招金

ZHAOJIN

ZHAOJIN MINING INDUSTRY COMPANY LIMITED*

招金礦業股份有限公司

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

(Stock Code : 1818)

ANNUAL REPORT

2017

For identification purposes only

CONTENTS

2	Corporate Information
5	Corporate Profile
6	Financial Summary
7	Chairman's Statement
9	Management Discussion and Analysis
28	Directors, Supervisors and Senior Management Profile
38	Report of the Directors
68	Corporate Governance Report
96	Environmental, Social and Governance Report
103	Report of the Supervisory Committee
106	Independent Auditors' Report
112	Consolidated Statement of Profit or Loss
113	Consolidated Statement of Comprehensive Income
114	Consolidated Statement of Financial Position
117	Consolidated Statement of Changes in Equity
119	Consolidated Statement of Cash Flows
122	Notes to Financial Statements

CORPORATE INFORMATION

NAME OF THE COMPANY

招金礦業股份有限公司

ENGLISH NAME OF THE COMPANY

Zhaojin Mining Industry Company Limited*

LEGAL REPRESENTATIVE

Mr. Weng Zhanbin

EXECUTIVE DIRECTORS

Mr. Weng Zhanbin *(Chairman)*
Mr. Dong Xin *(Executive President)*
Mr. Wang Ligang

NON-EXECUTIVE DIRECTORS

Mr. Xu Xiaoliang *(Vice Chairman)*
Mr. Liu Yongsheng
Mr. Yao Ziping
Mr. Gao Min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao
Mr. Shen Shifu

SUPERVISORY COMMITTEE MEMBERS

Mr. Li Xiuchen
(Chairman of the Supervisory Committee)
Mr. Xie Xueming
Ms. Zhao Hua

SECRETARY TO THE BOARD

Mr. Wang Ligang

COMPANY SECRETARY

Ms. Mok Ming Wai

QUALIFIED ACCOUNTANT

Mr. Ma Ving Lung Nelson

AUTHORISED REPRESENTATIVES

Mr. Weng Zhanbin *(Chairman)*
Mr. Dong Xin *(Executive President)*

AUDIT COMMITTEE MEMBERS

Ms. Chen Jinrong
(Chairman of the Audit Committee)
Mr. Choy Sze Chung Jojo
Mr. Gao Min

STRATEGIC COMMITTEE MEMBERS

Mr. Weng Zhanbin
(Chairman of the Strategic Committee)
Mr. Xu Xiaoliang
Mr. Liu Yongsheng

NOMINATION AND REMUNERATION COMMITTEE MEMBERS

Mr. Choy Sze Chung Jojo
(Chairman of Nomination and Remuneration Committee)
Mr. Wang Ligang
Mr. Yao Ziping
Ms. Chen Jinrong
Mr. Wei Junhao

GEOLOGICAL AND RESOURCES MANAGEMENT COMMITTEE MEMBERS

Mr. Wei Junhao
(Chairman of Geological and Resources Management Committee)
Mr. Liu Yongsheng
Mr. Shen Shifu

SAFETY AND ENVIRONMENT PROTECTION COMMITTEE MEMBERS

Mr. Dong Xin
(Chairman of the Safety and Environment Protection Committee)
Mr. Wang Ligang
Mr. Shen Shifu

AUDITORS

International Auditor:

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

PRC Auditor:

Ernst & Young Hua Ming LLP
(Special General Partnership)
16th Floor, Ernst & Young Building
Dongfang Square
No. 1 East Changan Road
Dongcheng District
Beijing
PRC

LEGAL ADVISERS

PRC Legal Adviser:

King & Wood PRC Lawyers
17th Floor, One ICC
Shanghai International Commerce Center
999 Middle Huai Hai Road
Shanghai
PRC
Postal code: 200031

Hong Kong Legal Adviser:

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

REGISTERED OFFICE

No. 299 Jinhui Road
Zhaoyuan City
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

36th Floor
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China
78 Fuqian Road
Zhaoyuan City
Shandong Province
PRC

Agricultural Bank of China
298 Wenquan Road
Zhaoyuan City
Shandong Province
PRC

COMPANY WEBSITE

www.zhaojin.com.cn

STOCK CODE

1818

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

The Company is an integrated large-scale enterprise with exploration, mining, processing and smelting operations, focusing on gold production business. The Company is one of the leading gold producers and one of the largest enterprises of gold smelting in the PRC. Our principal products include standard Au9999 and Au9995 gold bullions. Our main production technologies and facilities are leading in the PRC and of advanced international standards. The Company is a national High-tech enterprise.

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

Recently, the Company insists on focusing on gold mining as well as technology and management innovation in order to strengthen our technologies and cost advantages in the industry. Thus, the Company has achieved remarkable results in increasing gold reserves, production volume and corporate efficiency every year. As at 31 December 2017, the Company owns a number of subsidiaries, joint ventures and associates nationwide, with their businesses covering major gold production regions in the PRC. As at 31 December 2017, in accordance with the standard set out in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), our gold ore resources reserve was approximately 4,024.53 kozs, and our recoverable gold reserves was approximately 1,698.00 kozs.

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

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

FINANCIAL SUMMARY

SUMMARY OF OPERATING RESULTS

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,673,999**	6,664,785	5,886,845	5,606,182	6,344,124
Gross profit	**2,634,529**	2,729,320	2,231,092	2,172,407	2,240,495
Share of profit of associates	**4,274**	7,622	6,819	6,597	12,977
Share of profit/(loss) of a joint venture	**9,750**	(1,628)	(3,443)	19,236	7,536
Profit before tax	**888,184**	799,444	554,513	683,024	993,557
Profit attributable to equity holders of the Company	**643,951**	353,322	308,140	455,388	734,085
Earnings per share (RMB)	**0.20**	0.12	0.10	0.15	0.25

SUMMARY OF ASSETS

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Total assets	**33,812,886**	32,963,659	31,064,082	26,400,310	23,372,457
Cash and cash equivalents	**1,847,169**	1,437,951	2,033,203	1,254,916	1,035,825
Total liabilities	**(17,048,978)**	(18,828,442)	(17,417,671)	(16,650,346)	(14,049,659)
Net assets	**16,763,908**	14,135,217	13,646,411	9,749,964	9,322,798
Net assets per share (RMB)	**5.21**	4.77	4.60	3.29	3.14

The above earnings per share for 2017 is based on the weighted average number of ordinary shares of 3,155,675,000 (2013-2016: 2,965,827,000) in issue during the year. The above net assets per share for 2017 is based on the ending number of ordinary shares of 3,220,696,000 (2013-2016: 2,965,827,000) in issue during the year.

To Shareholders,

I am pleased to present the annual report of the Group for the year ended 31 December 2017 (the "Year") on behalf of the board of directors (the "Directors") of the Company (the "Board"). I would also like to express our kind regards to all Shareholders on behalf of the Board and all staff members.

ANNUAL REVIEW

In 2017, grappling with uncertain external development environment, as well as various risks and challenges, the Company still successfully completed all targets and tasks set by the Board based on its key development policy of "Focus, Strengthen and Overcome" and adhering to its main approaches of "improve weakness, embrace strengths, apply flexible mechanisms and grasp the keys". The Company has adhered unswervingly to its development policies and implemented them efficiently and effectively, through tackling difficulties. A steady progress with good momentum was seen in the reform and development of the Company as a whole.

OUTLOOK

2018 is a paramount year for the Company to intensify transformation and upgrade, accelerate the shift of driving power, promote quality development and carry out new strategic development plan. We will closely focus on our strategic initiative of "building the world's leading mining company" and pay great attention to fulfill the annual operation goals set by the Board. Guided by the general requirement of high-quality development, adhering to "innovation-driven and transformation upgrades" approaches and oriented by the "Two Key Priorities" (being key projects and key tasks), we are committed to all-rounded assignments to realize steady growth, advanced reform, structural adjustment, people's well-being improvement and risk prevention, and to greatly safeguard and improve people's livelihood. Through placing major emphasis on accelerating innovation, reform and collective wisdom, the Company will endeavor to initiate new phase of sustainable development that is of better quality, higher efficiency, more balanced and more adequate.

ACKNOWLEDGEMENT

In 2017, the profit indicators of the Group achieved substantial growth. The reserves increased solid and development was maintained in a stable manner. These results were derived not only from the achievements made from the Group's production management, cost control efforts and enhancement of corporate governance capabilities, but also as a result of all the hard work and endeavours of the staff. These were closely related to the care and support of the Shareholders, and the enormous support from the public to the Group.

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

Weng Zhanbin
Chairman

16 March 2018

RESULTS FOR THE YEAR

Gold output

For the Year, the Group's total output of gold amounted to 33,742.11 kg (approximately 1,084,833.22 ozs), representing a decrease of approximately 6.51% as compared to the previous year. Among which, 20,301.39 kg (approximately 652,704.36 ozs) of gold was mine-produced gold, representing a decrease of approximately 0.38% as compared to the previous year, and 13,440.72 kg (approximately 432,128.86 ozs) was smelted and processed gold, representing a decrease of approximately 14.46% as compared to the previous year.

Copper output

For the Year, the Group's total output of content copper amounted to 18,425.18 tons, representing an increase of approximately 46.58% as compared to the previous year.

Revenue

For the Year, the Group's revenue was approximately RMB6,673,999,000 (2016: RMB6,664,785,000), representing an increase of approximately 0.14% as compared to the previous year.

Net profit

For the Year, the Group's net profit was approximately RMB754,029,000 (2016: RMB433,519,000), representing an increase of approximately 73.93% as compared to the previous year. The increase in net profit was primarily due to the increase in the selling price of the gold and copper during the Year as compared to the same period last year, a reduction in income tax rate for obtaining the qualifications of High and New Technology Enterprises by the the Company and its subsidiary Zaozigou, and the enhanced internal control of the Company during the Year.

Earnings per share

For the Year, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.2 and RMB0.2, respectively (2016: RMB0.12 and RMB0.12, respectively), representing increase of approximately 66.67% and 66.67% as compared to the previous year.

DISTRIBUTION PROPOSAL

The Board proposed the payment of a cash dividend of RMB0.06 (tax included) per share (2016: RMB0.04 (tax included)) to Shareholders.

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

The proposed distribution proposal for the Year is subject to the approval of the Shareholders at the annual general meeting of the Company for the Year (the "2017 AGM"), which will be held on Friday, 8 June 2018.

If the distribution proposal is approved at the 2017 AGM, it is expected that the final dividend for the Year will be paid on or before Friday, 29 June 2018 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 19 June 2018.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold and pay the corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (which shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company on Tuesday, 19 June 2018.

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 19 June 2018. Individual H Shareholders are entitled to certain tax preferential treatments according to the bilateral tax treaties between countries where the individual H Shareholders reside in and China and the bilateral tax treaties between mainland China and Hong Kong or Macau. The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries which have bilateral tax treaties with China for individual income tax rate in respect of dividend of 10%. For individual H Shareholders who are residents of those countries that entered into agreements with China for individual income tax rates in respect of dividend of lower than 10%, the Company will make applications on their behalf for entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發<非居民享受稅收協議待遇管理辦法(試行)>的通知》(國稅發[2009]124號)). For individual H Shareholders who are residents of those countries having bilateral tax treaties with China for individual income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the actual tax rate. For individual H Shareholders who are residents of those countries without any bilateral tax treaties with China or having bilateral tax treaties with China for individual income tax in respect of dividend of 20% and for other situations, the Company would withhold and pay the individual income tax at a tax rate of 20%.

In accordance with the PRC Tax Law, the Company has an obligation to withhold and pay the corporate income tax and individual income tax for payment of the final dividend to non-resident enterprises and individual Shareholders whose names appear on the H shares register of members of the Company on Tuesday, 19 June 2018. If the resident enterprises (which shall have the meaning as defined under the PRC Tax Law) and overseas resident individual shareholders whose names appear on the H shares register of members of the Company on Tuesday, 19 June 2018 do not wish to have the corporate income tax and individual income tax withheld and paid by the Company, they should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises or individual Shareholders, on or before 4:30 p.m. on Wednesday, 13 June 2018. The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

MARKET OVERVIEW

In 2017, the spot gold price continued to fluctuate at a narrowing range. Between January and September, as a result of the economic downturn and weak inflation in the United States as well as the continued tense international situation, the spot gold price had been on the rise from US$1,145/oz all the way up to the year high of US$1,357/oz; since September, as affected by the cooldown of risk aversion sentiments, the spot gold price has shown a reserving trend, falling from the year high of US$1,357/oz all the way down to US$1,236/oz. Following the third interest rate hike announced by the Federal Reserve Board on 14 December 2017, the spot gold price stabilized from its seemingly endless drop and saw a rally to successfully stand at US$1,280/oz.

