao Kun were appointed as executive Directors.

Mr. Jin Guangcai, Mr. Qiang Shanfeng and Mr. Ji Wanxin retired as executive Directors.

PERMITTED INDEMNITY PROVISION

The Company has arranged for an appropriate insurance cover for Directors' and senior management's liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Directors' report is approved in accordance with section 391(1)(a) of the Companies Ordinance.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY

The Directors, supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the Securities and Futures Ordinance ("SFO") as at 31 December 2017 that are required to be recorded in the register required to be (i) 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 were taken or deemed to have under such provisions of the SFO); (ii) kept under section 352 of the SFO; or (iii) required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code for Securities Transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS INTEREST IN SHARES OF THE COMPANY

As at 31 December 2017, so far as was known to the Directors, the following person, other than the Directors, supervisors and chief executive of the Company, had an interest in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of Domestic Shares	Capacity	Approximate percentage of the total issued domestic share capital	Approximate percentage of the total share capital
D&R Asset Management Group Company Limited	185,339,000	Beneficial owner	39.19%	24.06%
Lingbao State-owned Assets Operation Company Limited (靈寶市國有資產經營有限責任公司) ("Lingbao State-owned Assets")	73,540,620	Beneficial owner	15.55%	9.55%
Shanghai Zhengxi Investment Management Partnership (Limited Partnership)	57,000,000	Beneficial owner	12.05%	7.4%

Save as disclosed above, as at 31 December 2017, so far as the Directors are aware, there are no other persons, other than the Directors, supervisors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its jointly controlled entities was a party and in which the Directors or the supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (excluding the Directors' and supervisors' service contracts).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from disclosed under the paragraph headed "Directors, supervisors and chief executive's interest in shares of the Company" above, at no time during the year was the Company, its subsidiaries or its jointly controlled entity, a party to any arrangement to enable to the Directors, the supervisors and their respective spouses or children under 18 years of age of acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors has any interest in business, which competes or may compete with the business of the Group under the Listing Rules.

CONNECTED TRANSACTIONS

Save as otherwise disclosed in this report, all related party transactions in 2017 as disclosed in note 36 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with the relevant reporting, announcement or independent shareholders' approval requirements. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2017 are mainly set out in notes 29 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB553,000 (2016: RMB771,000).

PRE-EMPTIVE RIGHTS

There are no provisions regarding pre-emptive rights under the Articles of Association of the Company and related laws of Hong Kong and the PRC, which would oblige the Company to issue new shares on pro-rata basis to the existing shareholders of the Company.

POLICY ON INCOME TAX

The Company and its subsidiaries basically paid PRC corporate income tax at a rate of 25% of its assessable profits according to the relevant laws and regulations in the PRC. Details of the Group's income tax information are disclosed in note 8 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 May 2018 to Wednesday, 6 June 2018, (both days inclusive), during which period no transfer of shares will be registered. In order for the shareholders to qualify for attending the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) or the registered office address of the Company at Hangu Road and Jingshan Road intersection, Lingbao, Henan, the PRC (for holders of domestic shares), no later than 4:30 p.m. on Monday, 7 May 2018.

LITIGATION AND ARBITRATION

As at the date of this report, there was no material litigation and arbitration for the Group.

PUBLIC FLOAT

Based on the publicly available information and the best of knowledge of the Directors, the Company has maintained sufficient public float at the latest practicable date prior to the issue of this report.

COMPLIANCE OF CODE OF CONDUCT

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company did not meet the applicable code provision set out in the code on Corporate Government Practices for any period from 1 January 2017 to 31 December 2017.

FIVE YEARS SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 160 of the annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

AUDITORS

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Chen Jianzheng
Chairman

Lingbao, Henan, the PRC
29 March 2018

To the shareholders of Lingbao Gold Group Company Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Lingbao Gold Group Company Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 68 to 159, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of the Group's ability to continue as a going concern

Refer to note 1(b) to the consolidated financial statements.

The Key Audit Matter

At 31 December 2017, the Group had net current liabilities of RMB979 million (which included cash and cash equivalents of RMB455 million), total borrowings of 4,893 million and capital commitments of RMB324 million.

The Group finances its operating and exploration and development activities using a combination of cash on hand, operating cash flows, which are generated mainly from the sales of gold and copper foil, and borrowings.

Based on their review of cash flow forecasts of the Group, the Directors have concluded that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date of the financial statements.

How the matter was addressed in our audit

Our procedures to assess the management's use of the going concern assumption in the preparation of the consolidated financial statements included the following:

- walking through the business planning process and assessing the design, implementation and operating effectiveness of management's key internal controls over the assessment of the Group's ability to continue as a going concern, including the preparation of cash flow forecasts;
- comparing the future expected cash flows in management's cash flow forecast with the Group's business plan approved by the Board of Directors;
- evaluating the key assumptions adopted by management in the preparation of the cash flow forecast including,
    - o comparing future gold prices with gold futures contracts in the market;
    - o comparing forecast production quantities and future cost projections with historical information for the past two years;

KEY AUDIT MATTERS (continued)

Assessment of the Group's ability to continue as a going concern (continued)

Refer to note 1(b) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the Group has recorded net current liabilities since 2015 which has increased the risk that the Group may not be able to continue to operate as a going concern and because the assessment of the Group's ability to continue as a going concern is dependent upon certain management assumptions and judgements, in particular in relation to future revenue from sales of gold and copper foil and the ability of the Group to renew or obtain new bank facilities upon expiry of the existing bank facilities.	• comparing future expected cash flows with historical data and assessing whether any variations were consistent with our expectations based on our understanding of the Group's business; • considering the accuracy and reliability of past cash flow forecasts made by management by comparing them with the current year's results; • comparing the available bank facilities and arrangements to underlying documentation and assessing the impact of any covenants and other restrictive terms attached thereto; and • assessing the sensitivities of the key assumptions adopted by management in the going concern assessment and considering whether management had incorporated any bias in the selection of such assumptions.

KEY AUDIT MATTERS (continued)

Potential impairment of exploration and evaluation ("E&E") assets

Refer to note 16 to the consolidated financial statements and the accounting policies on page 81 to 82.

The Key Audit Matter

The carrying value of E&E assets of the Group was RMB504 million as at 31 December 2017.

Annually, management assesses whether there are any indicators of impairment of the Group's E&E assets. Such indicators may include:

- expiry or relinquishment of exploration and evaluation licences;
- no expenditure for further exploration and evaluation in the specific area is planned or budgeted for;
- exploration and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and management has decided to discontinue activities in the area; and
- data exists to suggest that the carrying amount of the E&E assets is unlikely to be recovered in full from successful development of the resource or by sale of the related assets.

Where indicators of impairment are identified, the recoverable amounts of E&E assets are determined by management as the greater of the value in use and the fair value less cost of disposal of these E&E assets. Where projects are under development or in operation but the carrying value may not be fully recoverable, discounted cash flow forecasts were prepared by the management.

How the matter was addressed in our audit

Our procedures to assess potential impairment of E&E assets included the following:

- establishing that the Group had the right to explore and had the relevant exploration licenses by inspecting underlying documentation including license agreements or correspondence with relevant government agencies;
- assessing the Group's intention to carry out exploration and evaluation activities in the relevant exploration area by inspecting the future budgets and discussing the latest status and future budgets in respect of each exploration license with senior management and the executive directors;
- considering whether the Group has the ability to finance its planned future exploration and evaluation activities by comparing budgets with the available financing facilities;
- identifying any fields where the Group's right to explore is either at or close to expiry and assessing the appropriateness of retaining the associated E&E costs as assets;
- where mineral reserve information was available, assessing the commercial viability of the related E&E assets by comparing the mineral reserve information for the relevant area and the market price of the mineral products (primarily gold) with management's expectations as determined in their latest forecasts.

KEY AUDIT MATTERS (continued)

Potential impairment of exploration and evaluation ("E&E") assets (continued)

Refer to note 16 to the consolidated financial statements and the accounting policies on page 81 to 82.

The Key Audit Matter

We identified the potential impairment of E&E assets as a key audit matter because the review of impairment indicators requires management to exercise judgement and because the impairment assessments prepared by management are complex and contain certain judgements and assumptions, particularly in respect of future product prices, the long term growth rates and the discount rates applied, which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

Where indicators of impairment were identified, we assessed whether management had made provisions for impairment for the projects that were not expected to proceed or had prepared discounted cash flow forecasts where the projects are under development or in operation but the carrying value may not be fully recoverable.

Where discounted cash flow forecasts were prepared by management, our procedures to assess the potential impairment of E&E assets included the following:

- comparing data in the discounted cash flow forecasts to relevant data, including future revenue, future cost of sales and other operating expenses, with the financial budgets which were approved by the Board of Directors;

- engaging our internal valuation specialists to assist us in assessing whether the discount rates applied in the discounted cash flow forecasts were within the range adopted by other companies in the same industry;

- comparing the long term growth rates adopted in the discounted cash flow forecasts with those of comparable companies and external market data;

- comparing the future price of products as adopted in the discounted cash flow forecasts with the market prices for the relevant commodity futures contracts; and

- obtaining from management sensitivity analyses of the key assumptions, including future gold prices, future production quantities and future gross profit margins, adopted in the discounted cash flow forecasts and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

KEY AUDIT MATTERS (continued)

Impairment assessment of intangible assets, construction in progress ("CIP") and property, plant and equipment ("PP&E") of Full Gold

Refer to notes 14, 15, 16 to the consolidated financial statements and the accounting policies on page 84 to 85.

The Key Audit Matter

Due to the increasing uncertainty about the operational environment of a cash-generating unit ("CGU"), Full Gold Mining Limited Liability Company ("Full Gold"), which incorporated in and has operations in the Kyrgyz Republic, there is a risk that the value of the intangible assets, CIP and PP&E of Full Gold may not be recoverable in full through the future cash flows to be generated from its mining operations or from disposal of these assets.

Full Gold held intangible assets (excluding exploration and evaluation assets) totalling RMB96 million, CIP totalling RMB7 million and PP&E totalling RMB390 million as at 31 December 2017.

The recoverable amount of the cash generating unit which included Full Gold was determined by management as the greater of the value in use and the fair value less cost of disposal of the assets of Full Gold. A discounted cash flow forecast was prepared by management to determine the value in use.

We identified the impairment assessment of the intangible assets, CIP and PP&E of Full Gold as a key audit matter because the impairment assessment prepared by management is complex and contains certain judgements and assumptions, particularly in relation to future gold prices, the long term growth rate and the discount rate applied, which are inherently uncertain and may be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of the intangible assets, CIP and PP&E of Full Gold included the following:

- engaging our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecast with reference to the requirements of the prevailing accounting standards;

- comparing the future gold prices used in the discounted cashflow forecast with gold futures contract prices in the market;

- comparing data in the discounted cashflow forecast with the relevant data, including future revenue, future cost of sales and future other operating expenses, in the financial budget which was approved by the Board of Directors;

- comparing the revenue and operating costs included in discounted cashflow forecast prepared in the prior year with the current year's performance of Full Gold to assess how accurate the prior year's discounted cashflow forecast was and making enquiries of management as to the reasons for any significant variations identified;

- engaging our internal valuation specialists to assist us in assessing whether the discount rate applied in the discounted cashflow forecast was within the range adopted by other companies in the same industry;

KEY AUDIT MATTERS (continued)

Impairment assessment of intangible assets, construction in progress ("CIP") and property, plant and equipment ("PP&E") of Full Gold (continued)

Refer to notes 14, 15, 16 to the consolidated financial statements and the accounting policies on page 84 to 85.