In 2017, the international gold price opened at US$1,150.40/oz with the highest price reaching US$1,357.50/oz and the lowest price reaching US$1,145.20/oz. The closing price for the Year was US$1,302.54/oz, representing an accumulated increase of approximately 13.16% throughout the Year. The average price for the Year was US$1,257/oz. The opening price of the "Au9995" on the Shanghai Gold Exchange ("SGE") was RMB264.00/g with the highest at RMB287.60/g and the lowest at RMB260.00/g. The closing price was RMB273.24/g and the accumulated increase for the Year was approximately 3.30%. The annual average price was approximately RMB275.48/g, representing a rise of approximately 3.930% as compared with the same period of last year.

According to the statistics from the China Gold Association, China's gold output amounted to 426.142 tons in 2017, representing a year-on-year decrease of 6.03%, which marked the decrease in China's gold output for the first time since 2000. However, China still managed to rank as the number one gold producer in the world for 11 consecutive years.

BUSINESS REVIEW

Focused on the gold business to make key mines become bigger and stronger

In 2017, the Company paid close attention to production and operation, strengthened the production organization and scheduling and broke through various difficulties and constraints, thereby delivering remarkable operational results. As a result, the Company recorded operating revenue of RMB6.674 billion and net profit of RMB754 million, up by 0.14% and 73.93% on a year-on-year basis respectively; the total output of gold amounted to 33,742.11 kg (approximately 1,084,833.22 ozs), of which 20,301.39 kg (approximately 652,704.36 ozs) of gold was mined; and 13,440.72 kg (approximately 432,128.86 ozs) of gold was smelted and processed. The key mining business of the Company continued to grow in scale and strengthen. The output of gold of Xiadian Gold Mine and the Zaozigou Gold Mine both exceeded 100,000 ozs, ranked among "China Top Ten Gold Production Mines". The output of gold of Dayingezhuang Gold Mine, Fengning Jinlong and Yuantong Mining all exceeded 1 ton. What's more, the Company's major mines located in Xinjiang, Gansu, Inner Mongolia and other mining bases have become major tax payers in their respective region. The Company increased its efforts in geological prospecting and management with a total investment of RMB139 million in geological prospecting, resulting in an additional output of 60,537 kg of gold metal. According to the standards set out in the JORC Code, the Company's gold resources amounted to 1,251.77 tons (approximately 40,245,300 ozs), and the mineable reserves amounted to 528.14 tons (approximately 16,980,000 ozs).

Table 1: Statistics of Zhaojin's Mineral Resources (as at 31 December 2017)

No.	Name of the mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
1	Xiadian Gold Mine	Gold	Ore (Mt)	26.968	11.956
			Grade (g/t)	2.93	3.21
			Metal (t)	78.91	38.41
2	Hedong Gold Mine	Gold	Ore (Mt)	1.903	2.888
			Grade (g/t)	3.97	3.93
			Metal (t)	7.55	11.36
3	Dayinggezhuang Gold Mine	Gold	Ore (Mt)	54.834	40.058
			Grade (g/t)	2.54	2.43
			Metal (t)	139.06	97.40
4	Jinchiling Gold Mine	Gold	Ore (Mt)	0.439	0.632
			Grade (g/t)	5.76	6.94
			Metal (t)	2.53	4.39
5	Jintingling Mining	Gold	Ore (Mt)	1.978	3.301
			Grade (g/t)	3.33	6.22
			Metal (t)	6.59	20.52
6	Canzhuang Gold Mine	Gold	Ore (Mt)	2.852	5.616
			Grade (g/t)	3.16	4.40
			Metal (t)	9.02	24.72
7	Daqinjia Mining	Gold	Ore (Mt)	0.269	0.226
			Grade (g/t)	3.99	3.55
			Metal (t)	1.07	0.80
8	Jishan Mining	Gold	Ore (Mt)	0.180	0.136
			Grade (g/t)	4.22	3.62
			Metal (t)	0.76	0.49
9	Ruihai Mining	Gold	Ore (Mt)	51.370	75.310
			Grade (g/t)	4.86	3.84
			Metal (t)	249.66	289.39
10	Zhaojin North Xin Jiang	Gold	Ore (Mt)	1.411	2.192
			Grade (g/t)	4.13	4.80
			Metal (t)	5.83	10.53

				JORC-Code-Complied Resources	
No.	Name of the mine	Mineral	Unit	Measured+ Indicated	Inferred
11	Minxian Tianhao	Gold	Ore (Mt)	3.273	0.503
			Grade (g/t)	2.54	3.11
			Metal (t)	8.31	1.56
12	Zhaojin Kunhe	Gold	Ore (Mt)	0.137	0.130
			Grade (g/t)	4.90	5.26
			Metal (t)	0.67	0.68
13	Fuyun Zhaojin	Gold	Ore (Mt)	0.158	1.505
			Grade (g/t)	3.01	4.83
			Metal (t)	0.47	7.27
14	Fengningjinlong	Gold	Ore (Mt)	1.735	1.866
			Grade (g/t)	3.83	3.97
			Metal (t)	6.65	7.42
15	Zaozigou Gold Mine	Gold	Ore (Mt)	4.104	10.453
			Grade (g/t)	4.92	3.35
			Metal (t)	20.19	35.04
16	Xinyuan Mining	Gold	Ore (Mt)	0.059	0.152
			Grade (g/t)	6.39	3.79
			Metal (t)	0.38	0.58
17	Liangdang Zhaojin	Gold	Ore (Mt)	1.122	8.415
			Grade (g/t)	2.45	2.13
			Metal (t)	2.75	17.96
18	Zhaojin Baiyun	Gold	Ore (Mt)	1.120	15.902
			Grade (g/t)	3.17	2.72
			Metal (t)	3.55	43.23
19	Qinghe Mining	Gold	Ore (Mt)	3.293	1.117
			Grade (g/t)	6.59	4.87
			Metal (t)	21.70	5.45
20	Longxin Mining	Gold	Ore (Mt)	1.219	2.127
			Grade (g/t)	5.28	2.75
			Metal (t)	6.43	5.86
21	Hezhengxinyuan	Gold	Ore (Mt)	0.232	0.736
			Grade (g/t)	5.97	5.20
			Metal (t)	1.38	3.83
22	Gansu Xinrui	Gold	Ore (Mt)	2.975	5.299
			Grade (g/t)	2.62	2.46
			Metal (t)	7.79	13.02

No.	Name of the mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
23	Zhaojin Zhengyuan	Gold	Ore (Mt)	0.062	0.825
			Grade (g/t)	5.79	3.43
			Metal (t)	0.36	2.83
24	Liyuan Gold Mine	Gold	Ore (Mt)	1.476	0.644
			Grade (g/t)	4.12	4.83
			Metal (t)	6.08	3.11
25	Subei Jinying	Gold	Ore (Mt)	0.208	1.711
			Grade (g/t)	4.92	5.87
			Metal (t)	1.02	10.05
26	Yuantong Mining	Gold	Ore (Mt)	0.219	0.730
			Grade (g/t)	6.38	4.91
			Metal (t)	1.40	3.58
27	Sanfengshan Gold Mine	Gold	Ore (Mt)	—	0.578
			Grade (g/t)	—	3.77
			Metal (t)	—	2.18
		Copper	Ore (Mt)	0.210	0.244
			Grade (%)	2.34	1.70
			Metal (kt)	4.90	4.14
28	Tonghui Mining	Copper	Ore (Mt)	3.885	1.863
			Grade (%)	1.74	1.39
			Metal (kt)	67.50	25.95
29	Dishui Copper Mine	Copper	Ore (Mt)	9.722	16.125
			Grade (%)	1.04	1.01
			Metal (kt)	101.02	162.32
	Mine Total	Gold	Ore (Mt)	163.596	195.010
			Grade (g/t)	3.61	3.39
			Metal (t)	590.12	661.65
		Copper	Ore (Mt)	13.817	18.232
			Grade (%)	1.26	1.06
			Metal (kt)	173.42	192.41
	Mine Total belongs to Zhaojin	Gold	Ore (Mt)	133.079	138.981
			Grade (g/t)	3.36	3.32
			Metal (t)	447.46	461.72
		Copper	Ore (Mt)	11.359	14.575
			Grade (%)	1.27	1.06
			Metal (kt)	144.36	154.18

Table 2: Statistics of Zhaojin's Recoverable Reserve (as at 31 December 2017)

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
1	Xiadian Gold Mine	Gold	Ore (Mt)	3.897	23.071	26.968	11.956	3.924	23.232	27.156
			Grade (g/t)	2.73	2.96	2.93	3.21	2.51	2.73	2.70
			Metal (t)	10.63	68.28	78.91	38.41	9.86	63.34	73.20
2	Hedong Gold Mine	Gold	Ore (Mt)	0.418	1.485	1.903	2.888	0.421	1.479	1.919
			Grade (g/t)	3.91	3.99	3.97	3.93	3.72	3.80	3.78
			Metal (t)	1.63	5.92	7.55	11.36	1.57	5.68	7.25
3	Dayinggezhuang Gold Mine	Gold	Ore (Mt)	7.876	46.958	54.834	40.058	7.771	46.331	54.101
			Grade (g/t)	2.47	2.55	2.54	2.43	2.37	2.45	2.44
			Metal (t)	19.44	119.62	139.06	97.40	18.43	113.42	131.85
4	Jinchiling Gold Mine	Gold	Ore (Mt)	—	0.439	0.439	0.632	—	0.468	0.468
			Grade (g/t)	—	5.76	5.76	6.94	—	5.12	5.12
			Metal (t)	—	2.53	2.53	4.39	—	2.40	2.40
5	Jintingling Mining	Gold	Ore (Mt)	—	1.978	1.978	3.301	—	1.945	1.945
			Grade (g/t)	—	3.33	3.33	6.22	—	3.21	3.21
			Metal (t)	—	6.59	6.59	20.52	—	6.24	6.24
6	Canzhuang Gold Mine	Gold	Ore (Mt)	0.345	2.507	2.852	5.616	0.351	2.550	2.902
			Grade (g/t)	3.23	3.15	3.16	4.40	3.06	2.99	3.00
			Metal (t)	1.12	7.90	9.02	24.72	1.08	7.62	8.70
7	Daqinjia Mining	Gold	Ore (Mt)	0.044	0.225	0.269	0.226	0.046	0.233	0.279
			Grade (g/t)	3.33	4.11	3.99	3.55	3.03	3.74	3.62
			Metal (t)	0.15	0.92	1.07	0.80	0.14	0.87	1.01
8	Jishan Mining	Gold	Ore (Mt)	0.108	0.072	0.180	0.136	0.112	0.075	0.187
			Grade (g/t)	4.31	4.09	4.22	3.62	3.58	3.40	3.51
			Metal (t)	0.47	0.30	0.76	0.49	0.40	0.26	0.66
9	Ruihai Mining	Gold	Ore (Mt)	15.343	36.028	51.370	75.310	14.345	33.686	48.031
			Grade (g/t)	6.25	4.27	4.86	3.84	5.68	3.88	4.42
			Metal (t)	95.86	153.80	249.66	289.39	81.48	130.73	212.21
10	Zhaojin North Xin Jiang	Gold	Ore (Mt)	0.355	1.056	1.411	2.192	0.355	1.054	1.409
			Grade (g/t)	4.17	4.12	4.13	4.80	3.81	3.77	3.78
			Metal (t)	1.48	4.35	5.83	10.53	1.35	3.97	5.33
11	Minxian Tianhao	Gold	Ore (Mt)	—	3.273	3.273	0.503	—	3.282	3.282
			Grade (g/t)	—	2.54	2.54	3.11	—	2.36	2.36
			Metal (t)	—	8.31	8.31	1.56	—	7.73	7.73

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
12	Zhaojin Kunhe	Gold	Ore (Mt)	0.016	0.120	0.137	0.130	0.017	0.122	0.139
			Grade (g/t)	5.45	4.82	4.90	5.26	4.97	4.40	4.47
			Metal (t)	0.09	0.58	0.67	0.68	0.08	0.54	0.62
13	Fuyun Zhaojin	Gold	Ore (Mt)	—	0.158	0.158	1.505	—	0.163	0.163
			Grade (g/t)	—	3.01	3.01	4.83	—	2.62	2.62
			Metal (t)	—	0.47	0.47	7.27	—	0.43	0.43
14	Fengningjinlong	Gold	Ore (Mt)	1.070	0.665	1.735	1.866	1.099	0.683	1.782
			Grade (g/t)	3.87	3.78	3.83	3.97	3.35	3.27	3.32
			Metal (t)	4.14	2.51	6.65	7.42	3.68	2.23	5.92
15	Zaozigou Gold Mine	Gold	Ore (Mt)	0.134	3.970	4.104	10.453	0.136	4.025	4.161
			Grade (g/t)	5.51	4.90	4.92	3.35	5.11	4.54	4.56
			Metal (t)	0.74	19.45	20.19	35.04	0.69	18.28	18.97
16	Xinyuan Mining	Gold	Ore (Mt)	—	0.059	0.059	0.152	—	0.063	0.063
			Grade (g/t)	—	6.39	6.39	3.79	—	5.75	5.75
			Metal (t)	—	0.38	0.38	0.58	—	0.36	0.36
17	Liangdang Zhaojin	Gold	Ore (Mt)	—	1.122	1.122	8.415	—	1.119	1.119
			Grade (g/t)	—	2.45	2.45	2.13	—	2.31	2.31
			Metal (t)	—	2.75	2.75	17.96	—	2.59	2.59
18	Zhaojin Baiyun	Gold	Ore (Mt)	—	1.120	1.120	15.902	—	1.013	1.013
			Grade (g/t)	—	3.17	3.17	2.72	—	2.99	2.99
			Metal (t)	—	3.55	3.55	43.23	—	3.03	3.03
19	Qinghe Mining	Gold	Ore (Mt)	—	3.293	3.293	1.117	—	3.896	3.896
			Grade (g/t)	—	6.59	6.59	4.87	—	4.71	4.71
			Metal (t)	—	21.70	21.70	5.45	—	18.36	18.36
20	Longxin Mining	Gold	Ore (Mt)	—	1.219	1.219	2.127	—	1.207	1.207
			Grade (g/t)	—	5.28	5.28	2.75	—	4.80	4.80
			Metal (t)	—	6.43	6.43	5.86	—	5.79	5.79
21	Hezhengxinyuan	Gold	Ore (Mt)	—	0.232	0.232	0.736	—	0.221	0.221
			Grade (g/t)	—	5.97	5.97	5.20	—	5.33	5.33
			Metal (t)	—	1.38	1.38	3.83	—	1.18	1.18
22	Gansu Xinrui	Gold	Ore (Mt)	—	2.975	2.975	5.299	—	2.908	2.908
			Grade (g/t)	—	2.62	2.62	2.46	—	2.28	2.28
			Metal (t)	—	7.79	7.79	13.02	—	6.62	6.62
23	Zhaojin Zhengyuan	Gold	Ore (Mt)	—	0.062	0.062	0.825	—	0.065	0.065
			Grade (g/t)	—	5.79	5.79	3.43	—	5.24	5.24
			Metal (t)	—	0.36	0.36	2.83	—	0.34	0.34

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
24	Liyuan Gold Mine	Gold	Ore (Mt)	—	1.476	1.476	0.644	—	1.402	1.402
			Grade (g/t)	—	4.12	4.12	4.83	—	3.72	3.72
			Metal (t)	—	6.08	6.08	3.11	—	5.22	5.22
25	Subei Jinying	Gold	Ore (Mt)	—	0.208	0.208	1.711	—	0.192	0.192
			Grade (g/t)	—	4.92	4.92	5.87	—	4.56	4.56
			Metal (t)	—	1.02	1.02	10.05	—	0.87	0.87
26	Yuantong Mining	Gold	Ore (Mt)	—	0.219	0.219	0.730	—	0.208	0.208
			Grade (g/t)	—	6.38	6.38	4.91	—	6.16	6.16
			Metal (t)	—	1.40	1.40	3.58	—	1.28	1.28
27	Sanfengshan Gold Mine	Gold	Ore (Mt)	—	—	—	0.578	—	—	—
			Grade (g/t)	—	—	—	3.77	—	—	—
			Metal (t)	—	—	—	2.18	—	—	—
		Copper	Ore (Mt)	0.069	0.141	0.210	0.244	0.069	0.141	0.210
			Grade (%)	1.90	2.55	2.34	1.70	1.81	2.43	2.23
			Metal (kt)	1.31	3.59	4.90	4.14	1.25	3.43	4.67
28	Tonghui Mining	Copper	Ore (Mt)	0.454	3.431	3.885	1.863	0.451	3.408	3.859
			Grade (%)	1.74	1.74	1.74	1.39	1.66	1.66	1.66
			Metal (kt)	7.89	59.61	67.50	25.95	7.49	56.53	64.02
29	Dishui Copper Mine	Copper	Ore (Mt)	3.537	6.185	9.722	16.125	3.348	5.856	9.204
			Grade (%)	1.04	1.04	1.04	1.01	0.92	0.92	0.92
			Metal (kt)	36.71	64.31	101.02	162.32	30.91	54.16	85.08
	Mine Total	Gold	Ore (Mt)	29.607	133.989	163.596	195.010	28.577	131.640	160.217
			Grade (g/t)	4.58	3.39	3.61	3.39	4.16	3.11	3.30
			Metal (t)	135.73	454.39	590.12	661.65	118.76	409.38	528.14
		Copper	Ore (Mt)	4.060	9.757	13.817	18.232	3.869	9.404	13.273
			Grade (%)	1.13	1.31	1.26	1.06	1.02	1.21	1.16
			Metal (kt)	45.91	127.51	173.42	192.41	39.65	114.12	153.77
	Mine Total belongs to Zhaojin	Gold	Ore (Mt)	21.808	111.272	133.079	138.981	21.231	110.095	131.326
			Grade (g/t)	4.05	3.23	3.36	3.32	3.69	2.97	3.09
			Metal (t)	88.30	359.16	447.46	461.72	78.33	327.40	405.73
		Copper	Ore (Mt)	3.247	8.113	11.359	14.576	3.095	7.832	10.927
			Grade (%)	1.14	1.32	1.27	1.06	1.03	1.23	1.18
			Metal (kt)	36.92	107.44	144.36	154.18	31.93	96.51	128.44

Notes:

1. The gold consumption ore reserve in 2017 was 7,582,847 tonnes. The grade was 2.68 gram per tonne. 449 gold exploration drill holes were conducted, 31,684.42 meters of tunneling footage and 203,797.38 meters of drilling footage were completed.

2. The copper consumption ore reserve in 2017 was 1,312,074 tonnes. The grade was 1.61%. 16 copper exploration drill holes were conducted, 2,010.2 meters of tunneling footage and 2,957.6 meters of drilling footage were completed.

3. For the assumptions adopted for the annual update of resources/reserves in the above tables, please refer to "Assumptions Adopted for Annual Update of Resources and/or Reserves" on pages 19 and 20 of this annual report.

ASSUMPTIONS ADOPTED FOR THE ANNUAL UPDATE OF RESOURCES AND/OR RESERVES

The same assumptions as those applied in the 2016 Annual Report in accordance with the standards set out in JORC Code were adopted in Tables 1 and 2 above. Relevant updates were made according to our new exploration work and based on the historical data used by technical consultants. As confirmed by the Company's internal experts, there has been no material change to our level of resources and reserves and the changes were mainly attributable to adjustment for production consumption.

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

1. Gold ore resource estimates

a. Mineral resource estimates

Premising on the level of mineral resources as at the end of 2016, Beijing Haidiren Resources Consulting Co., Ltd., ("Beijing Haidiren"), an independent third party resources assessor, updated the estimates by incorporating the mining consumption of gold mineral resources between January to December 2017, and changes in mineral resources from prospecting and exploration during that period. The verification was carried out by Beijing Haidiren on the analysis of the core, geological record and tests in this period.

b. Recoverable reserve estimate

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

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

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

iv. The average recovery rate of Zhaojin Mining's 15 gold productive mines was approximately 92.70%, while the dilution rate was approximately 7.30%; and

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

2. Copper ore resource estimates

a. *Mineral resource estimates*

Premising on the level of mineral resources as at the end of 2016, Beijing Haidiren updated the estimates by incorporating the mining consumption of copper mineral resources between January to December 2017, and changes in mineral resources from prospecting and exploration during that period. The verification was carried out by Beijing Haidiren on the analysis of the core, geological record and tests in this period.

b. *Recoverable reserve estimates*

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

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

iii. The average recovery rate of Zhaojin Mining's 3 copper mines was approximately 92.60%, while the dilution rate was approximately 5.80%; and

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

Note: The relevant assumptions estimate adopted to calculate the reserve and resource in 2017 were in line with the same adopted to calculate the reserve and resource estimates disclosed by the Company in previous years, and there has been no material change to the assumptions adopted.

Targeted and effective efforts in overcoming difficulties helped achieve new breakthroughs in key tasks

In 2017, the Company stressed the key point, focused on major work and projects in production and operation management, and vigorously implemented 50 key difficulty-overcoming tasks, which contains "Ten Major Tasks", "Ten Major Infrastructure Projects", "Ten Major Difficulty-Overcoming Innovation Projects", "Ten Major Compliance Management Projects" and "Ten Pro-people Projects". As a result, a series of major problems which restrict the development of enterprises were effectively solved. In infrastructure reform area, the Company completed a total investment of RMB525 million and 33 construction projects in 2017. The deep exploration of Xiadian Gold Mine, Dayingezhuang Gold Mine, Canzhuang Gold Mine and Zaozigou Gold Mine progressed according to schedule, and Ruihai Mining's measure well construction, Wucailong's mining and ore processing and other projects successively commenced construction, laying a solid foundation for the Company's future production. In technological innovation area, the Company completed a total investment of RMB67.24 million in research and development, resulting in the attainment of 32 newly licensed patents, of which 5 were patents for invention and 27 were patents for utility model. The Company is in the process of applying for 46 patents, of which 23 are patents for invention and 23 are patents for utility model. The Company successfully passed the Certification of "High and New Technology Enterprises". The Project 863 Topic of the "Technology for Hierarchical Separation, Enrichment and Sanitisation of Sulfur, Iron and Gold from Cyanide Tailings" successfully passed the inspection, and the industry standards of the "Temperature Measurement for Primitive Rocks of Gold Mines" and the "Technical Specifications for the Balance of

Gold Metal in Mill Run and Smelting – Chloridizing Roasting Techniques", the preparation of which was led by the Company, were successfully passed the review by the National Technical Committee on Gold of Standardization Administration of China. In addition, The Company extensively carried out six competitions with the theme of heralding and championing throughout the Company. With the in-depth launch of the cost-effective competition, the on-site management competition, the basic management competition, the overcoming difficulties competition, the safe, environmental and ecological development competition, and the hand-in-hand service competition, the development vitality and comprehensive competitiveness of the Company were significantly improved.

Adhered to the concept of safe and ecological development and achieved green and healthy development

In 2017, the Company always adhered to the safety concept of "gold has a price but life is priceless" and the environmental concept of "afforestation is more important than making profits", made great effort to carry out the safety, ecological preservation and environmental protection activities. The Company invested RMB120 million in adopting safety measures for the in-depth implementation of safe production projects promoted by science and technology, zoning management, construction of the two systems and one platform, potential hazard inspection and other special operations. The Company also invested RMB110 million in environment protection to continuously enhance its basic management of environment protection and its treatment of "waste water, waste gas, waste residue and noise". Throughout the year, additional 68 hectares were developed for the greening works of mines, making the number of state-level green mines to reach 11. Tonghui Mining, a subsidiary of the Company, was selected as one of the first batch of state-level green factories and became the one and the only selected mine factories in the Xinjiang Autonomous Region. Meanwhile, the Company actively promoted waste-free production, insisted on comprehensive recovery of silver, lead, copper, tantalum, sulfur and other valuable metal elements generated during the gold smelting production process to improve the economic efficiency.