The Key Audit Matter	How the matter was addressed in our audit
	• comparing the long term growth rate adopted in the discounted cashflow forecast with those of comparable companies and external market data; and • obtaining from management sensitivity analyses of the key assumptions, including future gold prices, future production quantities and future gross profit margins, adopted in the discounted cashflow forecast prepared by management and assessing the impact of changes in the key assumptions to the conclusions reached in the impairment assessments and whether there were any indicators of management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017 (Expressed in Renminbi Yuan)

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	**5,911,096**	6,054,620
Cost of sales		**(5,125,119)**	(5,394,025)
Gross profit		**785,977**	660,595
Other revenue	4	**40,677**	27,676
Other net loss	5	**(41,956)**	(127,216)
Selling and distribution expenses		**(48,127)**	(37,746)
Administrative expenses and other operating expenses		**(378,617)**	(370,831)
Profit from operations		**357,954**	152,478
Finance costs	7(a)	**(246,648)**	(230,232)
Profit/(loss) before taxation	7	**111,306**	(77,754)
Income tax	8(a)	**(60,668)**	(14,618)
Profit/(loss) for the year		**50,638**	(92,372)
Attributable to:			
Equity shareholders of the Company		**79,834**	(77,456)
Non-controlling interests		**(29,196)**	(14,916)
Profit/(loss) for the year		**50,638**	(92,372)
Basic and diluted earnings/(loss) per share (RMB cents)	13	**10.4**	(10.1)

The notes on pages 75 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 (Expressed in Renminbi Yuan)

	Note	**2017 RMB'000**	2016 RMB'000
Profit/(loss) for the year		**50,638**	(92,372)
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**31,120**	(28,504)
Total comprehensive income for the year		**81,758**	(120,876)
Attributable to:			
Equity shareholders of the Company		**104,787**	(100,304)
Non-controlling interests		**(23,029)**	(20,572)
Total comprehensive income for the year		**81,758**	(120,876)

The notes on pages 75 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi Yuan)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	14	**2,111,998**	2,299,516
Construction in progress	15	**526,191**	309,125
Intangible assets	16	**730,398**	711,358
Goodwill	17	**7,302**	7,302
Lease prepayments	18	**209,660**	163,366
Interest in associates		**21,531**	8,600
Other financial assets	20	**10,504**	40,504
Non-current prepayments	22	**185,980**	168,988
Deferred tax assets	23(b)	**187,299**	185,406
Other non-current assets		**33,361**	22,121
		4,024,224	3,916,286
Current assets			
Inventories	24(a)	**1,375,052**	1,149,214
Trade and other receivables, deposits and prepayments	25	**1,204,982**	1,085,212
Assets classified as held for sale	26	**5,423**	5,423
Current tax recoverable	23(a)	**6,601**	10,805
Pledged deposits	27	**874,958**	158,274
Cash and cash equivalents	28	**455,427**	1,164,569
		3,922,443	3,573,497
Current liabilities			
Bank and other borrowings	29	**3,380,986**	3,255,771
Trade and other payables	30	**1,499,349**	1,171,875
Loan from shareholders	31	**13,800**	23,800
Current tax payable	23(a)	**7,227**	11,087
		4,901,362	4,462,533
Net current liabilities		**(978,919)**	(889,036)
Total assets less current liabilities		**3,045,305**	3,027,250

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank and other borrowings	29	**1,512,425**	1,817,738
Other payables	30	**144,860**	152,636
Deferred tax liabilities	23(b)	**4,658**	5,272
		1,661,943	1,975,646
NET ASSETS		**1,383,362**	1,051,604
CAPITAL AND RESERVES	32		
Share capital		**154,050**	154,050
Reserves		**1,069,881**	965,094
Total equity attributable to equity shareholders of the Company		**1,223,931**	1,119,144
Non-controlling interests		**159,431**	(67,540)
TOTAL EQUITY		**1,383,362**	1,051,604

Approved and authorised for issue by the Board of Directors on 29 March 2018.

Chen Jianzheng
Executive director and chairman

Xing Jiangze
Executive director

The notes on pages 75 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017 (Expressed in Renminbi Yuan)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (note32(b))	Share premium RMB'000 (note 32(a)(i))	PRC statutory reserves RMB'000 (note 32(c))	Exchange reserve RMB'000 (note 32(a)(iii))	Other reserve RMB'000 (note 32(a)(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	154,050	827,931	160,878	(7,215)	(858)	84,662	1,219,448	(46,968)	1,172,480
Changes in equity for 2016:									
Loss for the year	–	–	–	–	–	(77,456)	(77,456)	(14,916)	(92,372)
Other comprehensive income	–	–	–	(22,848)	–	–	(22,848)	(5,656)	(28,504)
Total comprehensive income for the year	–	–	–	(22,848)	–	(77,456)	(100,304)	(20,572)	(120,876)
Appropriation of safety production fund *(note 32(c))*	–	–	31,143	–	–	(31,143)	–	–	–
Utilisation of safety production fund *(note 32(c))*	–	–	(31,143)	–	–	31,143	–	–	–
Balance at 31 December 2016	154,050	827,931	160,878	(30,063)	(858)	7,206	1,119,144	(67,540)	1,051,604
Balance at 1 January 2017	**154,050**	**827,931**	**160,878**	**(30,063)**	**(858)**	**7,206**	**1,119,144**	**(67,540)**	**1,051,604**
Changes in equity for 2017:									
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**79,834**	**79,834**	**(29,196)**	**50,638**
Other comprehensive income	**–**	**–**	**–**	**24,953**	**–**	**–**	**24,953**	**6,167**	**31,120**
Total comprehensive income for the year	**–**	**–**	**–**	**24,953**	**–**	**79,834**	**104,787**	**(23,029)**	**81,758**
Turning other investment into a subsidiary *(note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**215,000**	**215,000**
Capital contribution from non-controlling interests *(note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35,000**	**35,000**
Appropriation of safety production fund *(note 32(c))*	**–**	**–**	**32,150**	**–**	**–**	**(32,150)**	**–**	**–**	**–**
Utilisation of safety production fund *(note 32(c))*	**–**	**–**	**(32,150)**	**–**	**–**	**32,150**	**–**	**–**	**–**
Balance at 31 December 2017	**154,050**	**827,931**	**160,878**	**(5,110)**	**(858)**	**87,040**	**1,223,931**	**159,431**	**1,383,362**

The notes on pages 75 to 159 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017 (Expressed in Renminbi Yuan)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Profit/(loss) before taxation		**111,306**	(77,754)
Adjustments for:			
— Interest income	4	**(28,238)**	(11,576)
— Net realised and unrealised loss on financial instruments at fair value	5	**22,243**	75,036
— Net gain on disposal of other investments	5	**—**	(773)
— Net loss on disposal of property, plant and equipment and intangible assets	5	**2,866**	13,813
— Depreciation	7(b)	**234,244**	228,981
— Finance costs	7(a)	**246,648**	230,232
— (Reversal)/provision of impairment losses on:			
— trade and other receivables	7(b)	**(422)**	35,472
— purchase deposits	7(b)	**(7,212)**	38,382
— construction in progress	7(b)	**—**	4,021
— intangible assets	7(b)	**—**	28,781
— Amortisation of lease prepayments	7(b)	**7,198**	5,706
— Amortisation of intangible assets	7(b)	**12,859**	11,342
— Write down of inventories	24(b)	**9,332**	15,560
— Foreign exchange differences		**(15,233)**	15,829
Operating profit before changes in working capital		**595,591**	613,052
(Increase)/decrease in inventories		**(245,819)**	340,183
Increase in pledged deposits		**(204,421)**	(5,404)
Increase in trade and other receivables, deposits and prepayments		**(197,009)**	(90,026)
Increase in trade and other payables		**325,965**	31,330
Cash generated from operations		**274,307**	889,135
PRC income tax paid	23(a)	**(62,831)**	(28,016)
Net cash generated from operating activities		**211,476**	861,119

	Note	2017 RMB'000	2016 RMB'000
Investing activities			
Interest received		**28,238**	11,576
Payment for settlement of financial instruments		**(14,962)**	(46,706)
Payment for purchase of property, plant and equipment		**(68,086)**	(82,613)
Proceeds/(payment) from disposal of property, plant and equipment		**1,639**	(2,275)
Payment for construction in progress		**(23,924)**	(226,933)
Payment for purchase of intangible assets		**(49,299)**	(11,805)
Net cash inflow from turning other investment into a subsidiary	20	**9,657**	—
Payment for purchase of other investments		**—**	(30,000)
Payment for investments in associates		**(12,931)**	(8,600)
Proceeds from disposal of other investments		**15,000**	9,983
Net cash used in investing activities		**(114,668)**	(387,373)
Financing activities			
Proceeds from new bank loans	28(b)	**3,006,987**	4,508,601
Repayment of bank loans	28(b)	**(3,131,300)**	(3,936,149)
Repayment of loan from shareholders	28(b)	**(10,000)**	—
Proceeds from cash-settled written put option	28(b)	**50,000**	—
Capital contribution from non-controlling interests		**35,000**	—
Repayment of debentures		**—**	(700,000)
Interest paid	28(b)	**(237,640)**	(247,037)
Pledged deposits placed for borrowings	28(b)	**(514,715)**	(61,550)
Net cash used in financing activities		**(801,668)**	(436,135)
Net (decrease)/increase in cash and cash equivalents		**(704,860)**	37,611
Cash and cash equivalents at 1 January	28	**1,164,569**	1,117,524
Effect of foreign exchange rate changes		**(4,282)**	9,434
Cash and cash equivalents at 31 December	28	**455,427**	1,164,569

The notes on pages 75 to 159 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

As at 31 December 2017, the Group had net current liabilities of RMB979 million (which included cash and cash equivalents of RMB455 million), total borrowings of RMB4,893 million and capital commitments of RMB324 million. In view of these circumstances, the Directors of the Company have given consideration to the future liquidity of the Group and its available sources of finance including banking facilities in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2017, taking into account the Group's cash flow projection, including the Group's unutilised banking facilities of RMB2,127,680,000, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the Directors of the Company consider that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments are stated at fair value (see note 1(g)). Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(y)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 37.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(p).

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(y)).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(y)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(e) and (k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Associates (continued)

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(y)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments

The Group's and the Company's policies for investments in equity securities other than investments in subsidiaries and associates are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(u)(ii) and (iii).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (see note 1(k)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 1(u)(ii).

When the investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment and construction in progress

(i) Property, plant and equipment

Property, plant and equipment are initially stated in the statements of financial position at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

When proved and probable gold reserves have been determined, costs incurred to develop gold mines are capitalised as part of the cost of mining structures. All other expenditures, including the cost of repairs and maintenance and major overhaul, are expensed as they are incurred. Mining exploration costs, such as expenditures related to locating gold reserves and determining the economic feasibility and the costs of removing waste materials or "stripping costs" are expensed as incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment other than mining shafts, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	5–35 years
Machinery	4–30 years
Transportation equipment	4–8 years
Office and electronic equipment	4–12 years

Included in property, plant and equipment are mining shafts located at the mining sites. Depreciation is provided to write off the cost of mining shafts using the units of production method based on the proved and probable mineral reserves.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment and construction in progress (continued)

(ii) Construction in progress

Construction in progress represents buildings, various infrastructure projects under construction and equipment pending installation, and is recognised in the consolidated statement of financial position at cost less impairment losses (see note 1(k)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)). Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificate by the relevant authorities in the People's Republic of China (the "PRC").

No depreciation is provided in respect of the construction in progress.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out below.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets (other than goodwill) (continued)

(i) Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(ii)). The mining rights are amortised to profit or loss using the units of production method based on the proved and probable mineral reserves.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(ii) Exploration rights

Exploration rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(ii)). The exploration rights are amortised to exploration and evaluation assets (see note 1(i)(iii)) on a straight-line basis over the estimated useful lives of one to three years.

(iii) Exploration and evaluation assets and mining development assets

Exploration and evaluation assets are stated at cost less impairment losses (see note 1(k)(ii)). Exploration and evaluation assets include exploration and development costs.

When it can be reasonably ascertained that a mining structure is capable of commercial production, exploration and development costs capitalised are transferred to mining development assets and amortised to profit or loss using the units of production method based on the proved and probable mineral reserves. If any project is abandoned during the exploration and evaluation stage, the related exploration and evaluation assets are written off to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC governmental authorities for acquiring land held under operating leases. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(k)(ii)). Amortisation is charged to the profit or loss on a straight-line basis over the respective periods of the rights.

(k) Impairment of assets

(i) Impairment of investments in equity securities and trade and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(k)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in an associate accounted for under the equity method in the consolidated financial statements (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in equity securities and trade and other receivables (continued)

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— intangible assets;

— lease prepayments;

— goodwill; and

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

— investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*
The recoverable amount of an asset is the greater of its fair value less costs to sell 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit ("CGU")).

— *Recognition of impairment losses*
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use (if determinable).

— *Reversals of impairment losses*
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Operating lease charges

Leases of assets under which do not transfer substantially all the risks and rewards of ownership of the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)(i)) except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when the title to the goods and the related risks and rewards of ownership are passed to customers, the Group will not execute the right of supervision and control over the goods, either the proceeds are received or entitlement of proceeds is evidenced, and the cost of sale of goods can be estimated reliably. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(ii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Translation of foreign currencies (continued)

The results of foreign operations are translated into Renminbi at the exchange rate approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries, associates and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

(z) Related parties

(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 Group or the Group's parent.

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

(i) The entity and the Group 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).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Related parties (continued)

(b) (continued)

(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.

(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).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 28(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE

The principal activities of the Group are mining, processing, smelting and sales of gold and other metallic products in the PRC.