Adhered to the people-oriented development concept with new progress achieved in heart-winning projects and stability safeguarding works

In 2017, the Company vigorously implemented the "Ten Major Heart-winning Projects" by closely focusing on the hot, complex and focused issues in which its employees were interested. The Company adhered to its internal market-oriented reform covering the optimization of the economic responsibility system and the implementation of enterprise contracting, station contracting and workshop section contracting so as to reward employees based on their work performance, thereby establishing new mechanisms for the stable increase of employees' wage and fully stimulating the initiative and enthusiasm of the management and employees altogether. At the same time, through team-building activities, the Company further promoted technical competitions, craftsmanship spirit, training of 100 masters and 100 pupils and provision of study and training courses for the staff, thus creating favourable conditions for the improvement of employees' production and living conditions and their comprehensive qualities. In addition, the Company stepped up efforts to help employees in difficult conditions, actively provided financial support in schooling in autumn, opened up direct communication channels to Chairman, promoted the transparency of mining affairs, Party affairs and democracy, properly handled petitions and maintained stability. Through this jointly developed and shared package of measures, employees' sense of gain was enhanced.

FINANCIAL ANALYSIS

Revenue

For the Year, the Group's revenue was approximately RMB6,673,999,000 (2016: RMB6,664,785,000), representing an increase of approximately 0.14% (2016: an increase of approximately 13.21%) as compared to the previous year. Such increase was primarily attributable to the increase in the selling prices of gold and copper and the year-on-year increase in copper output.

Cost of sales

For the Year, the Group's cost of sales was approximately RMB4,039,470,000 (2016: RMB3,935,465,000), representing an increase of approximately 2.64% (2016: an increase of approximately 7.65%) as compared to the previous year. Such increase was primarily attributable to the stable unit production cost of gold and the year-on-year increase in copper output.

Gross profit and gross profit margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB2,634,529,000 (2016: RMB2,729,320,000) and approximately 39.47% (2016: 40.95%), respectively, representing a decrease in gross profit of approximately 3.47% (2016: an increase of approximately 22.33%) and a decrease in gross profit margin of approximately 1.48% (2016: an increase of approximately 3.05%), respectively, as compared to the previous year. The decrease in gross profit as compared to 2016 was primarily attributable to the slight decrease in the sales volume of gold, as well as a higher percentage of the copper operations segment.

Other income and gains

During the Year, the Group's other income and gains were approximately RMB254,560,000 (2016: RMB359,903,000), representing a decrease of approximately 29.27% (2016: a decrease of approximately 0.83%) as compared to the previous year. The decrease in other revenue and gains was mainly due to the decrease in interest income for the Year.

Selling and distribution costs

For the Year, the Group's selling and distribution costs were approximately RMB44,806,000 (2016: RMB71,720,000), representing a decrease of approximately 37.53% (2016: a decrease of approximately 27.07%) as compared to the previous year. Such decrease was mainly due to the significant drop in transportation cost resulting from the changes in sales pattern of gold concentrates and copper concentrates.

Administrative and other expenses

The Group's administrative and other operating expenses were approximately RMB1,537,149,000 during the Year (2016: RMB1,758,970,000), representing a decrease of approximately 12.61% (2016: an increase of approximately 24.03%) as compared to 2016. Such decrease was mainly attributable to the implement of the employee shares subscription plan ("ESSP") and recognised the share-based payment expense last year.

Finance costs

For the Year, the Group's finance costs were approximately RMB432,974,000 (2016: RMB465,083,000), representing a decrease of approximately 6.9% (2016: a decrease of approximately 11.64%) as compared to 2016. Such decrease was mainly attributable to the restructuring of debts and the increased proportion of low-cost funds used during the Year.

Income tax expenses

For the Year, the Group's income tax expenses decreased by approximately RMB231,770,000 as compared to the previous year. It was mainly attributable to the decrease in income tax rate of the Company. During the Year, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2016: 25%) on the taxable income (except for the five High and New Technology Enterprises and four western-region-development enterprises of the Group in Mainland China, which are taxed at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year. The Group did not incur any Hong Kong profits tax during the Year. The effective tax rate of the Group is 15.1% during the Year (2016: 45.77%).

Profit attributable to owners of the parent

For the Year, the Group's profit attributable to the owners of the parent was approximately RMB643,951,000, representing an increase of approximately 82.26% (2016: an increase of approximately 14.66%) from approximately RMB353,322,000 in 2016.

Liquidity and capital resources

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

Cash flows and working capital

The Group's cash and cash equivalents have increased from approximately RMB1,437,951,000 as at 31 December 2016 to approximately RMB1,847,169,000 as at 31 December 2017. The increase was mainly due to that the cash inflow from operating and financing activities of the Group is greater that the net cash outflow of investing activities.

As at 31 December 2017, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB851,629,000 (2016: RMB160,992,000), those denominated in US dollars amounted to approximately RMB87,741,000 (2016: RMB91,958,000), those denominated in Australian dollars amounted to approximately RMB22,217,000 (2016: RMB23,416,000), those denominated in Kazakhstani tenge amounted to approximately RMB8,000 (2016: RMB4,000), those denominated in Canadian dollars amounted to approximately RMB1,092,000 (2016: RMB171,000) and those denominated in British Pounds amounted to approximately RMB4,000 (2016: RMB4,000). All other cash and cash equivalents held by the Group are denominated in RMB.

Borrowings

As at 31 December 2017, the Group had outstanding bank loans, other borrowings and gold from gold leasing business (the Group financed through leases of gold from bank and subsequently sold through SGE) of approximately RMB11,399,261,000 (2016: RMB11,971,906,000), of which approximately RMB10,779,923,000 (2016: RMB10,884,200,000) shall be repaid within one year, approximately RMB619,338,000 (2016: RMB1,087,706,000) shall be repaid within two to five years, and approximately none (2016: Nil) shall be repaid after five years. As at 31 December 2017, the Group had outstanding corporate bonds of approximately none, which will be repaid in one year (2016: RMB1,198,071,000) and approximately RMB1,794,964,000 (2016: RMB945,101,000), which shall be repaid within two to five years. The decrease in the Group's borrowings during the Year was mainly because the Company adjusted its capital structure proactively this year and settled part of its borrowings, which reduced the financial risk of the Group.

As at 31 December 2017, except for bank loans of RMB647,830,000 and RMB588,000 (2016: RMB715,511,000 and RMB76,307,000) denominated in Hong Kong dollars and US dollars respectively, all borrowings are denominated in RMB. As at 31 December 2017, approximately 80% of the interest-bearing bank loans and other borrowings held by the Group were at fixed rates.

Gearing ratio

The Group monitors capital by gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, corporate bonds and financial liabilities arising from the gold leasing business less cash and cash equivalents. As at 31 December 2017, the gearing ratio of the Group was 40.37% (31 December 2016: 47.38%). As the Group optimized all kinds of financing channels in these two years, the gearing ratio of the Group for the Year is lower than last year.

Market risks

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

Gold prices and other commodities prices risks

The Group's exposure to price risk is primarily due to the fluctuations in the market price of gold and copper which can affect the Group's results of operations.

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

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

The price range of the forward commodity contracts is closely monitored by the management. Accordingly, a reasonable possible fluctuation of 10% in commodity prices would have no significant impact on the Group's profit and equity for the Year.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the cash and bank deposit held by the Group, interest-bearing bank and other borrowings and corporate bonds. The Group mainly controls its exposure to interest rate risks associated with certain cash holdings and bank deposit, interest-bearing bank and other borrowings and corporate bonds by placing them into appropriate short-term deposits at fixed or floating rate of interest and at the same time by borrowing loans at a mixture of fixed or floating rates of interest.

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

Foreign exchange risk

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

Risk of change in industry policies

An array of laws, regulations and rules on the gold mining and refining industry in China constitutes the external regulatory and legal environment for the Company's ordinary and continuous operation and have great influence on the Company's business development, production and operation, domestic and foreign trade, and capital investment. Change in relevant industry policies may have corresponding effects on the Company's production and operation.

Pledge

As at 31 December 2017, except for the following assets pledged for the bank borrowings and notes payable of the Group, the Group has not pledged any assets: (1) property, plant and equipment, prepaid land lease payments with net carrying amount of approximately none (31 December 2016: RMB43,239,000); (2) pledged deposits of RMB17,710,000 (31 December 2016: RMB76,589,000).

BUSINESS OUTLOOK

In 2018, in response to the changing landscapes of the mining industry, the Company will follow the general requirements of "high-quality development", and effectively accomplish in various tasks for stable growth, reform promotion, structure adjustment, benefits to livelihood and risk prevention while regarding innovation-driven and transformational development as its main development direction and the fulfilment of the "Two Key Priorities" (being key projects and key tasks) as its driving force. Meanwhile, the Company will proactively promote a solid start to roll out the "Double H" development strategy, and will unswervingly commit itself to solid operations and external development, the coordinated development of domestic and foreign resource markets as well as the growth of its gold mining business in scale and strength. Following its realization of "Half for Shandong, half for outside Shandong" development strategy for production efficiency, the Company will endeavour to embark on new strategic development of "Half for China, half for outside China", aiming to become a world-class gold mining company.

Strengthen the production organization and scheduling to enhance total factor productivity

In 2018, the Company will continue to strengthen its production organization and scheduling and regard its key mines as the driving force. Relying on the construction of its production management platform and focusing on innovation in mining and ore processing, optimization of production process and provision of support to key mines, the Company will vigorously enhance its total factor productivity. The Company will carry out the initiatives of "stabilizing and increasing output while expanding production capacity" for its key mines with great potential of resources, strong development momentum and high driving effect, thereby effectively tapping into new growth drivers for high-quality production capacity of the Company. In 2018, the Company plans to invest RMB630 million in the construction of 18 projects. The Company will focus on the construction of three projects designed for continuous production, namely the mining and ore processing project at Ruihai Mining, the project of deep exploration, mixed wells auxiliary engineering and ventilation system at Xiadian Gold Mine and the deep exploration project at Dayingezhuang Gold Mine, and spare no effort to promote the technological transformation projects for ore processing and smelting at Zhaojin Jinhe, Jinchiling Gold Mine and Dishui Copper Mine. At the same time, the Company will step up efforts to address bottleneck problems using the technology-driven approach. In addition, the Company will strive to stabilize production and improve efficiency by optimizing economic index indicators, strengthening technology-oriented management and on-site production and management. The Company plans to deliver a gross gold production of 1.0316 million ozs.

Implement innovation-driven projects to promote the construction of smart mines

In 2018, it is planned that the Company will implement a total of 47 scientific research projects with a total investment of RMB194 million, of which RMB120 million will be invested in 2018, aiming to employ innovation-driven approach in various production areas covering change and improvement mining methods, tackling of key problems in ore processing, cyaniding and smelting, breakthroughs in geological prospecting, IT-based construction. Adhering to the major direction to build smart mines based on “mechanization, automation, information and intelligence”, the Company will further enhance the application of the “four new technologies and equipment standards”, utilize information technology to facilitate the transformation and upgrading of the Company’s management, and promote the construction of smart mines by adopting Dayingezhuang Gold Mine as a pilot project. Meanwhile, the Company will establish and improve an incentive mechanism for scientific and technological innovation, and foster a strong atmosphere of respecting knowledge, advocating invention and upholding creation.

Carry out projects with huge development potential to consolidate resource base of the enterprise

In 2018, the Company will focus on revitalizing stock resources and optimize incremental resources to accelerate geological prospecting and external development work. On the one hand, the Company will improve the quality and effectiveness of geological prospecting. In 2018, the Company plans to invest RMB87 million in geological prospecting to ensure the production of 45 additional tons of new gold metals and over 4,000 tons of new copper metals. The Company will carry out works on mineral prospecting, exploration of mine boundary and in-depth investigation to identify defects, and focus on scheduling the prospecting progress of key mines, so as to ensure the smooth implementation of prospecting works. On the other hand, the Company will improve the quality and effectiveness of external development. Aiming to change the conventional thinking of investment and development, the Company will innovate new models of merger and acquisition of resources and further strengthen the building of its investment team. In the domestic mining merger and acquisition market, the Company will pay close attention to mining projects in Inner Mongolia, Xinjiang and Hebei to fully tap into high-quality resources projects. While closely following the national policy of “One Belt and One Road”, the Company will continuously accelerate the pace of “going global” by making full use of overseas resources and capital markets. The Company will strengthen the specialization capability of international investment team, and optimize the construction of overseas investment models to minimize the risk of its overseas investment.

Implement safe, ecological and environmentally friendly projects to create green and harmonious mines

In 2018, the Company will promote zoning management to ensure the safe operation of key systems. The Company will effectively carry out special rectification works to enhance the safety of mine ventilation, tailings, underground fire safety and other key systems so as to resolutely contain and prevent major accidents. The Company will also continue to build the system for classified risk control and potential hazard inspection and treatment. By innovating the safety regulatory platform, the Company will expand the construction of the “two systems” to include overseas enterprises, so as to improve the effectiveness of all staff participation and whole program control and management. In addition, the Company will strictly implement environmental protection, measures adhere to environmental laws and prevent environmental pollution to ensure that the emission of “waste water, waste gas, waste residue and noise” is up to the standards, and that smelting enterprises upgrade their exhaust gas absorption device to reduce emission of sulfur dioxide. The Company will vigorously carry out the construction of green mines, comprehensively renovate the ecological environment in the mining area and promote the normalized development of green projects.

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

EXECUTIVE DIRECTORS

Mr. Weng Zhanbin, aged 52, was born in 1966. He graduated from Baotou Steel and Iron College with a degree in mining engineering. He obtained a master degree in mining engineering from Northeastern University, qualified as an applied engineering technology researcher, and acquired an EMBA degree from the Cheung Kong Graduate School of Business. He is an Executive Director and the Chairman of the Company. Currently, Mr. Weng is the director of Sparky International Trade Company Limited (斯派柯國際貿易有限公司) and Tao-jin Technology Investment (Beijing) Limited (淘金科技投資(北京)股份有限公司). Mr. Weng has more than 20 years of experience in the gold production industry. Mr. Weng had held positions of deputy section chief and mine supervisor of Zhaoyuan Xiadian Gold Mine; deputy general manager and deputy secretary of the Communist Party of Zhaoyuan Jinchiling Gold Mine; the deputy secretary of the Communist Party, vice chairman and deputy general manager of Jinchiling Mining & Metallurgy Co., Ltd. under Zhaojin Group and mine manager of Jinchiling Gold Mine of the Company; and the general manager of Zhaojin Group and an Executive Director of the Company. Mr. Weng has been granted numerous provincial and national awards, such as Science & Technology Pacesetter of National Gold Industry in the 10th Five-Year Plan Period, Science & Technology Outstanding Contribution Award of National Gold Industry in the 11th Five-Year Plan Period, Labour Model of National Gold Industry in the 11th Five-Year Plan Period, Science & Technology Outstanding Contributor of National Gold Industry in the 12th Five-Year Plan, Shandong Provincial People-enrich and Lu-thriving Labour Medal, Shandong Provincial Excellent Entrepreneur, Excellent Entrepreneur of the State, Taishan Industry Leading Talent and the Most Influential Leader of Listed Company of China Securities Golden Bauhinia Awards in recognition of his achievements in technological and business management. He has obtained national patents for five of his inventions. Mr. Weng has been a Non-executive Director of the Company since February 2010, and has been an Executive Director and the president of the Company since November 2010. He has been the vice chairman of the Company since June 2013, and has resigned from the position of vice chairman and president and served as the chairman of the Company since January 2014.

Mr. Dong Xin, aged 52, was born in 1966. He graduated from Shenyang Gold Institute majoring in mining, acquired an EMBA degree from Dalian University of Technology, and qualified as an applied engineering technology researcher. He is currently an Executive Director, the executive president and technical director of the Company and the chairman of Gold Association of Xinjiang Uygur Autonomous Region. Currently, Mr. Dong is the Chairman and legal representative of Jiashi Tonghui Mining Company Limited (伽師縣銅輝礦業有限責任公司), Xinjiang Xinhui Copper Company Limited (新疆鑫慧銅業有限公司), Tuoli Zhaojin Beijiang Mining Company Limited (托裡縣招金北疆礦業有限公司), Ejina Yuantong Mining Industry Company Limited (額濟納旗圓通礦業有限責任公司) and Fengningjinlong Mining Company Limited (豐寧金龍黃金工業有限公司), the director of Laizhou Ruihai Mining Industry Company Limited (萊州市瑞海礦業有限公司) and Tao-jin Technology Investment (Beijing) Limited (淘金科技投資(北京)股份有限公司). Mr. Dong served as a technician, vice director, director, deputy chief mining officer and chief mining officer of Xiadian Gold Mine, general manager of Tuoli Zhaojin Beijiang Mining Company Limited, general manager of Xinjiang Xingta Mining Company Limited and production director of the Company. Mr. Dong has been awarded the First Prize of Technology Advancement in Shandong Province, the Grade I and Special Award of Science and Technology of the China Gold Association for a number of times, and was granted a number of honorary awards such as the Leader of Corporate Technology Innovation in Shandong Province, Shandong Provincial People-enrich and Lu-thriving Labour Medal, Shandong Provincial Excellent Entrepreneur, National Excellent Workers of Facilities Management. He was a part time professor of Shandong University of Technology, and was awarded as the Labour Model of Xinjiang Tarbagatay Prefecture, Labour Model of National Gold Industry in the 11th Five-Year Plan Period, Reserve Revaluation Expert of Shangdong Mining Association, Science & Technology Pacesetter of National Gold Industry in the 12th Five-Year Plan Period and Advanced Individual of National Standardized Gold Industry in the 12th Five-Year Plan. Mr. Dong has served as the Vice President of the Company since February 2013, as the technical director of the Company since January 2015 and as an Executive Director and executive president of the Company since March 2018.

Mr. Wang Ligang, aged 46, was born in 1972. He graduated from Shandong Economic University with a major in labour economy management and obtained a Master of Engineering and an EMBA degree from Tsinghua University. He has the qualification of Senior Gold Investment Analyst and affiliated person of The Hong Kong Institute of Chartered Secretaries. He is currently an Executive Director, a Vice President and the Secretary to the Board of the Company. Currently, Mr. Wang is the Chairman and legal representative of Tao-jin Technology Investment (Beijing) Limited (淘金科技投資(北京)股份有限公司), an executive director of Zhaoyuan Jintingling Mining Industry Company Limited (招遠市金亭嶺礦業有限公司) and the director of Sparky International Trade Company Limited (斯派柯國際貿易有限公司). Mr. Wang served in various managerial positions for Zhaoyuan Beijie Gold Mine and Zhaojin Group. Since 2004, he served as a director of the general manager's office and director of the Board office of the Company, assistant to Board secretary of the Company and general manager of Sparky International Trade Co., Ltd. Mr. Wang has been the Secretary to the Board since December 2007, has served as the vice president of the Company since February 2013 and has served as an Executive Director of the Company since March 2018.

NON-EXECUTIVE DIRECTORS

Mr. Xu Xiaoliang, aged 45, was born in 1973. He graduated from East China Normal University School of Business Management and was awarded a master's degree. He is the Vice Chairman and a Non-executive Director of the Company, and is an executive director and the co-president of Fosun Group, the chairman of Fosun Property Holding (復星地產控股), and the joint chairman of the Zhejiang Chamber of Commerce Real Estate Association, a member of Shanghai Youth Federation and the vice president of China Real Estate Chamber of Commerce, the chairman of Shanghai Yuyuan Tourist Mart Co., Ltd., a company listed on the Shanghai Stock Exchange ("SSE"). He has over 18 years of experience in real estate distribution services and investment development, and had previously served as the assistant to the general manager of Forte Land (Group) Co. Ltd (復地(集團)股份有限公司), the chairman of Shanghai Ceyuan Property Consultants Limited, and the president of Fosun Property Holding Group. He was successively granted the "Shanghai 4 May Youth Medal" and the "Shanghai Top Ten Youth Business People". Mr. Xu has been a Non-executive Director of the Company since January 2014 and the Vice Chairman of the Company since March 2018.

Mr. Liu Yongsheng, aged 53, was born in 1965. He graduated from the Party School of the Central Committee of Communist Party of China with a major in laws, and was qualified as a professor-level senior administrative engineer. He is now a Non-executive Director of the Company and currently holds positions as the deputy secretary of the Communist Party Committee, the general manager and the director of Shandong Zhaojin Group Company Limited. Mr. Liu has accumulated extensive experience in respect of mine processing management, internal audit, human resources as well as Communist Party committee, administrative offices, labour unions and the Communist Youth League management,and had previously served as the director of processing workshop, office chief of the administration bureau, a member of the Communist Party of China Committee, the deputy secretary of the Communist Party and the deputy chief mining officer of Xiadian Gold Mine under the Company; an assistant to the general manager, the secretary of the Communist Party discipline supervisory committee, a member of the Communist Party of China Committee, the chairman of the labour union of the Company; the deputy secretary of the Communist Party, a director, the secretary of the Communist Party discipline supervisory committee and the chairman of the Supervisory Committee of Shandong Zhaojin Group Company Limited. Mr. Liu has been granted a number of honorary awards and recognitions such as an active member of National Machinery Metallurgy Union, an active member of labour union of Shandong Province and the medal of May Day Labour Model in Yantai. Mr. Liu has been a Non-executive Director of the Company since March 2018.

Mr. Yao Ziping, aged 44, was born in 1974. He is a doctor and a senior engineer.He obtained a bachelor's degree of economics from Nankai University, a degree of Master of Business Administration (MBA) from Tsinghua University and a doctorate of management from Graduate University of Chinese Academy of Sciences (中國科學院研究生院). He is currently a Non-executive Director of the Company, a vice president of Fosun Group (復星集團) and the chief executive officer of Fosun Resources Group (復星資源集團). Mr. Yao served as the president of Europol Intelligent Network Co., Ltd. (歐浦智網股份有限公司), the chairman and general manager of Minmetals Steel Co., Ltd. (五礦鋼鐵有限責任公司), the assistant to president of China Minmetals Corporation (中國五礦集團公司), the general manager of Black Circulation Center (黑色流通業務中心), the general manager of Minmetals Development Co., Ltd. (五礦發展股份有限公司), the deputy general manager and chief information officer of China Minmetals Corporation (中國五礦集團公司) and the chairman of Minmetals Development Co., Ltd. (五礦發展股份有限公司). Mr. Yao has been a Non-executive Director of the Company since March 2018.

Mr. Gao Min, aged 45, was born in 1973, obtained a bachelor's degree in English and American literature studies from Shanghai Normal University with a MBA degree from China Europe International Business School . He is a Non-executive Director of the Company, the vice president of Shanghai Yuyuan Tourist Mart Co., Ltd. (上海豫園商城), a company listed on the SSE and a director, external management consultant and guest lecturer of the Shanghai Steel Group Corporation (Group) Co., Ltd. (code: 300226) (上海鋼聯股份(集團)有限公司), a company listed on the Shenzhen Stock Exchange. Mr. Gao previously served as an assistant to the president and the joint general manager for human resources of Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), the vice president of the group of Forte Land (Group) Co., Ltd (復地(集團)股份有限公司) and the chairman of the board of its subordinate company in charge of human resources and corporate universities. Mr. Gao has been a Non-executive Director of the Company since February 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chen Jinrong, aged 59, was born in 1959. She graduated from Renmin University of China and is an associate professor. She is an qualified accountant in China and a qualified independent director. She is an Independent Non-executive Director of the Company, and a lecturer in School of Economics and Management of Tsinghua University and Beijing Union University. Ms. Chen is also an independent non-executive director of SSE listed company, Shanxi Lu'an Environmental Energy Development Co., Ltd. (山西潞安環保能源開發股份有限公司) (code: 601699) and the Shenzhen Stock Exchange listed company Jingwei Textile Machinery Co., Ltd. (經緯紡織機械股份有限公司) (code: 000666). Ms. Chen mainly focuses on research into, teaching of and counseling on corporate financial management, analysis of financial report for listed companies and operations of corporate capital, corporate organization and risk control, comprehensive corporate budget management etc. She has solid experience in aspects such as corporate restructuring, comprehensive corporate budget management, capital operations and corporate internal control. Ms. Chen had served as the deputy head of the finance department of China Information Industry Research Institute under the Ministry of Information Industry, the deputy general manager of Beijing Hua Tsing Cai Zhi Corporate Management Counseling Company (北京清華財智企業管理顧問公司), etc. Ms. Chen was awarded Outstanding Young Teacher in Beijing City and Outstanding Teacher by the Economic Committee of Beijing Municipal Government. Ms. Chen has been an Independent Non-executive Director of the Company since April 2007.