Revenue represents the sales value of goods sold to customers, net of sales tax and value added tax. The amount of each significant category of revenue is as follows:

	2017 RMB'000	2016 RMB'000
Sales of:		
— Gold	**3,584,325**	4,534,592
— Other metals	**2,213,331**	1,524,732
— Others	**126,532**	5,969
Less: Sales taxes and levies	**(13,092)**	(10,673)
	5,911,096	6,054,620

The Group has only one customer with whom transactions have exceeded 10% of the Group's revenues (2016: one). In 2017, revenues from sales of gold products to this customer amounted to approximately RMB3,537,906,000 (2016: RMB4,534,592,000) arose in the Henan Province, the PRC. Details of concentrations of credit risk arising from this customer are set out in note 34(a).

Further details regarding the Group's principal activities are disclosed in note 35 to these financial statements.

4 OTHER REVENUE

	2017 RMB'000	2016 RMB'000
Total interest income on financial assets not at fair value through profit or loss	**28,238**	11,576
Government grants	**7,544**	8,022
Scrap sales	**4,813**	7,125
Sundry income	**82**	953
	40,677	27,676

5 OTHER NET LOSS

	2017 RMB'000	2016 RMB'000
Net realised and unrealised loss on financial instruments at fair value	**(22,243)**	(75,036)
Net loss on disposal of property, plant and equipment and intangible assets	**(2,866)**	(13,813)
Net foreign exchange loss	**(15,775)**	(5,129)
Impairment losses of:		
— construction in progress *(note 15)*	**–**	(4,021)
— intangible assets *(note 16)*	**–**	(28,781)
Net gain on disposal of other investments	**–**	773
Others	**(1,072)**	(1,209)
	(41,956)	(127,216)

6 STAFF COSTS

	2017 RMB'000	2016 RMB'000
Salaries, wages and other benefits	**307,431**	291,167
Contributions to defined contribution retirement plan	**21,798**	24,144
	329,229	315,311
Less: Staff costs capitalised into construction in progress	**(7,785)**	(7,339)
	321,444	307,972

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at the rate of 18%–20% (2016: 18%–20%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees in the PRC.

6 STAFF COSTS (continued)

The Group also participates in a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% (2016: 5%) of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (2016: HK$30,000). Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

7 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2017 **RMB'000**	2016 RMB'000
(a) Finance costs:		
Interest expenses on bank loans	**209,203**	214,077
Interest expenses on debentures	**–**	12,741
Other borrowing costs	**37,445**	4,616
Total interest expenses on financial liabilities not at fair value through profit or loss	**246,648**	231,434
Less: Interest expenses capitalised into construction in progress*	**–**	(1,202)
	246,648	230,232

* The borrowing costs have been capitalised at a rate of 1.81%–4.95% per annum during 2016.

7 LOSS BEFORE TAXATION (continued)

	2017 RMB'000	2016 RMB'000
(b) Other items:		
Amortisation of lease prepayments *(note 18)*	**7,198**	5,706
Amortisation of intangible assets# *(note 16)*	**12,859**	11,342
Depreciation# *(note 14)*	**234,521**	232,867
Less: Depreciation capitalised into construction in progress	**(277)**	(3,886)
	234,244	228,981
(Reversal)/provision of impairment losses on:		
— trade and other receivables *(note 25(c))*	**(422)**	35,472
— purchase deposits *(note 25(d))*	**(7,212)**	38,382
— construction in progress *(note 15)*	**—**	4,021
— intangible assets *(note 16)*	**—**	28,781
Operating lease charges in respect of properties	**1,453**	2,253
Auditors' remuneration-audit services	**5,304**	5,036
Research and development expenses	**56,847**	39,189
Pollution discharge fees	**1,835**	2,475
Environmental rehabilitation fees	**36,484**	13,472
Cost of inventories# *(note 24(b))*	**5,125,119**	5,394,025

Cost of inventories includes RMB372,277,000 (2016: RMB383,451,000) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately in note 6 and above for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2017 RMB'000	2016 RMB'000
Current tax — PRC income tax		
Provision for the year	**62,817**	36,508
Under/(over)-provision in respect of prior years	**358**	(428)
	63,175	36,080
Deferred tax		
Origination and reversal of temporary differences	**(2,507)**	(21,462)
	60,668	14,618

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Note	2017 RMB'000	2016 RMB'000
Profit/(loss) before taxation		**111,306**	(77,754)
Notional tax on loss before taxation, calculated at the rates applicable to the jurisdictions concerned		**58,405**	(1,121)
Effect of tax concessions	i	**(28,088)**	(10,977)
Additional deduction for qualified research and development expenses	i	**(6,560)**	(4,431)
Effect of non-deductible expenses		**4,820**	4,576
Write-off of deferred tax assets recognised in previous years		**—**	3,264
Utilisation of temporary differences not recognised in previous years		**(5,555)**	—
Tax losses and temporary differences not recognised	iv	**37,879**	24,191
Under/(over)-provision in prior years		**358**	(428)
Others		**(591)**	(456)
Actual tax expense		**60,668**	14,618

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates: (continued)

Notes:

(i) Under the Corporate Income Tax Law of the PRC (the "CIT Law"), which was passed by the Fifth Plenary Session of the Tenth National People's Congress, effective from 1 January 2008, the Company and its PRC subsidiaries are subject to income tax at the statutory rate of 25%, unless otherwise specified.

One of the subsidiaries, Lingbao Wason Copper-Foil Company Limited ("Wason Copper-Foil"), was accredited as a "High and New Technology Enterprise" ("HNTE") in 2009 and was entitled to a preferential income tax rate of 15% for a period of three years from 2009 to 2011. Wason Copper-Foil renewed its HNTE qualification in 2012 and 2015, and therefore has been entitled to the preferential tax rate of 15% till 2017.

Another subsidiary, Lingbao Hongyu Electronics Company Limited ("Hongyu Electronics"), was accredited as a HNTE in 2015 and was entitled to a preferential income tax rate of 15% for a period of three years from 2015 to 2017.

Under the CIT Law and its relevant regulation, qualified research and development expenses are subject to income tax deduction at 150% on the amount actually incurred.

(ii) Hong Kong profits tax rate for 2017 is 16.5% (2016: 16.5%). No provision for Hong Kong profits tax is made as the subsidiary located in Hong Kong did not earn any income which is subject to Hong Kong profits tax.

(iii) Kyrgyzstan corporate income tax rate ("KR CIT") in 2017 is 0% (2016: 0%).

On 9 August 2012, the Parliament of Kyrgyz Republic passed the law on amendments and additions to the Tax Code of the Kyrgyz Republic ("Amended Tax Code") which became effective from 1 January 2013. In accordance with the Amended Tax Code, starting from 1 January 2013 the KR CIT rate for gold mining companies is set at 0% and a revenue-based tax is introduced. Such revenue-based tax is recognised in "sales taxes and levies".

(iv) Considering the uncertainty of the future available taxable profits against which certain tax benefits can be utilised in the relevant tax jurisdiction and entity, the Group has not recognised deferred tax assets of RMB37,879,000 (2016: RMB24,191,000) in respect of unused tax losses of RMB153,747,000 as at 31 December 2017.

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2017

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr Chen Jianzheng (appointed in January 2017)	–	240	9	–	249
Mr Zhao Kun (appointed in January 2017)	–	151	–	–	151
Mr Xing Jiangze	–	151	19	–	170
Ms Zhou Xing	–	–	–	–	–
Mr Wang Leo	–	151	–	–	151
Non-executive director					
Mr Shi Yuchen	100	–	–	–	100
Independent non-executive directors					
Mr Han Qinchun	120	–	–	–	120
Mr Yang Dongsheng	100	–	–	–	100
Mr Wang Jiheng	100	–	–	–	100
Mr Wang Guanghua	100	–	–	–	100
Supervisors					
Mr Wang Guodong	–	149	19	–	168
Mr Guo Xurang	–	–	–	–	–
Mr Yao Shun	–	–	–	–	–
Mr Meng Shouji	–	–	–	–	–
Mr Jiao Xiaoxiao	–	62	12	–	74
Total	520	904	59	–	1,483

9 DIRECTORS' EMOLUMENTS (continued)

Year ended 31 December 2016

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Bonus RMB'000	Total RMB'000
Executive directors					
Mr Jin Guangcai (resigned in January 2017)	–	240	27	65	332
Mr Qiang Shanfeng (resigned in January 2017)	–	216	–	58	274
Mr Zhang Guo (resigned in December 2016)	–	151	19	41	211
Mr Zhou Yudao (resigned in December 2016)	–	151	31	41	223
Mr Ji Wanxin (resigned in January 2017)	–	151	19	41	211
Mr Xing Jiangze	–	151	19	41	211
Ms Zhou Xing (appointed in December 2016)	–	–	–	–	–
Mr Wang Leo (appointed in December 2016)	–	–	–	–	–
Non-executive director					
Mr Shi Yuchen	100	–	–	–	100
Independent non-executive directors					
Mr Han Qinchun	120	–	–	–	120
Mr Yang Dongsheng	100	–	–	–	100
Mr Wang Jiheng	100	–	–	–	100
Mr Wang Guanghua	75	–	–	–	75
Supervisors					
Mr Wang Guodong	–	151	19	41	211
Mr Guo Xurang	–	–	–	–	–
Mr Yao Shun	–	–	–	–	–
Mr Meng Shouji	–	–	–	–	–
Mr Jiao Xiaoxiao	–	62	12	18	92
Total	495	1,273	146	346	2,260

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2016: four) are directors and supervisors of the Company whose emoluments are disclosed in note 9. The emolument in respect of the two individuals (2016: one) is as follows:

	2017 RMB'000	2016 RMB'000
Salaries and wages	**1,176**	960
Contributions to retirement benefit scheme	**54**	29
Bonus	**—**	80
	1,230	1,069

The emolument of the above two individuals (2016: one) is within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil — HK$1,000,000	**1**	—
HK$1,000,001 — HK$2,000,000	**1**	1

11 DIVIDENDS

No dividend attributable to the year was declared in 2017 or proposed after the end of the reporting period (2016: Nil). No dividend attributable to previous year was approved or paid in 2017 (2016: Nil).

12 OTHER COMPREHENSIVE INCOME

The component of other comprehensive income does not have any significant tax effect for each of the years ended 31 December 2017 and 2016.

13 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the earnings attributable to equity shareholders of the Company of RMB79,834,000 (2016: loss of RMB77,456,000) and 770,249,091 ordinary shares (2016: 770,249,091 shares) in issue during the year ended 31 December 2017.

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share for the current and the prior year is the same as the basic earnings/(loss) per share as there are no dilutive ordinary shares during the years.

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2016	1,098,381	1,089,503	1,416,452	80,448	124,712	3,809,496
Exchange adjustments	18,769	14,750	7,824	1,947	38	43,328
Additions	15,755	35,182	78,396	1,686	3,080	134,099
Transfer from construction in progress *(note 15)*	156,946	69,026	122,671	–	–	348,643
Disposals	(84)	–	(8,339)	(5,948)	(10,505)	(24,876)
At 31 December 2016	1,289,767	1,208,461	1,617,004	78,133	117,325	4,310,690
Depreciation and impairment:						
At 1 January 2016	318,773	601,465	708,741	59,250	93,454	1,781,683
Exchange adjustments	6,409	5,667	3,966	1,473	7	17,522
Charge for the year	59,044	49,907	107,536	6,172	10,208	232,867
Written back on disposals	(30)	–	(6,965)	(5,002)	(8,901)	(20,898)
At 31 December 2016	384,196	657,039	813,278	61,893	94,768	2,011,174
Net book value:						
At 31 December 2016	905,571	551,422	803,726	16,240	22,557	2,299,516

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Mining shafts RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2017	1,289,767	1,208,461	1,617,004	78,133	117,325	4,310,690
Exchange adjustments	(20,396)	(13,561)	(8,842)	(1,772)	(35)	(44,606)
Additions	4,114	1,283	19,005	8,277	2,191	34,870
Transfer from construction in progress *(note 15)*	13,806	8,421	18,728	122	548	41,625
Disposals	(4,297)	–	(6,616)	(5,781)	(187)	(16,881)
At 31 December 2017	1,282,994	1,204,604	1,639,279	78,979	119,842	4,325,698
Depreciation and impairment:						
At 1 January 2017	384,196	657,039	813,278	61,893	94,768	2,011,174
Exchange adjustments	(7,387)	(5,991)	(4,455)	(1,502)	(5)	(19,340)
Charge for the year	63,963	47,412	110,141	5,690	7,315	234,521
Written back on disposals	(1,003)	–	(6,436)	(5,049)	(167)	(12,655)
At 31 December 2017	439,769	698,460	912,528	61,032	101,911	2,213,700
Net book value:						
At 31 December 2017	843,225	506,144	726,751	17,947	17,931	2,111,998

15 CONSTRUCTION IN PROGRESS

	2017 RMB'000	2016 RMB'000
At 1 January	**309,125**	395,112
Exchange adjustments	**(901)**	3,633
Additions	**259,592**	263,044
Transfer to property, plant and equipment *(note 14)*	**(41,625)**	(348,643)
Impairment losses *(note (a))*	**—**	(4,021)
At 31 December	**526,191**	309,125

Note:

(a) Impairment loss of RMB4,021,000 was recognised in respect of the construction project of Lingbao Gold Yili Metallurgical Company Limited ("Yili"), which is under the mining — PRC reportable segment, has been suspended during the year ended 31 December 2016. The Group's management performed annual impairment assessment as at 31 December 2017 and determined that no additional impairment provision is required.