Mr. Choy Sze Chung Jojo, aged 59, was born in 1959. He obtained his Master of Business Administration Degree from University of Wales, United Kingdom and his Master of Business Law Degree from Monash University, Australia. He is an Independent Non-executive Director of the Company, and also the vice chairman of National Resources Securities Limited (中潤證券有限公司). Mr. Choy is also an independent non-executive director of Stock Exchange listed companies Sparkle Roll Group Limited (code: 0970) (耀萊集團有限公司), Luye Pharma Group Ltd. (code: 2186) (綠葉製藥集團有限公司) and First Credit Finance Group Limited (code:8215) (第一信用金融集團有限公司). Mr. Choy is also the permanent honorary president of The Institute of Securities Dealers Limited, a fellow member of The Hong Kong Institute of Directors, a fellow member of Institute of Financial Accountants in the United Kingdom, a fellow member of Institute of Public Accountants in Australia, a fellow member of the Institute of Compliance Officers, a member of Society of Registered Financial Planners Limited, a member of the fourth session and the fifth session of the Chief Executive Election Committee of Hong Kong Special Administrative Region, a member of the Election Committee of the 12th and 13th National People's Congress of Hong Kong Special Administrative Region, a member of Chinese People's Political Consultative Conference (CPPCC) Shantou, an honorary president of Shantou Overseas Friendship Association, an honorary president of Shantou Overseas Exchanges Association, an honorary principal of Chen Po Sum School and a council member of Rotary Club Kowloon West. Mr. Choy has extensive experience in the securities industry and business management. Mr. Choy has been an Independent Non-executive Director of the Company since May 2007.

Mr. Wei Junhao, aged 57, was born in 1961. He is a professor (postdoctor) and doctoral supervisor. Mr. Wei is an Independent Non-executive Director of the Company, and also a professor of China University of Geosciences (Wuhan) Resources Institute. Mr. Wei is also a supervision engineer of Central Geological Exploration Fund, standing director of Chinese Association of Mineral Resources Appraisers, member of China Geological Society Overseas Resources Committee and member of China Geological Society Mine Geology Committee. Mr. Wei is also an independent director of SSE listed company, Inner Mongolia Chifeng Jilong Gold Mining Co,. Ltd (stock code: 600988) (內蒙赤峰吉隆黃金礦業股份有限公司). Mr. Wei has engaged in metallogenic prediction and prospecting research with over 20 years of work experience in geological research and exploration practice. Mr. Wei puts forward "mineralization field theory", which is very famous in domestic gold industry. Mr. Wei has hosted 80 national level, provincial level and enterprise projects as project leader. By his effort, Liaoning Wulong Gold Mine increased 20 tonnes reserves in prospecting ore in resource exhausted mines during 1997-1999. Shanxi Tongguan Gold Mining Company increased 17 tonnes reserves in geological research and prospecting study during 2004-2007. Shandong Yantai Xintai Gold Company increased 15 tonnes reserves in geological prospecting research project during 2006-2009. Qinghai Yushu copper,lead and zinc prospecting project obtained more than 1.2 million reserves. Made major breakthrough in the prospecting of lead and zinc deposits in Xiasai, Sichuan Province.Other prospecting projects also obtained obvious results. Many large-scale domestic professional newspaper such as "China Gold News", "China Mining News", and "China Metallurgical News" reported his prospecting results several times. Mr. Wei Currently cultivates 110 masters and doctoral students. Mr. Wei has been an Independent Non-executive Director of the Company since February 2016.

Mr. Shen Shifu, aged 52, was born in 1966. He is a professor of engineering, a tutor of doctor and master candidates. He mainly carries out the research of resources comprehensive utilization technology and mineral processing technology. Mr. Shen is a chief expert of Beijing Mining and Metallurgy Technology Group Co., Ltd.. Mr. Shen once worked at Tsingtao Lubi Cement Co., Ltd (Original Tsingtao Laoshan Cement Plant) as director of laboratory, production department manager and manager assistant. Mr. Shen was hired as academic foregoer of China Inorganic Chemical Industry Society (中國無機化工學會), professor committee member of China Non-metallic Mineral Industry Association Professional Committee of Graphite (中國非金屬礦工業協會石墨專業委員會), professor committee member of China Nonferrous Metals Society Technical Experts Working Committee (中國有色金屬學會技術專家工作委員會), and expert of industrial solid waste network. As the main operator, Mr. Shen has participated in science and technology support project of the Tenth Five-year Plan, the Eleventh Five-year Plan, and the Twelfth Five-year Plan, national high and new technology industrialization projects, State 863 Project, and State 973 Project. Mr. Shen has undertaken more than 30 enterprise commissions (including the beneficiation of various kinds of mineral, the comprehensive utilization of tailings, and the harmless disposal of solid waste and comprehensive utilization of mineral material). Mr. Shen has been awarded three Ministerial First Prize of Technology Progress, five Institute First Prize of Technology Progress, and more than 10 national patents. Mr. Shen has also been awarded "Top Ten Outstanding Youth" of Laoshan district, Pace-setters in the new Long March, and advanced individual of Beijing General Research Institute of Mining and Metallurgy Engineering Research Design Institute (北京礦冶研究總院礦物工程研究設計所). Mr. Shen has been an Independent Non-executive Director of the Company since February 2016.

The details of Directors who resigned or retired during 2017 or during the period from 1 January 2018 to the date of the annual report are set out as below:

Mr. Li Xiuchen, his biographical details are set out on page 34 of this annual report.

Mr. Cong Jianmao, aged 55, was born in 1963. He graduated from Shandong TV University and Shandong Business Administration Institute. Mr. Cong has been the section chief of the Planning and Finance Section of Zhaoyuan Municipal Commerce Bureau, the chairman of the supervisory committee of Zhaoyuan City State-owned Assets Operation Company Limited (招遠市國有資產經營有限公司), the chairman of the supervisory committee of Zhaojin Group, the deputy director of Zhaoyuan Municipal Finance Bureau and an Executive Director and the deputy secretary of the Communist Party of the Company. Mr. Cong resigned as an Executive Director of the Company on 6 March 2018.

Mr. Liang Xinjun, aged 50, was born in 1968. He graduated from Fudan University majoring in genetic engineering and obtained an MBA degree in 2007 from Cheung Kong Graduate School of Business. He has also obtained a doctoral degree of Business Administration in Global Finance from Arizona State University in 2015. He is a Non-executive Director, vice chairman of the Company. Mr. Liang is one of the founders of Fosun Group and has been an executive director, the vice chairman and chief executive officer of Fosun Group since its incorporation in 1992 to March 2017. Mr. Liang is now the chairman of Taizhou Chamber of Commerce in Shanghai, chairman of Shanghai Fudan University Alumni Association; executive vice chairman of Business Alumni Association of Cheung Kong Graduate School Mr. Liang resigned as the Vice Chairman and a Non-Executive Director of the Company on 6 March 2018.

Mr. Li Shousheng, aged 54, was born in 1964. Mr. Li graduated from Kunming Institute of Technology with a degree in mining geology. He is an engineering technology application researcher, a safety production expert of Yantai City, and a member of Shandong safety production management association. He is currently the chairman of the Supervisory Committee of Zhaojin Group. Mr. Li held positions of director of operation department of Luoshan Gold Mine, deputy manager of Dayingezhuang Gold Mine, product manager, chief engineer and vice general manager of Zhaojin Group. He also served as the chairman of Tuoli County Zhaojin Beijiang Mining Industry Co,. Ltd, Shandong Goldsoft Technology Co,. Ltd, Shandong Zhaojin Gold and Silver Refining Co,. Ltd, and the director, general manager and deputy secretary of Communist Party of Zhaojin Group. Mr. Li has 35 years of experience in the gold production industry and excellent contribution in technology and management. He got 44 achievements in scientific research as a leader of enterprise technology center, academician workstation and postdoctoral workstation of Zhaojin Group. He has been granted numerous honorary awards, such as Science and Technology Model of National Gold Industry in the tenth Five-year Plan, Labour Model of National Gold Industry in the 11th Five-Year Plan Period Science & Technology Outstanding Contribution Award of National Gold Industry, Foregoer of Enterprise Technology Innovation of Shandong Provincial and Shandong Provincial Excellent Entrepreneur. Mr. Li resigned as a Non-Executive Director of the Company on 6 March 2018.

For information regarding changes in composition of the Board for the period from 1 January 2017 to the date of this annual report, please refer to page 64 of this annual report.

SUPERVISORS

Mr. Li Xiuchen, aged 55, was born in 1963. He graduated from Shenyang Institute of Gold Technology majoring in mine engineering with the qualification of a professor-level senior engineer and obtained an EMBA degree from Tsinghua University. He is the chairman of the Supervisory Committee of the Company. Mr. Li has more than 30 years of experience in the gold production industry. Mr. Li served as a technician of the production office of Luoshan Gold Mine, the deputy supervisor, co-ordination officer and first deputy mine manager of Daiqinjia Gold Mine, the deputy mine manager and deputy general manager at Beijie Gold Mine and Zhongkuang Gold Industry, the deputy general manager, chairman and general manager of Xinyuan Gold Technology Development Co., Ltd, and the senior Vice President, President, Executive Director and the authorised representative of the Company. Mr. Li has been granted numerous honorary awards, such as Science & Technology Outstanding Contribution Award of National Gold Industry in the 8th Five-Year Plan Period, Advanced Workers of Technology Management of National Gold Industry, Science and Technology Grade I Award by the China Gold Association, Xinjiang Autonomous Region Science and Technology Advancement Grade I Award, Shandong Gold Science and Technology Advancement Grade I Award, Labour Model of National Gold Industry in the 11th Five-Year Plan Period, Science & Technology Pacesetter of National Gold Industry in the 12th Five-Year Plan Period, National Equipment Management Outstanding Leader, National Special Contribution Award of Equipment Management Outstanding Worker and Shandong Provincial Excellent Entrepreneur. Mr. Li has been the chairman of the Supervisory Committee of the Company since March 2018.

Mr. Xie Xueming, aged 38, was born in 1980, graduated from Beijing Jiaotong University majoring in financial management and Shanghai Jiao Tong University majoring in business administration, and obtained a master's degree, is currently a supervisor of the Company and the vice president and chief financial officer of Shanghai Yuyuan (上海豫園旅遊商城股份有限公司), which is listed on SSE. Mr. Xie had successively served as the senior manager of Yue Xiu Enterprises (Holdings) Limited (越秀企業 (集團) 有限公司), the assistant to the general manager of Shanghai Industrial Urban Development Group (上海實業城市開發集團) and the financial controller of Sincere Properties Holdings Group (協信地產控股集團), and has accumulated extensive experience in respect of financial management of large enterprises. Mr. Xie has been a shareholder representative supervisor of the Company since March 2018.

Ms. Zhao Hua, aged 41, was born in 1977. She graduated from Shandong Youth Management Cadre Institute with a major in accounting. Ms. Zhao is an employee supervisor of the Company and deputy secretary of party committee and the chairman of the Labour Union of Hedong Gold Mine. She has been the section chief of finance section and deputy manager of Canzhuang Gold Mine, etc. Ms. Zhao has more than 10 years of experience in financial affairs. Ms. Zhao has been an employee supervisor of the Company since February 2016.

The details of Supervisor who resigned or retired during 2017 or during the period from 1 January 2018 to the date of this annual report are set out as below:

Mr. Wang Xiaojie, aged 45, was born in 1973. Mr. Wang graduated with a degree in applied electronic technology from Institute of Information Engineering of Shandong, a degree in computer application from Qingdao Chemical & Engineer College and a degree in economics and management from the Party School of the Shandong Provincial Committee of the Communist Party of China. He is currently the director, the deputy secretary of the Party Committee of Zhaojin Group and the chairman of the Labour Union. He has served as the deputy manager of Zhaoyuan City Gold Software Science and Technology Co., Ltd., and then the deputy manager and manager of Information Centre of Zhaojin Group. Mr. Wang resigned as the chairman of the Supervisory Committee of the Company on 6 March 2018.

Ms. Jin Ting, aged 55, was born in 1963. Ms. Jin graduated from Shanghai Light Industry Bureau Vocational University majoring in finance and accounting. She is currently the Chief Supervisor of the Supervisory Committee of Shanghai Yuyuan, which is listed on the SSE. She has extensive experience in finance, audit and human resources. Ms. Jin used to serve as deputy general manager of finance department, manager of finance department, manager of fund management department and assistant to president of Shanghai Yuyuan. Ms. Jin resigned as a Supervisor of the Supervisory Committee of the Company on 6 March 2018.

For information regarding changes in composition of the Supervisory Committee for the period from 1 January 2017 to the date of this annual report, please refer to page 65 of this annual report.

SECRETARY TO THE BOARD

Mr. Wang Ligang, his biographical details are set out on page 29 of this annual report.