16 INTANGIBLE ASSETS

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets *(note (a))* RMB'000	Mining development assets RMB'000	Mining rights *(note (c))* RMB'000	Exploration rights *(note (d))* RMB'000	Total RMB'000
Cost:						
At 1 January 2016	820	575,640	87,876	279,359	216,094	1,159,789
Exchange adjustments	–	1,710	3,516	8,288	–	13,514
Additions	–	7,859	–	6,227	–	14,086
Reclassification	–	(14,191)	14,191	–	–	–
Disposal	–	(21,557)	–	–	(3,630)	(25,187)
At 31 December 2016	820	549,461	105,583	293,874	212,464	1,162,202
Amortisation and impairment:						
At 1 January 2016	–	16,112	11,686	183,974	216,094	427,866
Exchange adjustments	–	–	14	2,583	–	2,597
Charge for the year	–	–	4,866	6,476	–	11,342
Written back on disposals	–	(16,112)	–	–	(3,630)	(19,742)
Impairment loss *(note (b))*	–	28,781	–	–	–	28,781
At 31 December 2016	–	28,781	16,566	193,033	212,464	450,844
Net book value:						
At 31 December 2016	820	520,680	89,017	100,841	–	711,358

16 INTANGIBLE ASSETS (continued)

	Shanghai Gold Exchange trading rights RMB'000	Exploration and evaluation assets *(note (a))* RMB'000	Mining development assets RMB'000	Mining rights *(note (b))* RMB'000	Exploration rights *(note (c))* RMB'000	Total RMB'000
Cost:						
At 1 January 2017	820	549,461	105,583	293,874	212,464	1,162,202
Exchange adjustments	–	(1,757)	(3,194)	(7,336)	–	(12,287)
Additions	–	21,369	–	20,000	–	41,369
Reclassification	–	(36,669)	36,669	–	–	–
Disposal	–	–	–	–	(7,580)	(7,580)
At 31 December 2017	820	532,404	139,058	306,538	204,884	1,183,704
Amortisation and impairment:						
At 1 January 2017	–	28,781	16,566	193,033	212,464	450,844
Exchange adjustments	–	–	(13)	(2,804)	–	(2,817)
Charge for the year	–	–	2,271	10,588	–	12,859
Written back on disposals	–	–	–	–	(7,580)	(7,580)
At 31 December 2017	–	28,781	18,824	200,817	204,884	453,306
Net book value:						
At 31 December 2017	820	503,623	120,234	105,721	–	730,398

Notes:

(a) Included in the Group's exploration and evaluation assets are assets related to mines, which are under the exploration and evaluation stage as at 31 December 2017, with a carrying value of RMB503,623,000 (2016: RMB520,680,000). These assets are not subject to amortisation until they are placed in use.

(b) Impairment loss of RMB28,781,000 was recognised on certain exploration and evaluation assets of Habahe Huatai Gold Company Limited ("Huatai"), which is under the mining — PRC reportable segment, during the year ended 31 December 2016. The Group's management concluded that the possibility of extending the related exploration rights is low. The Group's management performed annual impairment assessment in respect of exploration and evaluation assets as at 31 December 2017 and determined that no additional impairment provision is required.

(Expressed in Renminbi Yuan unless otherwise indicated)

16 INTANGIBLE ASSETS (continued)

Notes: (continued)

(c) The Group's mining rights as at 31 December 2017 are as follows:

Mine	Location	Expiry date
Lingjin One Mine	Lingbao, Henan	December 2021
Lingjin Two Mine	Lingbao, Henan	April 2018
Hongxin Gold Mine	Lingbao, Henan	May 2019
Hongtuling Gold Mine	Lingbao, Henan	November 2018
Duolanasayi Gold Mine	Habahe, Xinjiang	July 2018
Tuokuzibayi Gold Mine	Habahe, Xinjiang	May 2020
Chifeng Jinchan Mining Company Limited Gold Mine *(note (i))*	Chifeng, Inner Mongolia	January 2018
Laowan Gold Mine	Nanyang, Henan	July 2018
Istanbul Gold Mine	KR	February 2026
Istanbul Gold Eastern Mine	KR	December 2022
Terek Gold Mine	KR	December 2022

Notes:

(i) As at 31 December 2017, the Group was in the process of applying for extension of certain mining rights with an aggregate carrying value of approximately RMB365,000. The Group's management are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned intangible assets.

(ii) The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss of the Group.

(d) The exploration rights are amortised to exploration and evaluation assets on a straight-line basis over the estimated useful lives of one to three years.

17 GOODWILL

	RMB'000
Cost:	
At 31 December 2016, 1 January 2017, and 31 December 2017	41,360
Accumulated impairment losses:	
At 31 December 2016, 1 January 2017, and 31 December 2017	34,058
Carrying amount:	
At 31 December 2016 and 2017	7,302

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified as follows:

	2017 RMB'000	2016 RMB'000
Habahe Huatai Gold Company Limited	**2,262**	2,262
Tongbai Xingyuan Mining Company Limited	**2,455**	2,455
Palladex KR Limited Liability Company	**2,585**	2,585
Total	**7,302**	7,302

The recoverable amounts of the CGUs are determined based on value-in-use calculations with certain key assumptions. Value-in-use calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rates of 11% to 20% (2016: 12% to 18%). Cash flow projections during the forecast period for the CGUs are based on the expected growth rates of 2% and gross margins during the forecast period. Forecasted gross margin is based on the expected growth rate for the industry. Forecasted gross margin has been determined based on past business performance and market participants' expectations for market development.

The Group's management determined that no additional impairment provision was required based on the impairment assessment performed as at 31 December 2017 (2016: Nil).

18 LEASE PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Cost:		
At 1 January	**205,584**	205,584
Additions	**54,865**	—
At 31 December	**260,449**	205,584
Accumulated amortisation:		
At 1 January	**(36,792)**	(31,086)
Charge for the year	**(7,198)**	(5,706)
At 31 December	**(43,990)**	(36,792)
Carrying amount:		
At 1 January	**168,792**	174,498
At 31 December	**216,459**	168,792

	2017 RMB'000	2016 RMB'000
Lease prepayments	**216,459**	168,792
Less: Current portion of lease prepayments included in other receivables, deposits and prepayments	**(6,799)**	(5,426)
	209,660	163,366

The Group's leasehold lands are located in the PRC. The Group was formally granted by the relevant PRC authorities certain rights to use the lands on which the Group's factories and infrastructures are erected for a period of 50 years.

19 INTERESTS IN SUBSIDIARIES

Details of the subsidiaries at 31 December 2017 are as follows:

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Xinjiang Baoxin Mining Company Limited	Limited liability company	The PRC	80	20	RMB10,000/ RMB10,000	Sales of mineral products
Lingbao Hongxin Mining Company Limited	Limited liability company	The PRC	80	–	RMB3,000/ RMB3,000	Exploration and processing of gold; sales of mineral products
Jiangxi Mingxin Mining Company Limited	Limited liability company	The PRC	80	–	RMB5,000/ RMB5,000	Production and sales of precious metal products
Habahe Huatai Gold Company Limited	Limited liability company	The PRC	83.3	16.7	RMB9,800/ RMB9,800	Mining, processing and smelting of gold, production of gold products, sales of gold bullion products, machinery,equipment and components for gold processing
Tongbai Xingyuan Mining Company Limited	Limited liability company	The PRC	100	–	RMB17,000/ RMB17,000	Geological exploration of mineral reserves
Chi Feng City Zheng Ji Mining Company Limited	Limited liability company	The PRC	80	–	RMB15,131/ RMB15,131	Processing of metallurgy products, sales of mineral products
Lingbao Gold International Company Limited	Limited liability company	Hong Kong	100	–	HKD50,000/ HKD50,000	Investment holding
Chifeng Jinchan Mining Company Limited	Limited liability company	The PRC	100	–	RMB20,000/ RMB20,000	Mining and exploration of mineral reserves
Chifeng Lingjin Mining Company Limited	Limited liability company	The PRC	80	–	RMB40,000/ RMB40,000	Mining and exploration of mineral reserves
Lingbao Yixin Mining Company Limited ("Lingbao Yixin")	Limited liability company	The PRC	80 *(note (i))*	–	RMB3,670/ RMB3,670	Mining and exploration of mineral reserves
Full Gold Mining Limited Liability Company	Limited liability company	Kyrgyz Republic	82 *(note (ii))*	–	SOM33,300/ SOM33,300	Mining and exploration of mineral reserves

19 INTERESTS IN SUBSIDIARIES (continued)

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Palladex KR Limited Liability Company ("Palladex KR")	Limited liability company	Kyrgyz Republic	70	–	SOM1/SOM1	Mining and exploration of mineral reserves
Tianshui Hongwu Mining Development Company Limited ("Tianshui Hongwu")	Limited liability company	The PRC	74 *(note (iii))*	–	RMB1,000/ RMB1,000	Mining and exploration of mineral reserves
Lanzhou Lingjin Mining Company Limited	Limited liability company	The PRC	100	–	RMB1,000/ RMB1,000	Mining and exploration of mineral reserves
Beijing Fushengda Investment Company Limited	Limited liability company	The PRC	100	–	RMB10,000/ RMB10,000	Investment holding
Lingbao Wason Copper- Foil Company Limited ("Wason Copper-Foil")	Limited liability company	The PRC	100 *(note (iv))*	–	RMB680,000/ RMB680,000	Processing of copper products
Ha Mi Jiachang Mining Investment and Development Company Limited	Limited liability company	The PRC	–	100	RMB20,000/ RMB20,000	Mining and exploration of mineral reserves
Lingbao Gold Yili Metallurgical Company Limited	Limited liability company	The PRC	100	–	RMB25,000/ RMB25,000	Processing and smelting of gold, further processing and sales of gold products
Habahe Huayuan Mining Company Limited	Limited liability company	The PRC	–	60	RMB5,000/ RMB5,000	Mining and exploration of mineral reserves
Lingbao Hongyu Electronics Company Limited	Limited liability company	The PRC	–	100	RMB30,000/ RMB30,000	Processing of copper products
Lingbao Lingjin Technology Company Limited ("Lingjin Technology")	Limited liability company	The PRC	100 *(note (v))*	–	RMB1,000/ RMB1,000	Development of mining and exploration of mineral reserves technology; design of mineral engineering

19 INTERESTS IN SUBSIDIARIES (continued)

Name of companies	Type of legal entity	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid-up/ registered capital '000	Principal activities
Lingbao Baoxin Electronic Technology Company Limited ("Baoxin Electronic")	Limited liability company	The PRC	– *(note 20)*	53	RMB535,000/ RMB535,000	Processing of copper products
Lingbao Lingxin Gold Metallurgical Company Limited ("Lingxin Gold Metallurgical")	Limited liability company	The PRC	100 *(note (vi))*	–	RMB Nil/ RMB500,000	Processing and smelting of gold, further processing and sales of gold products
Lingbao Qiangma Xinjin Mining Company Limited ("Qiangma Xinjin")	Limited liability company	The PRC	100 *(note (vii))*	–	RMB Nil/ RMB100,000	Mining, processing and sales of mineral reserves
Lingbao Lingjin Property Company Limited ("Lingjin Property")	Limited liability company	The PRC	100 *(note (viii))*	–	RMB Nil/ RMB100,000	Property Development
Shenzhen Jinda Gold Company Limited ("Jinda Gold")	Limited liability company	The PRC	100 *(note (ix))*	–	RMB Nil/ RMB200,000	Sales of metallurgy products and technical service

Notes:

(i) Lingbao Yixin was acquired by the Group in June 2007. Pursuant to the sale and purchase agreement, the Group is entitled to an amount of initial profit which is equivalent to the Group's investment cost in Lingbao Yixin. Profit generated thereafter is shared between the Group and the non-controlling interests on a 55%:45% basis.

(ii) At 31 December 2017 and 2016, the ordinary shares of Full Gold were secured for a bank loan as disclosed in note 29.

(iii) Tianshui Hongwu was acquired by the Group in November 2007. Pursuant to the sale and purchase agreement, the Group is entitled to an amount of initial profit which is equivalent to the Group's investment cost in Tianshui Hongwu. Profit generated thereafter is shared between the Group and the non-controlling interests on a 74%:26% basis.

(iv) At 31 December 2017, the ordinary shares of Wason Copper-Foil were secured for a loan from a leasing company as disclosed in note 29.

On 27 September 2017 and 9 October 2017, the Company resolved to increase the registered capital of Wason Copper-Foil of RMB120,000,000 and RMB380,000,000 respectively. At 31 December 2017, both the registered capital and paid-in capital of Wason Copper-Foil increased from RMB180,000,000 to RMB680,000,000.

19 INTERESTS IN SUBSIDIARIES (continued)

Notes: (continued)

(v) Lingjin Technology was established by the Group in February 2016 with a registered and paid-in capital of RMB1,000,000.

(vi) Lingxin Gold Metallurgical was established by the Group in September 2017 with a registered capital of RMB500,000,000. Lingxin Gold Metallurgical is mainly engaged in gold processing and smelting, further processing and sales of gold products and related by-products.

(vii) Qiangma Xinjin was established by the Group in September 2017 with a registered capital of RMB100,000,000. Qiangma Xinjin is mainly engaged in mining, processing and sales of mineral reserves.

(viii) Lingjin Property was established by the Group in November 2017 with a registered capital of RMB100,000,000, mainly engaged in property development.

(ix) Jinda Gold was established by the Group in August 2017, with a registered capital of RMB200,000,000. Jinda Gold is mainly engaged in the sales of metallurgy products and technical service.

The following table lists out the information relating to Palladex KR, Full Gold and Baoxin Electronic, the subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

Palladex KR

	2017 RMB'000	2016 RMB'000
NCI percentage	**30%**	30%
Current assets	**307**	2,399
Non-current assets	**124,602**	126,915
Current liabilities	**(71,267)**	(61,494)
Net assets	**53,642**	67,820
Carrying amount of NCI	**16,093**	20,431
Loss for the year	**(15,706)**	(1,476)
Loss attributable to NCI	**(4,712)**	(444)
Total comprehensive income	**(14,460)**	(2,301)
Total comprehensive income attributable to NCI	**(4,338)**	(691)
Cash flows used in operating activities	**(13,042)**	(1,650)
Cash flows used in investing activities	**(47)**	(241)
Cash flows generated from financing activities	**13,251**	1,482

19 INTERESTS IN SUBSIDIARIES (continued)

Full Gold

	2017 RMB'000	2016 RMB'000
NCI percentage	18%	18%
Current assets	300,805	271,054
Non-current assets	505,747	602,188
Current liabilities	(1,081,871)	(969,724)
Non-current liabilities	(299,828)	(404,739)
Net liabilities	(575,147)	(501,221)
Carrying amount of NCI	(91,971)	(78,664)
Revenue	71,759	29,469
Loss for the year	(106,110)	(62,034)
Loss attributable to NCI	(19,100)	(11,166)
Total comprehensive income	(73,926)	(92,078)
Total comprehensive income attributable to NCI	(13,307)	(16,574)
Cash flows used in operating activities	(22,039)	(69,888)
Cash flows used in investing activities	(25,622)	(81,437)
Cash flows generated from financing activities	52,318	149,917

Baoxin Electronic

	2017 RMB'000
NCI percentage	46.73%
Current assets	294,542
Non-current assets	251,642
Current liabilities	(16,214)
Non-current liabilities	—
Net assets	529,970
Carrying amount of NCI	247,650
Loss for the year	(5,030)
Loss attributable to NCI	(2,350)
Total comprehensive income	(5,030)
Total comprehensive income attributable to NCI	(2,350)
Cash flows used in operating activities	(99,740)
Cash flows used in investing activities	(302,732)
Cash flows generated from financing activities	299,000

20 OTHER FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Available-for-sale equity securities:		
— Unlisted, at cost		
— Henan Jinqu Gold Co., Ltd. *(note (a))*	**10,504**	10,504
— Baoxin Electronic *(note (b))*	**—**	30,000
	10,504	40,504

Notes:

(a) It represents the Group's 5% equity interest in a PRC domiciled enterprise which is mainly engaged in geological exploration, mining, processing, sales of gold, as well as research, development, production and sale of artificial industrial diamonds. As there is no quoted market price for such equity securities and a reasonable estimate of the fair value could not be made without incurring excessive costs, these investments are stated at cost less impairment losses.

(b) In September 2017, an equity interest transfer agreement was entered into between Wason Copper-Foil, a wholly owned subsidiary of the Group, as the vendor and D&R Fund as the purchaser, in which the vendor agreed to sell and the purchaser agreed to purchase 3% equity interests in Baoxin Electronic at the carrying value of the investment of RMB15,000,000. The disposal transaction was completed in September 2017, which resulted in the carrying amount of the investment in Baoxin Electronic decreased from RMB30,000,000 to RMB15,000,000, and the equity interest in Baoxin Electronic held by the Group decreased from 6% to 3%.

On 19 October 2017, because the original controlling shareholder of Baoxin Electronic waived and transferred its rights and obligations to invest in Baoxin Electronic of RMB270,000,000 to Wason Copper-Foil, after Wason Copper-Foil contributed the required capitals of RMB270,000,000 into Baoxin Electronic, it obtained the control of Baoxin Electronic and thereafter it became a subsidiary of Wason Copper-Foil.

The assets and liabilities of Baoxin Electronic as at 19 October 2017, right before the capital contribution by Wason Copper-Foil, and its cash flow effects are as follows:

	RMB'000
Property, plant and equipment	**450**
Construction in progress	**167,502**
Intangible assets	**53,260**
Trade and other receivables, deposits and prepayments	**15,417**
Trade and other payables	**(16,286)**
Net identifiable assets and liabilities, except for cash and cash equivalents	**220,343**
Cash and cash equivalents	**9,657**
Total net assets *(note (i))*	**230,000**

20 OTHER FINANCIAL ASSETS (continued)

Note:

(i) RMB 15,000,000 of total net assets is attributable to Wason Copper-Foil while the remaining RMB 215,000,000 is attributable to other investors.

Pursuant to an investment agreement entered into between Wason Copper-Foil, D&R Fund and Baoxin Electronic dated on 14 December 2017, D&R Fund increased the capital injection of RMB35,000,000 to Baoxin Electronic, resulted in the registered capital and paid-in capital of Baoxin Electronic increased from RMB 500,000,000 to RMB 535,000,000.

After the completion of the series of transactions above, the Group's equity interests in Baoxin Electronic increased from 6% as at 31 December 2016 to 53.27% as at 31 December 2017.

As at 31 December 2017, Baoxin Electronic is still in the construction period and has not yet commenced commercial operation.

21 INVESTMENT DEPOSIT

	2017 **RMB'000**	2016 RMB'000
Investment deposit	**80,000**	80,000
Less: Impairment losses	**(80,000)**	(80,000)
	–	–

During the year ended 31 December 2007, an investment deposit of RMB80,000,000 was paid to an independent third party, Beijing Jiuyi Investment Company Limited ("Beijing Jiuyi"), for acquiring certain company with mining assets situated in Gansu Province, the PRC. The relevant agreements in connection with this acquisition expired on 31 October 2009 and the acquisition was not completed as at 31 December 2009. An impairment loss of RMB80,000,000 was made in the consolidated financial statements for the year ended 31 December 2009.

As at 31 December 2017, the Directors considered that the investment deposit of RMB80,000,000 would still not be recoverable.

22 NON-CURRENT PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Prepayments for purchase of property, plant and equipment and construction of mining shafts	**20,282**	9,537
Prepayments for taxes *(note (a))*	**166,698**	160,451
	186,980	169,988
Less: Allowance for doubtful debts	**(1,000)**	(1,000)
	185,980	168,988

Note:

(a) The prepayments for taxes are mainly related to resource tax, urban maintenance and construction tax, property tax and land use tax paid to tax authorities in the PRC, which are used to offset future tax liabilities of the same nature in the same tax authorities.

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2017 RMB'000	2016 RMB'000
At beginning of the year	**282**	(7,782)
Provision for PRC income tax *(note 8(a))*	**63,175**	36,080
PRC income tax paid	**(62,831)**	(28,016)
At end of the year	**626**	282
Representing:		
PRC income tax		
— Recoverable	**(6,601)**	(10,805)
— Payable	**7,227**	11,087
At end of the year	**626**	282

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognised:

(i) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation of property, plant and equipment RMB'000	Amortisation of intangible assets RMB'000	Other non-current financial assets RMB'000	Allowance for bad debt RMB'000	Inventories RMB'000	Other accruals and payables RMB'000	Financial Instruments RMB'000	Tax losses RMB'000	Total RMB'000
Deferred tax arising from:									
At 1 January 2016	20,529	(44)	(2,086)	61,657	4,373	40,656	(413)	34,000	158,672
Credited/(charged) to profit or loss	169	6,489	2,086	13,922	(1,199)	22	(794)	767	21,462
At 31 December 2016	20,698	6,445	–	75,579	3,174	40,678	(1,207)	34,767	180,134
At 1 January 2017	**20,698**	**6,445**	**–**	**75,579**	**3,174**	**40,678**	**(1,207)**	**34,767**	**180,134**
Credited/(charged) to profit or loss	**(3,395)**	**(2,238)**	**–**	**(1,746)**	**(307)**	**3,600**	**1,207**	**5,386**	**2,507**
At 31 December 2017	**17,303**	**4,207**	**–**	**73,833**	**2,867**	**44,278**	**–**	**40,153**	**182,641**

(ii) Reconciliation to the consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Net deferred tax asset recognised on the consolidated statement of financial position	**187,299**	185,406
Net deferred tax liability recognised on the consolidated statement of financial position	**(4,658)**	(5,272)
	182,641	180,134

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative unused tax losses of RMB1,078,227,000 (2016: RMB949,487,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Tax losses of RMB625,407,000, RMB32,768,000, RMB167,937,000, RMB98,368,000 and RMB153,747,000, if unused, will expire in 2018, 2019, 2020, 2021 and 2022, respectively.

24 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017 RMB'000	2016 RMB'000
Raw materials	**1,025,264**	764,781
Work in progress	**109,671**	93,282
Finished goods	**150,093**	202,097
Spare parts and materials	**90,024**	89,054
	1,375,052	1,149,214

(b) The analysis of the amount of inventories recognised as an expense and included in profit and loss is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	**5,115,787**	5,378,465
Write down of inventories	**9,332**	15,560
	5,125,119	5,394,025

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 RMB'000	2016 RMB'000
Trade receivables	**384,692**	472,641
Bills receivable	**268,209**	215,978
Less: Allowance for doubtful debts	**(71,199)**	(73,833)
	581,702	614,786
Other receivables, deposits and prepayments	**155,796**	119,885
Less: Allowance for doubtful debts	**(9,530)**	(7,318)
	146,266	112,567
Purchase deposits *(note (d))*	**608,590**	491,774
Less: Allowance for non-delivery	**(131,576)**	(138,788)
	477,014	352,986
Financial assets at fair value through profit or loss *(note 34(g)(i))*	**—**	4,873
Amounts due from Beijing Jiuyi *(note (e))*	**—**	—
	1,204,982	1,085,212

All of the trade and other receivables, deposits and prepayments are expected to be recovered within one year.

Transfers of financial assets

(i) Transferred financial assets that are not derecognised in their entirety

As at 31 December 2017, the Group endorsed certain bank acceptance bills with a carrying amount of RMB93,380,000 (2016: RMB57,340,000) to suppliers for settling trade payables of the same amount on a full recourse basis. As the Group has not transferred the substantial risks and rewards relating to these bank acceptance bills, the Group's management determined not to derecognise the carrying amounts of these bills receivable and the associated trade payables settled.

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Transfers of financial assets (continued)

(ii) Transferred financial assets that are derecognised in their entirety

As at 31 December 2017, the Group discounted certain bank acceptance bills to banks for cash proceeds and endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date less than six months from the end of the reporting period. The Group's management determined that the Group has transferred substantially all the risks and rewards of ownership of these bills and discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit rating and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2017, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to banks or suppliers in respect of the discounted bills and endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB202,112,000 and RMB481,543,000 (2016: RMB65,695,000 and RMB40,926,000) respectively.

(a) Ageing analysis

The ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows.

	2017 RMB'000	2016 RMB'000
Within three months	**460,783**	472,066
Over three months but less than six months	**109,487**	114,222
Over six months but less than one year	**9,374**	18,448
Over one year	**2,058**	10,050
At 31 December	**581,702**	614,786

For sales of gold, the Group requests customers to pay cash in full immediately upon the delivery. For sales of other metallic products, trade and bills receivables are due within 30 days to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 34(a).

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(b) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**292,452**	289,799
Less than one year past due	**—**	2,119
Over one year past due	**—**	—
	292,452	291,918

Receivables that were neither not past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (see note 1(k)(i)).