COMPANY SECRETARY

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

SENIOR MANAGEMENT

Mr. Dong Xin, his biographical details are set out on page 29 of this annual report.

Mr. Wang Ligang, his biographical details are set out on page 29 of this annual report.

Mr. Sun Xiduan, aged 53, was born in 1965. He graduated from China University of Geosciences, majoring in geology, and qualified as an engineer. He is currently the Vice President of the Company. Mr. Sun has served as the accountant, engineering technician, deputy mine manager of No.1 Branch Mine, technical supervisor, chief controller, department head of the department of production, mine zone officer, department head of the department of planning of Zhaoyuan Luoshan Gold Mine, the deputy manager and manager of Mining Company of Shandong Zhaojin Shareholding Company Limited (山東招金股份有限公司採礦公司), the person-in-charge of mines, processing plants, cyanidation plants, production department for Zhongkuang Gold Industry Company Limited (中礦金業股份有限公司), the general manager of Zhaojin Mining Industry Company Limited in Wuhe County, Anhui Province (安徽省五河縣招金礦業有限公司), the general manager and chairman of Min County Tianhao Gold Co., Ltd (岷縣天昊黃金有限責任公司), the chairman of Zaozigou Gold Mine, the general manager of Gansu Zhaojin Mining Company Limited (甘肅省招金礦業有限公司). Mr. Sun has been the Vice President of the Company since February 2010.

Mr. Dai Hanbao, aged 42, was born in 1976. He is a senior accountant, graduated from Anhui University of Technology majoring in accounting. He also got an MBA degree from Fudan University. Mr. Dai is now the chief financial officer of the Company. Mr. Dai has rich experience in financial management of enterprises and informatization. Mr. Dai served as the finance supervisor, vice-minister and IT project manager of subsidiaries of Baosteel Group (寶鋼集團), the vice-general manager and secretary to the board of Baoyin Special Steel Tube Co., Ltd (寶銀特種鋼管有限公司), the deputy minister of finance of CITIC Pacific Special Steel Group Co., Ltd and the chief financial officer of Yangzhou Taifu Special Material Co., Ltd. Mr. Dai once served in the financial headquarter of Shanghai Fosun Group. Mr. Dai gained Shanghai Enterprise Management Innovation Award for several times. Mr. Dai has served as the chief financial officer of the Company since February 2016.

Ms. Wang Wanhong, aged 46, was born in 1972. She graduated from Shandong Provincial Party School with a bachelor's degree in economics and management, and she has obtained the qualification of senior economist, senior finance manager and senior human resource management professional. Ms. Wang is the vice president, the deputy secretary of the disciplinary committee and the head of the supervisory office of the disciplinary committee of the Company. Ms. Wang has served as the deputy manager of capital operation department, the deputy manager of the finance department, the manager of the human resource department and the human resource director of Zhaojin Group. She served as the deputy secretary of the disciplinary committee of the Company since August 2015 and the head of the supervisory office of the disciplinary committee of the Company since February 2017. Ms. Wang is the Vice President of the Company with effect from March 2018.

Mr. Tang Zhanxin, aged 52, was born in 1966. He graduated from China University of Geosciences with a master's degree in geology and mineral exploration, and he has obtained the qualification of senior engineer. Mr. Tang is the vice president of the Company. Mr. Tang has served as the chief of the manufacturing department of Beijie Gold Mine, the deputy manager of the safety and environment department of Zhaojin Group, the manager of the safety & environment department and the production & technology department of the Company, the general manager of Zaozigou Gold Mine, the director of Dayinggezhuang Gold Mine and the director of Xiadian Gold Mine. Since February 2017, Mr. Tang served as the assistant to the president of the Company, and he is the Vice President of the Company with effect from March 2018.

Mr. Wang Chunguang, aged 48, was born in 1970. He graduated from Shandong University of Technology with a bachelor's degree in mining, and he has obtained the qualification of engineer. Mr. Wang is the vice president and the head of safety of the Company. Mr. Wang has served as the deputy director of Xiadian Gold Mine, the general manager of Fengning Jinlong and the general manager of Zaozigou Gold Mine. Since February 2017, Mr. Wang served as the assistant to the president and the head of safety of the Company, and he is the Vice President of the Company with effect from March 2018.

The Board hereby presents its report, together with the audited consolidated financial statements for the year ended 31 December 2017.

CORPORATE REORGANISATION

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

The Group successfully listed on the Main Board of the Stock Exchange in December 2006.

PRINCIPAL OPERATIONS

The Group is mainly engaged in exploration, mining, ore processing, smelting and sale of gold and other metallic products, being a large integrated mining enterprise specializing in the production of gold. The Group principally produces two kinds of gold products, which are Au9999 and Au9995 gold bullions under the brand of "Zhaojin". Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements on pages 122 to 131 in this annual report.

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

Further discussion and analysis of these activities as required by Schedule 5 of the Hong Kong Companies Ordinance, including the principal risks and uncertainties facing the Group, analysis using financial key performance indicator and our indication of likely future developments in the Group's business, can be found in Management Discussion & Analysis set out on pages 9 to 27 in this annual report.

BUSINESS REVIEW

Relevant details about the Group's business review and outlook are set out in Management Discussion and Analysis on pages 9 to 27 of this annual report.

RESULTS

The Group's results for the year ended 31 December 2017 are set out in the consolidated Statement of Profit or Loss on page 112 of this annual report.

MANAGEMENT CONTRACTS

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

PROFIT DISTRIBUTION

As of the date of this annual report, the final dividend for the financial year ended 31 December 2016 paid by the Company was approximately RMB128,827,847.8 (2015: RMB118,633,087.8).

The Board proposes the payment of a final cash dividend of RMB0.06 (tax included) (2016: RMB0.04 (tax included)) per share to all Shareholders for 2017.

The cash dividend for Shareholders of domestic shares will be distributed and paid in Renminbi and the cash dividend for H Shareholders will be declared in Renminbi and paid in Hong Kong dollars (at the average exchange rate of the medium rate of converting Renminbi into Hong Kong dollars as quoted by the People's Bank of China for five business days immediately prior to 8 June 2018).

The proposed distributions are subject to the approval by the Shareholders at the 2017 AGM of the Company to be held on 8 June 2018.

MAJOR CUSTOMERS AND SUPPLIERS

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

During the Year, approximately 98.71% (2016: 93.25%) of the total sales was conducted on the SGE. Similar to a stock exchange, the SGE is a trading platform for gold transactions. Under the circumstances where purchasers and sellers are unknown to each other, all transactions are conducted under the coordination and supervision of the SGE. Therefore, the SGE is deemed to be the Group's sole major customer.

Transactions between the Group and its suppliers are conducted on normal commercial terms. The total amount of purchases from the five largest suppliers did not exceed 33.40% (2016: 26.74%) of the Group's total amount of purchases. The amount of purchases from the largest supplier was 13.60% of the Group's total amount of purchases.

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

RESERVES

Details of changes in reserves of the Group for the year ended 31 December 2017 are set out on pages 213 to 214 of this annual report.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2017 are set out in note 39 to the financial statements on page 214 of this annual report.

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

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

As at 31 December 2017, in accordance with the PRC Accounting Standards, the relevant Laws of the PRC and the Articles of Association, the distributable reserves of the Company amounted to approximately RMB3,594,026,855 (2016: RMB3,292,316,068), of which approximately RMB193,241,771.7 are proposed to be the final cash dividend of the Year (2016: dividend of RMB128,827,847.8).

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

Details of changes in property, plant and equipment of the Group during the Year are set out in note 12 to the financial statements on pages 181 to 183 of this annual report.

The Group did not hold any investment property.

SHARE CAPITAL

During the Year, details of changes in share capital of the Company are set out in note 37 to the financial statements on page 211 to 212 of this annual report.

CHARITY DONATION

During the Year, the Group made various kinds of charitable donation amounted to RMB8,360,704 (2016: RMB8,121,361) in total.

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 31 to the financial statements on pages 204 to 205 of this annual report.

TAXATION

During the Year, the Company and its subsidiaries were subject to the PRC enterprise income tax at a rate of 25% of taxable profits according to the requirements under the PRC Enterprise Income Tax Law which became effective on 1 January 2008. The relevant details are set out in note 9 to the financial statements on pages 177 to 178 of this annual report.

PRE-EMPTIVE RIGHTS

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

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

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

CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR SIMILAR RIGHTS

During the year ended 31 December 2017, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the year ended 31 December 2017 and up to the date of this annual report, the Group has no share option scheme.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. Weng Zhanbin *(Chairman)*
Mr. Dong Xin *(Executive President)* (appointed as an Executive Director of the Company with effect from 6 March 2018)
Mr. Wang Ligang (appointed as an Executive Director of the Company with effect from 6 March 2018)
Mr. Li Xiuchen (resigned as an Executive Director of the Company due to re-allocation of work with effect from 6 March 2018)
Mr. Cong Jianmao (resigned as an Executive Director of the Company due to re-allocation of work with effect from 6 March 2018)

Non-executive Directors

Mr. Xu Xiaoliang *(Vice Chairman)* (appointed as the Vice Chairman of the Company with effect from 6 March 2018)
Mr. Liu Yongsheng (appointed as a Non-executive Director of the Company with effect from 6 March 2018)
Mr. Yao Ziping (appointed as a Non-executive Director of the Company with effect from 6 March 2018)
Mr. Gao Min
Mr. Liang Xinjun (resigned as a Non-executive Director of the Company due to health reason with effect from 6 March 2018)
Mr. Li Shousheng (resigned as a Non-executive Director of the Company due to re-allocation of work with effect from 6 March 2018)

Independent Non-executive Directors

Ms. Chen Jinrong
Mr. Choy Sze Chung Jojo
Mr. Wei Junhao
Mr. Shen Shifu

Supervisors

Mr. Li Xiuchen *(Chairman of the Supervisory Committee)* (appointed as the Chairman of the Supervisory Committee of the Company with effect from 6 March 2018)
Mr. Xie Xueming (appointed as a Shareholder Representative Supervisor of the Company with effect from 6 March 2018)
Ms. Zhao Hua
Mr. Wang Xiaojie (resigned as a the Chairman of the Supervisory Committee of the Company with effect from 6 March 2018 due to re-allocation of work)
Ms. Jin Ting (resigned as a Shareholder Representative Supervisor of the Company with effect from 6 March 2018 due to re-allocation of work)

PROFILES OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

Details of the profiles of the Directors, Supervisors and Senior Management are set out on pages 28 to 37 of this annual report.

TERMS OF SERVICE OF THE DIRECTORS AND THE SUPERVISORS

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

REMUNERATION OF THE DIRECTORS AND SUPERVISORS

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

Details of the remuneration of the Directors and Supervisors are set out in note 8 to the financial statements on pages 172 to 176 of this annual report. No Directors waived any emoluments in the year ended 31 December 2017 (2016: nil).

SERVICE CONTRACTS OF THE DIRECTORS AND THE SUPERVISORS

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

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

MATERIAL TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE IN WHICH DIRECTORS AND SUPERVISORS HAVE MATERIAL INTERESTS

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

PERMITTED INDEMNITY PROVISION

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

ENVIRONMENTAL PROTECTION AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection to ensure our compliance of prevailing environmental protection laws and regulations. The Group has established a Safety and Environmental Protection Committee and details of which could be found on page 82 of this annual report.

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to serious adverse consequence. The Group has sufficient resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with relevant authorities effectively through effective communications.

To the best of our knowledge, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group. The Group also complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance ("SFO").

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

MATERIAL CONTRACTS IN WHICH CONTROLLING SHAREHOLDER HAVE INTERESTS

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

FIVE HIGHEST-PAID PERSONNEL

The five highest-paid individuals in the Group during the Year include two Directors. Full details of the five highest-paid personnel's remuneration are set out in note 8 to the financial statements on pages 175 to 176 of this annual report.

REMUNERATION POLICY OF THE GROUP AND NUMBER OF EMPLOYEES

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

As of 31 December 2017, the Company had a total of 6,512 employees. The Company attached great importance to the long-term occupational planning and development of its employees, formulated programs for occupation and qualification training for the development of both the employees and the Company, bore training cost for its employees and created an agreeable environment for occupational development, aiming at providing multi-level occupational training with continuous policy, organizational and financial support. The Company held various trainings during the Year, including induction training for new employees, management training for middle and senior management, professional training on geological exploration and safety training. The training costs amounted to RMB2,666,800 during the Year.