The movement in the allowance for doubtful receivables during the year is as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	**81,151**	54,105
Impairment loss (reversed)/recognised	**(422)**	35,472
Impairment loss written off	**—**	(8,426)
At 31 December	**80,729**	81,151

At 31 December 2017, the Group's trade and other receivables of RMB59,180,000 (2016: RMB64,135,000) were individually determined to be impaired.

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(d) Purchase deposits

Purchase deposits represent the amounts paid by the Group in advance to suppliers to secure timely and stable supply of mineral sand for the purposes of refining in future periods.

Impairment loss in respect of purchase deposits is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against purchase deposits directly (see note 1(k)(i)).

The movement in the allowance for non-delivery of purchase deposits during the year is as follows:

	2017 **RMB'000**	2016 RMB'000
At 1 January	**138,788**	100,406
Impairment loss (reversed)/recognised	**(7,212)**	38,382
At 31 December	**131,576**	138,788

At 31 December 2017, the Group assessed the recoverability of purchase deposits and concluded that purchase deposits of RMB131,576,000 (2016: RMB138,788,000) were individually determined to be impaired and therefore full provision was made. The management considered that appropriate procedures have been taken by the Group to assess the capabilities of the suppliers to supply mineral sand and expect that the remaining purchase deposits would be gradually recovered through future purchases of mineral sand from the respective suppliers.

25 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(e) Amounts due from Beijing Jiuyi

	2017 RMB'000	2016 RMB'000
Amounts due from Beijing Jiuyi	**30,800**	30,800
Less: Impairment losses	**(30,800)**	(30,800)
	–	–

The balance due from Beijing Jiuyi was relating to a compensation payment for a proposed acquisition in previous years. The Group determined that the balance of RMB30,800,000 would not be recoverable and accordingly, an impairment loss was provided.

26 ASSETS CLASSIFIED AS HELD FOR SALE

	2017 RMB'000	2016 RMB'000
Intangible assets	**5,423**	5,423

The Group entered into an agreement with a third party in previous year to dispose of certain exploration and evaluation assets at a consideration of RMB7,200,000. Nevertheless, certain assets transfer procedures are still in process and such disposal is expected to be completed in 2018. As a result, such exploration and evaluation assets are presented as assets classified as held for sale at a carrying amount of RMB5,423,000 at 31 December 2017.

27 PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

	2017 RMB'000	2016 RMB'000
Guarantee deposits for issuance of letter of credit	**37,260**	14,971
Guarantee deposits for bank and other borrowings	**588,345**	73,630
Guarantee deposits for issuance of bank acceptance bills	**240,002**	56,000
Others	**9,351**	13,673
	874,958	158,274

28 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2017 RMB'000	2016 RMB'000
Cash at bank and on hand	**455,427**	1,164,569

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings RMB'000 *(note 29)*	Loan from shareholders RMB'000 *(note 31)*	Guarantee deposits for bank and other borrowings RMB'000 *(note 27)*	Interest payable RMB'000 *(note 30)*	Cash-settled written put option RMB'000 *(note 30)*	Total
At 1 January 2017	5,073,509	23,800	(73,630)	26,311	–	5,049,990
Changes from financing cash flows:						
Proceeds from new bank loans	3,006,987	–	–	–	–	3,006,987
Repayment of bank loans	(3,131,300)	–	–	–	–	(3,131,300)
Repayment of loan from shareholders	–	(10,000)	–	–	–	(10,000)
Pledged deposit placed for borrowings	–	–	(514,715)	–	–	(514,715)
Interest paid	–	–	–	(237,640)	–	(237,640)
Proceeds from cash-settled written put option	–	–	–	–	50,000	50,000
Total changes from financing cash flows	(124,313)	(10,000)	(514,715)	(237,640)	50,000	(836,668)
Exchange adjustments	(55,785)	–	–	(116)	–	(55,901)
Other changes:						
Interest expenses *(note 7(a))*	–	–	–	246,648	–	246,648
At 31 December 2017	4,893,411	13,800	(588,345)	35,203	50,000	4,404,069

29 BANK AND OTHER BORROWINGS

The analysis of the carrying amount of bank and other borrowings is as follows:

	Note	**At 31 December 2017 RMB'000**	At 31 December 2016 RMB'000
Short-term bank and other borrowings:			
— Bank loans		**3,027,296**	2,966,771
— Loans from leasing companies	(a)	**102,690**	30,000
— Add: Current portion of long-term bank and other borrowings		**251,000**	259,000
		3,380,986	3,255,771
Long-term bank and other borrowings:			
— Bank loans		**1,319,865**	1,721,738
— Loans from leasing companies	(a)	**443,560**	355,000
— Less: Current portion of long-term bank and other borrowings		**(251,000)**	(259,000)
		1,512,425	1,817,738
		4,893,411	5,073,509

Note:

(a) During the year ended 31 December 2016, Wason Copper-Foil, a subsidiary of the Group, entered into a sales and leaseback agreement with a leasing company for machinery and equipment ("Secured Assets I") amounting to RMB400,000,000 for a period of 7 years. Upon maturity, Wason Copper-Foil will be entitled to purchase the Secured Assets I with no consideration. The Group considered that it was almost certain that Wason Copper-Foil would exercise this repurchase option. As substantial risk and rewards of the Secured Assets I were retained by Wason Copper-Foil before and after these arrangements, the transaction was regarded as secured borrowings, rather than finance lease arrangement. Till the end of 31 December 2017, Wason Copper-Foil had repaid RMB45,000,000 in accordance with the instalment payment schedule pursuant to the sales and leaseback agreement.

As at 31 December 2017, the outstanding loan from that leasing company amounting to RMB355,000,000 (31 December 2016: RMB385,000,000) was secured by machinery and equipment with carrying amount of RMB348,640,000 (31 December 2016: RMB389,238,000) and equity interests in Wason Copper-Foil.

29 BANK AND OTHER BORROWINGS (continued)

During the year ended 31 December 2017, Lingbao Gold Group Company entered into a sales and leaseback agreement with a leasing company for machinery and equipment ("Secured Assets II") amounting to RMB191,250,000 for a period of 3 years. Upon maturity, Lingbao Gold Group Company will be entitled to purchase the Secured Assets II with consideration of RMB100. The Group considered that it was almost certain to exercise this repurchase option. As substantial risk and rewards of the Secured Assets II were retained by Lingbao Gold Group Company before and after these arrangements, the transaction was regarded as secured borrowings, rather than finance lease arrangement.

As at 31 December 2017, the outstanding loan from that leasing company amounting to RMB191,250,000 was secured by mining shafts of Nanshan with carrying amount of RMB243,839,000 and pledged deposits with carrying amount of RMB10,000,000.

At 31 December 2017, the bank and other borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within one year or on demand	3,380,986	3,255,771
Over one year but within two years	1,099,228	538,395
Over two years but within five years	354,901	1,121,190
Over five years	58,296	158,153
	1,512,425	1,817,738
	4,893,411	5,073,509

At 31 December 2017, the bank and other borrowings were secured as follows:

	2017 RMB'000	2016 RMB'000
Bank loans		
— Secured	1,610,048	1,028,646
— Guaranteed	—	603,519
— Unsecured	3,283,363	3,441,344
	4,893,411	5,073,509

29 BANK AND OTHER BORROWINGS (continued)

At 31 December 2017, bank loans of the Group amounting to RMB64,035,000 (31 December 2016: RMB175,506,000) were secured by a mining right with the carrying amount of RMB66,523,000 (31 December 2016: RMB81,637,000), the property, plant and equipment with the carrying amount of RMB84,916,000 (31 December 2016: RMB106,851,000) and equity interests in Full Gold Mining Limited Liability Company, a subsidiary of the Group in the KR as disclosed in note 19(ii).

At 31 December 2017, loans from leasing companies amounting to RMB546,250,000 (31 December 2016: RMB385,000,000) were secured by machinery and equipment, mining shafts, equity interests in a subsidiary and pledged deposits, details of which are set out in note 29(a).

As at 31 December 2017, bank loans of the Group amounting to RMB999,763,000 (31 December 2016: RMB468,140,000) were secured by pledged deposits with the carrying amount of RMB578,345,000 (31 December 2016: RMB73,630,000) and bills receivable with the carrying amount of RMB92,543,000 (31 December 2016: RMB Nil).

Certain of the Group's bank loan facilities are subject to the fulfilment of covenants imposing certain specific performance requirements on the Group. If the Group were to breach the covenants, bank loans drawn down under such facilities would become payable on demand. As at 31 December 2017, certain covenants of two banks were breached by the Group. The Group obtained waiver letters in 2017 from the two banks, confirming that they do not treat the company as breached the relevant covenants under the existing loan agreements.

30 TRADE AND OTHER PAYABLES

Current trade and other payables:

	2017 **RMB'000**	2016 RMB'000
Bills payable	**160,000**	80,000
Trade payables	**620,752**	369,704
Other payables and accruals	**448,855**	491,189
Interest payables *(note 28(b))*	**35,203**	26,311
Payable for mining rights	**79,554**	86,539
Deferred income *(note (a))*	**80,390**	73,020
Payable to non-controlling interests *(note (b))*	**23,335**	43,808
Cash-settled written put option *(note (d))*	**50,000**	—
Dividend payable	**1,260**	1,260
Financial liabilities at fair value through profit or loss	**—**	44
	1,499,349	1,171,875
Non-current other payables		
Decommissioning costs *(note (c))*	**50,147**	51,192
Deferred income *(note (a))*	**94,713**	101,444
	144,860	152,636

30 TRADE AND OTHER PAYABLES (continued)

Notes:

(a) Deferred income represents grants received from the government for the exploration of mines, construction of mining related assets and machinery of copper products. When certain conditions are met, the government grants are recognised as income over the periods necessarily to match them with the related costs of assets constructed which they are intended to compensate over the periods and in the proportion in which depreciation on those assets is charged.

(b) Payable to non-controlling interests is unsecured, interest free and repayable on demand.

(c) The decommissioning costs relate to reclamation and closure costs relating to the Group's mine operations. The decommissioning costs are calculated as the net present value of estimated future net cash flows of the reclamation and closure costs, discounted at 4.9%, which amounted to RMB50,147,000 (2016: RMB51,192,000) in total as at 31 December 2017.

(d) On 14 December 2017, an investment agreement was entered into between the Company, D&R Xinwei Advanced Manufacturing Fund (LP) ("D&R Fund") and Lingxin Gold Metallurgical in respect of increasing the registered capital of RMB50,000,000 in Lingxin Gold Metallurgical invested by D&R Fund. Pursuant to the investment agreement, the Group also granted a written put option to D&R Fund, giving it the right to sell its entire interest in Lingxin Gold Metallurgical at a consideration which comprises the capital injection of RMB50,000,000 and related interests with an annual interest rate of 9%.

At 31 December 2017, the present value of the redemption price of the cash-settled written put option of RMB50,000,000 was recorded as a current payable.

The ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	2017 **RMB'000**	2016 RMB'000
Within three months	**498,912**	318,557
Over three months but less than six months	**30,515**	18,585
Over six months but less than one year	**62,753**	10,056
Over one year but less than two years	**19,684**	11,622
Over two years	**8,888**	10,884
	620,752	369,704

31 LOAN FROM SHAREHOLDERS

The loan was provided by Lingbao State-owned Assets and assumed by the Group upon the acquisition of Wason Copper-Foil during the year ended 31 December 2008. The loan is unsecured, interest-free and repayable on demand.

32 CAPITAL AND RESERVE

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital (note 32(b)) RMB'000	Share premium (note (i)) RMB'000	PRC Statutory reserves (note (ii)) RMB'000	(Accumulated losses)/ retained profits RMB'000	Total equity RMB'000
At 1 January 2016	38	154,050	827,931	160,070	(233,629)	908,422
Changes in equity for 2016						
Total comprehensive income for the year		–	–	–	(237,645)	(237,645)
Appropriation of safety production fund		–	–	19,565	(19,565)	–
Utilisation of safety production fund		–	–	(19,565)	19,565	–
At 31 December 2016	38	154,050	827,931	160,070	(471,274)	670,777
Changes in equity for 2017						
Total comprehensive income for the year		**–**	**–**	**–**	**552,550**	**552,550**
Appropriation of safety production fund		**–**	**–**	**20,979**	**(20,979)**	**–**
Utilisation of safety production fund		**–**	**–**	**(20,979)**	**20,979**	**–**
At 31 December 2017	38	**154,050**	**827,931**	**160,070**	**81,276**	**1,223,327**

Notes:

(i) Share premium

The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering. The application of the share premium account is governed by sections 167 and 168 of the PRC Company Law.

32 CAPITAL AND RESERVE (continued)

(a) Movements in components of equity (continued)

Notes: (continued)

(ii) PRC statutory reserves

Transfers from retained earnings to the PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and articles of association of the Company and its subsidiaries incorporated in the PRC.

The Company and the subsidiaries incorporated in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve (the "SSR") until the reserve balance reaches 50% of the registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the SSR may be converted to increase the share capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered share capital.

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the year ended 31 December 2017, the Company transferred RMB20,979,000 (2016: RMB19,565,000) from retained earnings to specific reserve for the provision for the safety production fund, and transferred RMB20,979,000 (2016: RMB19,565,000) from reserves to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(x).

(iv) Other reserve

The excess of purchase consideration on acquisition of non-controlling interests over the carrying value of the share of net assets acquired are charged to other reserve.

32 CAPITAL AND RESERVE (continued)

(b) Share capital

	2017 Number of shares	2017 RMB'000	2016 Number of shares	2016 RMB'000
Registered, issued and fully paid:				
Domestic shares of RMB0.20 each	**472,975,091**	**94,595**	472,975,091	94,595
H shares of RMB0.20 each	**297,274,000**	**59,455**	297,274,000	59,455
At 1 January and 31 December	**770,249,091**	**154,050**	770,249,091	154,050

The holders of Domestic shares and H shares are entitled to receive dividends as and when declared by the Company. All Domestic shares and H shares are ordinary shares and rank pari passu with the same rights and benefits.

(c) Statutory reserve — specific reserve

Pursuant to the relevant regulations in the PRC, the Group is required to provide for safety production fund based on volume of ores excavated and sales amount of certain products.

For the year ended 31 December 2017, the Group transferred RMB32,150,000 (2016: RMB31,143,000) from retained earnings to specific reserve provision for the safety production fund and transferred RMB32,150,000 (2016: RMB31,143,000) from specific reserve to retained earnings for the utilisation of the safety production fund according to relevant PRC regulations.

As at 31 December 2017, the consolidated retained profits included an appropriation of RMB92,247,000 (2016: RMB62,226,000) to PRC statutory reserve made by the subsidiaries of the Group.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as total debt (which includes bank loans, other loans, trade and other payables less cash and cash equivalents and pledged deposits). Adjusted capital comprises all components of equity attributable to equity shareholders of the Company less unaccrued proposed dividends.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

32 CAPITAL AND RESERVE (continued)

(d) Capital management (continued)

The net debt-to-adjusted capital ratio at 31 December 2017 and 2016 was as follows:

	Note	2017 RMB'000	2016 RMB'000
Current liabilities:			
— Bank and other borrowings	29	**3,380,986**	3,255,771
— Trade and other payables	30	**1,499,349**	1,171,875
— Loan from shareholders	31	**13,800**	23,800
		4,894,135	4,451,446
Non-current liabilities:			
— Bank and other borrowings	29	**1,512,425**	1,817,738
— Other payables	30	**144,860**	152,636
		1,657,285	1,970,374
Total debt		**6,551,420**	6,421,820
Less: Cash and cash equivalents	28	**(455,427)**	(1,164,569)
Pledged deposits	27	**(874,958)**	(158,274)
Adjusted net debt		**5,221,035**	5,098,977
Total equity attributable to equity shareholders of the Company		**1,223,931**	1,119,144
Adjusted net debt-to-capital ratio		**427%**	456%

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments, representing purchase of property, plant and equipment and intangible assets outstanding at 31 December 2017 not provided for in the financial statements, were as follows:

	2017 **RMB'000**	2016 RMB'000
Authorised and contracted for	**83,767**	43,283
Authorised but not contracted for	**240,681**	215,429
	324,448	258,712

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 **RMB'000**	2016 RMB'000
Within one year	**4,241**	2,700
After one year but within five years	**8,539**	9,137
After five years	**2,348**	2,311
	15,128	14,148

The Group is the leasee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) Financial guarantees issued

As at 31 December 2017, the Company has issued the following guarantees:

(i) guarantees to certain banks in respect of loans granted to a subsidiary, Wason Copper-Foil, of RMB130,000,000 (2016: RMB135,637,000);

(ii) guarantees to certain leasing company in respect of a leaseback agreement of a subsidiary, Wason Copper-Foil, amounting to RMB355,000,000 (2016: RMB385,000,000); and

(iii) guarantees to certain banks in respect of loans granted to a subsidiary, Full Gold, of USD 50,000,000 (RMB equivalent 326,710,000) (2016: USD55,700,000 (RMB equivalent 386,391,000)).

The management do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the outstanding loans granted to the subsidiaries of the Company.

33 COMMITMENTS AND CONTINGENCIES (continued)

Except for the above guarantees, the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, gold price, other commodity price and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The carrying amounts of cash and cash equivalents, pledged deposits, trade and other receivables, deposits and prepayments and investment deposit represent the Group's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's cash and cash equivalents and deposits are held in major financial institutions located in Hong Kong and mainland China, which management believes are of high credit quality.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

The Group's major customers are Shanghai Gold Exchange and metallurgical companies in the PRC, which accounted for significant amounts of the Group's total revenues during the year.

For sales of gold, the Group has no significant credit risk as the transaction amounts of sales of gold are required to be settled immediately upon the delivery.

For sales of other metallic products, the Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant. Normally, the Group does not obtain collateral from customers. The Group has certain concentration of credit risk on trade receivables as 8% (2016: 9%) and 30% (2016: 33%) of the total trade receivables was due from the Group's largest customer and the five largest customers other than Shanghai Gold Exchange respectively as at 31 December 2017.

In addition, the Group made purchase deposits of RMB477,014,000 (net of provision) (2016: RMB352,986,000) at 31 December 2017 to suppliers to secure its supplies of mineral sand which is the major raw materials in the smelting process. The balance represented 12.16% (2016: 9.88%) of the total current assets at 31 December 2017. The purchase deposits will be recovered through purchases from these suppliers in future periods. In the event that these suppliers ceased to provide mineral sand to the Group, the Group may expose itself to significant credit risk arising from the recoverability of the purchase deposits and hence the profitability will be adversely affected.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Credit risk (continued)

As at 31 December 2017, the Group's purchase deposits of RMB131,576,000 (2016: RMB138,788,000) were individually determined to be impaired (see note 25(d)). Management of the Group will continue to monitor the progress of the recoverability of the purchase deposits and chase for settlement of the outstanding balances from the suppliers regularly.

In 2009, impairment losses on investment deposit of RMB80,000,000 (see note 21) and other receivables of RMB30,800,000 (see note 25(e)) were made in the consolidated financial statements. Management of the Group will continue to monitor the progress of the recoverability of the investments and chase for settlement of the outstanding balances from the debtor regularly. Management considers to carry out due diligence work on the proposed acquisition before investment decision is made in order to reduce the related credit risk.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance, and discounted and endorsed bills with full recourse which were derecognised by the Group (see note 25).

Except for the financial guarantees given by the Company to the subsidiaries of the Company as set out in note 33(c), the Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and purchase deposits are set out in note 25.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient funding to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Liquidity risk (continued)

Other than discounted and endorsed bills with full recourse which were derecognised by the Group (see note 25), the following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2017 Contractual undiscounted cash outflow						2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank and other borrowings	3,555,500	1,137,272	398,206	60,172	5,151,150	4,893,411	3,541,802	561,560	1,145,478	126,220	5,375,060	5,073,509
Loan from shareholders	13,800	–	–	–	13,800	13,800	23,800	–	–	–	23,800	23,800
Trade and other payables	1,403,404	–	–	–	1,403,404	1,403,404	1,049,430	–	–	–	1,049,430	1,049,430
	4,972,704	1,137,272	398,206	60,172	6,568,354	6,310,615	4,615,032	561,560	1,145,478	126,220	6,448,290	6,146,739

Further information on management's plans to manage the Group's liquidity needs is set out in Note 1(b).

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings at the end of the reporting period, after taking into account the effect of swap contracts.

	2017		2016	
	Interest rate %	RMB'000	Interest rate %	RMB'000
Net fixed rate borrowings:				
Bank loans	2.20–6.00	3,323,440	2.20–5.75	3,253,647
Net variable rate borrowings:				
Bank and other borrowings	2.95–6.08	1,569,971	2.95–5.13	1,819,862
Trade and other payables	1.80	892	2.55	1,189
Less: Cash and cash equivalents	0.00–4.10	(453,843)	0.00–4.10	(1,162,469)
Pledged deposits	0.05–2.50	(874,958)	0.05–2.50	(158,274)
		242,062		500,308
Total net borrowings		3,565,502		3,753,955
Net fixed rate borrowings as a percentage of total net borrowings		93%		87%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

As at 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in variable interest rates, with all other variables held constant, would decrease/increase the Group's net profit for the year and decrease/increase the Group's retained earnings by approximately RMB2,404,000 (2016: decrease/increase the Group's retained earnings by approximately RMB5,038,000). This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of reporting period and the change was applied to the Group's variable rate borrowings at that date with exposure to cash flow interest rate risk. The impact on the Group's loss after tax (2016: loss after tax) and retained earnings is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2016.

(d) Commodity price risk

Gold price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of gold.

The Group entered into forward and futures contracts for the sale of gold. All forward and future commodity contracts can only be carried out under the approval of the General Manager's Office which is composed of top management of the Company and established by the Board of Directors of the Company. As approved by the Board of Directors of the Company, the holding position of gold underlying the exposure positions of forward and future contracts should not exceed certain percentage of annual gold planned production volume of the Group, respectively. In addition, the price range of the forward and future commodity contracts is closely monitored by the General Manager's Office. As at 31 December 2017 and 2016, most forward and future commodity contracts had been closed out.

Accordingly, a reasonably possible fluctuation of 10% in commodity prices would have no significant impact on the Group's net profit and retained earnings for the year.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Foreign currency risk

The Group is exposed to currency risk primarily through bank deposits, trade and other receivables, trade and other payables and bank loans that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars ("USD"). In addition, as the Hong Kong dollar ("HKD") is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entities to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currency (expressed in Renminbi)	
	2017	2016
	USD	USD
	RMB'000	RMB'000
Trade and other receivables	**701,835**	486,758
Cash and cash equivalents	**39,982**	77,856
Trade and other payables	**(13,886)**	(18,869)
Bank loans	**–**	(603,519)
Overall net exposure	**727,931**	(57,774)

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(e) Foreign currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (2016: loss after tax) and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and increase/ (decrease) in retained profits**	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss after tax and (decrease)/ increase in retained profits
	%	**RMB'000**	%	RMB'000
USD	**3**	**16,594**	3	(1,136)
	(3)	**(16,594)**	(3)	1,136

Result of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax (2016: loss after tax) and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations in the Group's presentation currency. The analysis is performed on the same basis for 2016.

(f) Business risk

During the year ended 31 December 2017, the Group's supplies of direct materials from independent third parties for smelting segment represent 71.0% (2016: 93.9%) of the Group's total direct materials, in which, the top five suppliers in 2017 represent 22.6% (2016: 28.6%) of the Group's total direct materials. Although the Group believes that it maintains good relationships with its suppliers, there can be no assurance that its suppliers will continue to sell to the Group on normal commercial terms as and when needed. In the event that these suppliers cease to sell to the Group and the Group could not secure other sources of supply, the Group's revenue and profitability will be adversely affected.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement

(i) Financial assets and liabilities carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:	–	–	–	–
Financial liabilities at fair value through profit or loss:	–	–	–	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(g) Fair value measurement (continued)

(i) Financial assets and liabilities carried at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 categorised into Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets at fair value through profit or loss:				
— Forward exchange contracts	4,873	–	4,873	–
Financial liabilities at fair value through profit or loss:				
— Interest rate swaps	(44)	–	(44)	–

Valuation techniques and inputs used in Level 2 fair value measurements
The fair value of forward exchange contracts included in financial assets is determined by discounting the difference between the contractual exercise price and the market forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

During the years ended 31 December 2016 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 and 2017.

35 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of business lines (production processes, products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. Operating segments with similar nature of the production process, products and services have been aggregated to form the following reportable segments.

Mining — PRC	—	Gold mining and mineral ores processing operations in the PRC.
Mining — KR	—	Gold mining and mineral ores processing operations in the KR.
Smelting	—	Gold and other metal smelting and refinery operations carried out in the PRC.
Copper processing	—	Copper processing operation carried out in the PRC.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets, deferred tax assets and current assets with the exception of investments in financial assets and other corporate assets managed by head office. Segment liabilities include trade creditors and accruals attributable to the activities of the individual segments, deferred tax liabilities and bank and other borrowings managed directly by the segments with the exception of bank borrowings managed by head office.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales of goods, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

35 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

	Mining – PRC		Mining – KR		Smelting		Copper processing		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	117,439	128,675	44,771	26,055	4,019,414	4,730,935	1,742,564	1,179,628	5,924,188	6,065,293
Inter-segment revenue	520,692	576,736	26,988	3,414	48,411	368,403	–	1,372	596,091	949,925
Sales taxes and levies	(70)	(147)	–	–	(4,982)	(5,623)	(8,040)	(4,903)	(13,092)	(10,673)
Reportable segment revenue	638,061	705,264	71,759	29,469	4,062,843	5,093,715	1,734,524	1,176,097	6,507,187	7,004,545
Reportable segment profit/(loss)	24,970	35,429	(78,043)	(39,097)	146,142	189,612	351,783	152,212	444,852	338,156
Reportable segment assets	2,206,812	1,798,275	860,756	951,396	1,862,503	1,761,532	2,457,580	1,794,100	7,387,651	6,305,303
Reportable segment liabilities	1,622,392	874,583	1,384,266	1,385,528	1,114,977	1,588,507	1,261,195	1,342,179	5,382,830	5,190,797
Other segment information										
Interest expenses	(27,651)	(18,223)	(35,617)	(28,656)	(44,346)	(54,578)	(47,132)	(26,831)	(154,746)	(128,288)
Depreciation and amortisation for the year	(72,658)	(85,750)	(56,250)	(45,017)	(33,224)	(35,233)	(66,521)	(47,525)	(228,653)	(213,525)
(Provision)/reversal of impairment on:										
– trade and other receivables	(212)	(60)	–	–	–	(3)	2,634	(30,088)	2,422	(30,151)
– purchase deposits	–	–	–	–	7,212	(38,382)	–	–	7,212	(38,382)
– property, plant and equipment	–	–	–	–	–	–	–	–	–	–
– construction in progress	–	(4,021)	–	–	–	–	–	–	–	(4,021)
– intangible assets	–	(28,781)	–	–	–	–	–	–	–	(28,781)

35 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2017 RMB'000	2016 RMB'000
Revenue		
Reportable segment revenue	6,507,187	7,004,545
Elimination of inter-segment revenue	(596,091)	(949,925)
Consolidated revenue	5,911,096	6,054,620
Profit or loss		
Reportable segment profit	444,852	338,156
Elimination of inter-segment profits	6,232	541
Reportable segment profit derived from the Group's external customers	451,084	338,697
Other net loss	(41,956)	(127,216)
Finance costs	(246,648)	(230,232)
Unallocated head office and corporate expenses	(51,174)	(59,003)
Consolidated profit/(loss) before taxation	111,306	(77,754)
Assets		
Reportable segment assets	7,387,651	6,305,303
Elimination of inter-segment receivables	(373,796)	(342,836)
Elimination of unrealised profits	(5,854)	(12,086)
	7,008,001	5,950,381
Interest in associates	21,531	8,600
Other financial assets	10,504	40,504
Cash and cash equivalents managed by head office	266,640	882,996
Unallocated head office and corporate assets	639,991	607,302
Consolidated total assets	7,946,667	7,489,783

35 SEGMENT REPORTING (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	2017 RMB'000	2016 RMB'000
Liabilities		
Reportable segment liabilities	**5,382,830**	5,190,797
Elimination of inter-segment payables	**(373,796)**	(342,836)
	5,009,034	4,847,961
Unallocated head office and corporate liabilities	**1,554,271**	1,590,218
Consolidated total liabilities	**6,563,305**	6,438,179

36 RELATED PARTY TRANSACTIONS

Particulars of transactions with related parties during the year ended 31 December 2017 are as follows:

(a) Transactions with state-controlled entities in the PRC

During the period from 1 January 2016 to 21 December 2016, the Group was a state-controlled entity and operated in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Transactions with other state-controlled entities included but were not limited to the following:

- sales and purchase of goods and ancillary materials;
- rendering and receiving of utilities and other services;
- purchase of property, plant and equipment; and
- depositing and obtaining financial facilities.

These transactions were conducted in the ordinary course of the Group's business on terms comparable to those with other entities that were not state-controlled. The Group had established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes did not depend on whether the counterparties were state-controlled entities or not.

Having considered the transactions potentially affected by related party relationships, the Group's pricing strategy, procurement policies and approval processes, and the information that would be necessary for an understanding of the potential effect of the related party relationship on the financial statements, the Directors were of the opinion that the following related party transactions required disclosure of numeric details:

36 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with state-controlled entities in the PRC (continued)

Transactions with state-controlled banks

The Group deposits its cash with several state-controlled banks in the PRC. The Group also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China. The Group's interest income generated from and interest expenses incurred to these state-controlled banks in the PRC are as follows:

	2017 RMB'000	2016 RMB'000
Interest income	–	11,454
Interest expenses	–	225,980

Due to the change of equity shareholders of the Group, state-controlled entities in the PRC ceased to be related parties of the Group since 22 December 2016. The connected transactions with the state-controlled entities in the PRC comprised only transactions with the Group conducted during the period when they were related parties of the Group.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 9 is as follows:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	2,752	3,294
Post-employment benefits	133	242
	2,885	3,536

Total remuneration is included in "staff costs" (see note 6).

37 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Key sources of estimation uncertainty are as follows:

(i) Depreciation and amortisation of mining related assets and reserves estimates

As explained in notes 1(h) and 1(i), mining shafts, mining rights and mining development assets are depreciated and amortised using the units of production method based on the proved and probable mineral reserves.

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

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment losses. Depreciation rates are determined based on estimated proved and probable gold reserve quantity (the denominator) and capitalised costs of mining shafts and mining rights (the numerator). The capitalised cost of mining shafts and mining rights are amortised based on the units of gold produced.

(ii) Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, lease prepayments, intangible assets, goodwill, investments in equity securities with no quoted price in an active market and investments in its subsidiaries, recoverable amount of the assets need to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to items such as level of sales volume, selling price and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and the amount of operating costs.

In considering the impairment losses that may be required for current receivables, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Despite that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(iii) Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. In estimating the net realisable value, future cashflows need to be determined. One of the key estimates that has to be made is about the future selling price, it is possible that the recent selling price is not indicative of the future selling price. Any increase or decrease in selling price would affect profit or loss in future years.

(iv) Depreciation

Other than the mining shafts, mining rights and mining development assets, property, plant and equipment and other intangible assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(v) Recognition of deferred tax assets

Deferred tax assets carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 RMB'000	2016 RMB'000
Non-current assets		
Property, plant and equipment	761,178	807,021
Construction in progress	87,639	76,708
Intangible assets	48,422	48,800
Lease prepayments	75,661	78,654
Interests in subsidiaries	1,544,293	981,480
Interests in associates	21,531	8,600
Other financial assets	10,504	10,504
Trade and other receivables	11,305	1,540
Non-current prepayments	167,234	163,963
Deferred tax assets	319,016	278,893
	3,046,783	2,456,163
Current assets		
Inventories	802,943	692,331
Trade and other receivables, deposits and prepayments	611,631	547,759
Amounts due from subsidiaries	940,080	623,207
Pledged deposits	580,542	96,977
Cash and cash equivalents	320,003	890,236
	3,255,199	2,850,510

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	Note	2017 RMB'000	2016 RMB'000
Current liabilities			
Bank and other borrowings		2,544,965	2,804,329
Trade and other payables		801,600	495,682
Amounts due to subsidiaries		536,557	168,267
		3,883,122	3,468,278
Net current liabilities		(627,923)	(617,768)
Total assets less current liabilities		2,418,860	1,838,395
Non-current liabilities			
Bank and other borrowings		1,108,560	1,076,000
Other payables		86,973	90,411
Deferred tax liabilities		–	1,207
		1,195,533	1,167,618
NET ASSETS		1,223,327	670,777
CAPITAL AND RESERVES	32(a)		
Share capital		154,050	154,050
Reserves		1,069,277	516,727
TOTAL EQUITY		1,223,327	670,777

39 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

a) Issuance of new domestic shares

On 4 January 2018, the Company entered into subscription agreements ("SA I") with 9 subscribers respectively pursuant to which the Company has agreed to allot and issue an aggregate of 94,000,000 ordinary shares of the Company ("Subscription Shares I") to the 9 subscribers at a price of RMB0.912 per share. The Directors believed that the 9 subscribers are independent third parties. The Subscription Shares I, when issued and fully paid, will rank pari passu in all respects among themselves and with the existing domestic shares and H-Shares in issue on the date of the subscription. The Subscription Shares I will be allotted and issued under the general mandate granted to the Directors and is conditional and subject to the conditions.

On 7 February 2018, all the conditions precedent under the SA I have been fulfilled, and an aggregate of 94,000,000 domestic shares have been issued to the subscribers at the price of RMB0.912 (equivalent to approximately HK$1.096) per share pursuant to the terms and conditions of the SA I. None of the subscribers has become a substantial shareholder of the Company immediately after the completion of the subscription. The net proceeds from the subscription, after deducting relevant expenses, is approximately RMB85.2 million (equivalent to approximately HK$102.4 million). The net proceeds raised per share upon the completion of the subscription is approximately HK$1.089 per subscription share. The Company intends to use such net proceeds to repay the Company's existing short term bank loans.

b) Issuance of new H shares

On 14 February 2018, the Company entered into a subscription agreement ("SA II") with a subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 58,860,252 new H-Shares ("Subscription Shares II") at the subscription price of HK$1.276 per share to the subscriber. The Directors believed that the subscriber and its ultimate beneficial owners are independent third parties and are not connected persons of the Company.

39 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (continued)

b) Issuance of new H shares (continued)

Completion of the subscription under each of the SA II is conditional upon fulfillment of the following conditions:

(i) The Board and the shareholders of the Company (if applicable) approving the issue of the Subscription Shares II;

(ii) The general mandate granted to the Directors remaining in effect and having not been revoked;

(iii) The Listing Committee of the Stock Exchange granting and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Subscription Shares II;

(iv) The Company to obtain approval from China Securities Regulatory Commission to issue the Subscription Shares II;

(v) The obtaining of other relevant approval and permission (if any) in relation to the issue of the Subscription Shares II; and

(vi) The representations and warranties by the parties to the SA II remaining true, accurate and complete in all aspects.

If the above conditions precedent cannot be fulfilled before 31 August 2018, the SA II will be automatically terminated and become null and void.

As at the date of this report, the above conditions have not been fully met.

(Expressed in Renminbi Yuan unless otherwise indicated)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9 *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group currently does not have any financial assets measured at FVTPL or FVTOCI.

Based on the assessment so far, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 9 *Financial instruments* (continued)

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12- month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on a preliminary assessment, the application of the new impairment model may not have a significant impact on the Group.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently does not have any hedge relationship and therefore it may not have any impact on the Group on adoption of HKFRS 9.

Based on the above assessment so far, the Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group's results of operations and financial position.

HKFRS 15 *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 15 *Revenue from contracts with customers* (continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Based on the assessment so far, the Group has identified the following area which is likely to be affected:

(a) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales. The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The Group plans to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018.

HKFRS 16 *Leases*

As disclosed in note 33(b), the Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

HKFRS 16 *Leases* (continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 33(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB15,128,000 for properties and other assets, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group has not yet decided whether it will choose to take advantage of practical expedients, and which transition approach to be taken.

FIVE YEARS SUMMARY

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Non-current assets	**4,024,224**	3,916,286	3,689,409	3,754,915	3,691,018
Net current (liabilities)/assets	**(978,919)**	(889,036)	(1,740,184)	116,235	117,442
Total assets less current liabilities	**3,045,305**	3,027,250	1,949,225	3,871,150	3,808,460
Non-current liabilities	**1,661,943**	1,975,646	776,745	2,177,635	2,132,257
NET ASSETS	**1,383,362**	1,051,604	1,172,480	1,693,515	1,676,203
Share capital	**154,050**	154,050	154,050	154,050	154,050
Reserves	**1,069,881**	965,094	1,065,398	1,542,257	1,509,444
Total equity attributable to equity shareholders of the Company	**1,223,931**	1,119,144	1,219,448	1,696,307	1,663,494
Non-controlling interests	**159,431**	(67,540)	(46,968)	(2,792)	12,709
TOTAL EQUITY	**1,383,362**	1,051,604	1,172,480	1,693,515	1,676,203
Operating results					
Revenue	**5,911,096**	6,054,620	5,756,594	6,496,351	7,942,084
Profit/(loss) from operations	**357,954**	152,478	(109,559)	298,436	(607,744)
Finance costs	**(246,648)**	(230,232)	(245,358)	(241,736)	(239,017)
Profit/(loss) before taxation	**111,306**	(77,754)	(354,917)	56,700	(846,761)
Income tax	**(60,668)**	(14,618)	(147,637)	(39,442)	138,478
Profit/(loss) for the year	**50,638**	(92,372)	(502,554)	17,258	(708,283)
Attributable to:					
Equity shareholders of the Company	**79,834**	(77,456)	(462,162)	33,687	(673,365)
Non-controlling interests	**(29,196)**	(14,916)	(40,392)	(16,429)	(34,918)
Profit/(loss) for the year	**50,638**	(92,372)	(502,554)	17,258	(708,283)