SHARE CAPITAL AND SHAREHOLDERS' INFORMATION

1. Number of Shareholders

Details of the number of Shareholders recorded in the register of members as at 31 December 2017 are as follows:

Classification	Number of Shareholders
Domestic shares	7
Overseas-listed foreign shares – H shares	1,622
Total number of shareholders	1,629

2. Public float

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

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests or short position of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Name and Position	Class of Shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Long position/ Short position/
1 Weng Zhanbin (Chairman and Executive Director)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	1,200,000	0.04%	0.06%	Long
2 Li Xiuchen (Executive Director and President (Note 1))	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	1,000,000	0.03%	0.05%	Long
3 Cong Jianmao (Executive Director (Note 2))	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	500,000	0.02%	0.02%	Long
4 Zhao Hua (Supervisor)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	200,000	0.01%	0.01%	Long

Notes:

1. Li Xiuchen resigned as an Executive Director of the Company with effect from 6 March 2018 and was appointed as Chairman of the Supervisory Committee on the same date.

2. Cong Jianmao resigned as an Executive Director of the Company with effect from 6 March 2018.

3. The interests set out above relate to the employee shares subscription plan portions ("**ESSP Portions**") under the ESSP subscribed by the Directors, supervisors and chief executive. One ESSP Portion corresponds to one Domestic Share. For details of the ESSP, please refer to Pages 48 and 49 of this annual report.

Save as disclosed above, as at 31 December 2017, and to the knowledge of the Directors, supervisors and chief executives of the Company, no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2017, the interest and short positions of the substantial shareholders in the issued share capital of the Company which will be required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company are as follows:

Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
1 Shandong Zhaojin Group Company Limited	Domestic shares	Beneficial owner	1,086,514,000 *(Note 1)*	33.74	50.04	—	Long position
	Domestic shares	Interest of controlled corporation	50,967,195 *(Note 3)*	1.58	2.35	—	Long position
	H shares	Interest of controlled corporation	43,890,000 *(Note 1)*	1.36	—	4.18	Long postion
2 Shanghai Yuyuan Tourist Mart Co., Ltd.	Domestic shares	Beneficial owner	742,000,000	23.04	34.17	—	Long position
	Domestic shares	Interest of controlled corporation	21,200,000 *(Notes 1 & 2)*	0.66	0.98	—	Long position
3 The Bank of New York Mellon Corporation	H shares	Interest of controlled corporation	105,931,262 *(Note 5)*	3.29	—	10.10	Long position
	H shares	Interest of controlled corporation	105,879,262	3.29	—	10.09	Lending pool

	Name of shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
4	VanEck Vectors ETF – VanEck Vectors Junior Gold Miners ETF (formerly known as Market Vectors ETF – Market Vectors Gold Miners ETF)	H shares	Beneficial owner *(Note 6)*	54,151,000	1.68	—	5.16	Long position
5	Van Eck Associates Corporation	H shares	Investment manager *(Note 6)*	54,151,000	1.68	—	5.16	Long position
6	Schroders Plc	H shares	Investment manager *(Note 4)*	179,283,440	5.57	—	17.09	Long position
7	Deutsche Bank Aktiengesellschaft	H shares	Beneficial owner	47,804,200	1.48	—	4.56	Long position
		H shares	Beneficial owner	60,470,400	1.88		5.76	Short position

Notes:

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

(2) Shanghai Yuyuan Tourist Mart Co., Ltd. ("Shanghai Yuyuan") holds 100% equity interests in Shanghai Laomiao Gold Co., Ltd. ("Laomiao Gold") and therefore the 21,200,000 domestic shares held by Laomiao Gold in the Company is shown as long position of Shanghai Yuyuan.

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

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

(5) The Bank of New York Mellon Corporation directly holds 100% of equity interests in The Bank of New York Mellon, and is therefore deemed to have an interest in the 105,931,262 shares held by The Bank of New York Mellon.

(6) Van Eck Associates Corporation is the investment manager of the VanEck Vectors ETF – VanEck Vectors Gold Miners ETF (formerly known as Market Vectors ETF – Market Vectors Gold Miners ETF).

(7) As at 31 December 2017, the total number of issued shares, domestic shares and H shares of the Company were 3,220,696,195 shares, 2,171,481,195 shares and 1,049,215,000 shares respectively.

As at 31 December 2017, save as disclosed above and to the best knowledge of the Directors, Supervisors and senior management of the Company, no person had any interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company.

EQUITY-LINKED AGREEMENT – EMPLOYEE SHARES SUBSCRIPTION PLAN

On 29 December 2015, the Board passed resolutions to implement an ESSP by way of private placement of domestic shares to certain Directors of the Company and its subsidiaries under the name of an asset management plan ("Asset Management Plan").

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

On 26 May 2016, the Company obtained the approval from State-owned Assets Supervision and Administration Commission of Shandong Province on implementing the ESSP by way of private placement.

On 19 September 2016, this ESSP was approved at a general meeting of the Company.

On 25 October 2016, funding for this ESSP was in place.

On 31 March 2017, the Company has completed the share registration procedures with China Securities Depository and Clearing Corporation Limited in connection with the issuance of 80 million new domestic shares under specific mandate for the Asset Management Plan.

Relevant details were set out in the announcements and circular of the Company dated 29 December 2015, 29 July 2016 and 31 March 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(a) Purpose

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

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

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

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

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

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

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

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

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

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

(d) **Consideration received by the Company**

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

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

The pricing reference date is 29 December 2015, i.e. the date of issue of the announcement with respect to the ESSP.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND SUPERVISORS

Save as disclosed in this report, none of the Directors and Supervisors had any interests in the share capital or debt securities of the Company or any of its associated corporations (as defined in the SFO). None of the Directors, Supervisors and their spouses and children below 18 years old was granted rights to subscribe for the share capital or debt securities of the Company or any of its associated corporations and there was no exercise of such rights by any of such persons.

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

CONTINUING CONNECTED TRANSACTIONS

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

    On 31 December 2017, the Company entered into the Land Lease Agreement with Zhaojin Group in relation to the leasing of land use rights by Zhaojin Group to the Company for the term of three years commencing from 1 January 2018. According to the Land Lease Agreement, the annual rental caps for the leasing of land use rights for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 are approximately RMB9,750,000, RMB9,600,000 and RMB9,450,000, respectively.

(2) On 20 March 2015, the Company entered into the 2015 Gold Refinery Agreement with Shandong Zhaojin Gold and Silver Refinery Company Limited ("Zhaojin Refinery", a 80.5% owned subsidiary of Zhaojin Group) in relation to the provision of gold refining services by Zhaojin Refinery to the Company for the term of three years commencing from 1 January 2015. According to the 2015 Gold Refinery Agreement, the annual caps for the provision of gold refinery services for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 are RMB7,500,000, RMB8,800,000 and RMB9,900,000, respectively.

    On 31 December 2017, the Company entered into the Gold Refinery Agreement with Zhaojin Refinery in relation to the provision of gold refining services by Zhaojin Refinery to the Company for the term of three years commencing from 1 January 2018. According to the Gold Refinery Agreement, the annual caps for the provision of gold refinery services for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 are RMB12,600,000, RMB12,600,000 and RMB12,600,000, respectively.

(3) On 20 March 2015, the Company entered into the 2015 Digital Mine Construction Technology Services Agreement with Shandong Goldsoft Technology Company Limited ("Goldsoft Technology", a 67.37% owned subsidiary of Zhaojin Group) in relation to the provision of digital mine construction technology services by Goldsoft Technology to the Group for the term of three years commencing from 1 January 2015. According to the 2015 Digital Mine Construction Technology Services Agreement, the annual caps for the provision of digital mine construction technology services for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 were RMB56,000,000, RMB63,250,000 and RMB65,000,000, respectively.

On 31 December 2017, the Company entered into the Digital Mine Construction Technology Services Agreement with Goldsoft Technology in relation to the provision of digital mine construction technology services by Goldsoft Technology to the Group for the term of three years commencing from 1 January 2018. According to the Digital Mine Construction Technology Services Agreement, the annual caps for the provision of digital mine construction technology services for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 were RMB30,000,000, RMB32,000,000 and RMB35,000,000, respectively.

(4) On 20 March 2015, the Company entered into the 2015 Framework Agreement for Sale of Silver with Shandong Zhaojin Import and Export Company Limited ("Zhaojin Import and Export", a 54% owned subsidiary of Zhaojin Group) in relation to the sale of silver by the Group to Zhaojin Import and Export for the term of three years commencing from 1 January 2015. According to the 2015 Framework Agreement for Sale of Silver, the annual caps for the sale of silver for the three years ended 31 December 2015, 31 December 2016 and 31 December 2017 were RMB150,000,000, RMB200,000,000 and RMB270,000,000, respectively.

On 31 December 2017, the Company entered into the Framework Agreement for Sale of Silver with Zhaojin Import and Export in relation to the sale of silver by the Group to Zhaojin Import and Export for the term of three years commencing from 1 January 2018. According to the Framework Agreement for Sale of Silver, the annual caps for the sale of silver for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 were RMB200,000,000, RMB240,000,000 and RMB288,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company. Zhaojin Refinery, Goldsoft Technology and Zhaojin Import and Export are subsidiaries of Zhaojin Group and are therefore connected persons of the Company and the transactions contemplated under the 2015 Land Lease Agreement, the 2015 Gold Refinery Agreement, the 2015 Digital Mine Construction Technology Services Agreement and the 2015 Framework Agreement for Sale of Silver, the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sale of Silver constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sale of Silver is more than 0.1% but less than 5%, the transactions under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement and the Framework Agreement for Sale of Silver are subject to the annual review, reporting and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcements of the Company dated 22 March 2015, 26 March 2015 and 31 December 2017 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

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

On 14 November 2017, the Company and Finance Company entered into the Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to the Group, including deposit services, loan services, bill discounting services and settlement services. According to the Group Financial Services Agreement, the service term will commence from 1 January 2018 to 31 December 2020. The annual caps for the financial years ending 31 December 2018, 2019 and 2020 are as follows: deposits services (including interest accrued thereon) are RMB5,500,000,000, RMB7,000,000,000 and RMB8,500,000,000; bill discounting services (including interest accrued thereon) are RMB1,500,000,000, RMB2,000,000,000 and RMB2,500,000,000; loan services (including interest accrued thereon) are RMB6,000,000,000, RMB7,500,000,000 and RMB9,000,000,000.

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

On 14 November 2017, Zhaojin Group and Finance Company entered into the Parent Group Financial Services Agreement, pursuant to which, Finance Company agreed to provide financial services to Zhaojin Group and its subsidiaries, including deposit services, loan services, bill discounting services and settlement services. According to the Parent Group Financial Services Agreement, service term will commence from 1 January 2018 to 31 December 2020. The annual caps for the financial years ending 31 December 2018, 2019 and 2020 are as follows: deposits services (including interest accrued thereon) are RMB6,000,000,000, RMB7,000,000,000 and RMB9,000,000,000; bill discounting services (including interest accrued thereon) are RMB1,500,000,000, RMB2,000,000,000 and RMB2,500,000,000; loan services (including interest accrued thereon) are RMB4,000,000,000, RMB4,500,000,000 and RMB6,000,000,000.

Zhaojin Group is the controlling Shareholder of the Company and it is therefore a connected person of the Company. Finance Company is a subsidiary of the Company and is also owned as to 40% by Zhaojin Group. Finance Company is therefore a connected person of the Company by virtue of being a connected subsidiary of the Company and an associate of Zhaojin Group. Therefore, the transactions under the 2015 Group Financial Services Agreement, the 2015 Parent Group Financial Services Agreement, the Group Financial Services Agreement and the Parent Group Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The loan services to be provided by Finance Company to the Group under the 2015 Group Financial Services Agreement and the Group Financial Services Agreement constitute financial assistance to be provided by a connected person for the benefit of the Group, which are on normal commercial terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and which are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and independent Shareholders' approval requirements since no security over the assets of the Company will be granted in respect of the loan. Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of deposit services by the Finance Company to the Group under the 2015 Group Financial Services Agreement and the Group Financial Services Agreement is more than 25%, the provision of deposit services under the 2015 Group Financial Services Agreement and the Group Financial Services Agreement constitutes a major transaction and non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and independent Shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules. Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by Finance Company to the Group under the 2015 Group Financial Services Agreement and the Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the 2015 Group Financial Services Agreement and the Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the 2015 Group Financial Services Agreement and the Group Financial Services Agreement are less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and independent Shareholders' approval requirements.

Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of each of (i) deposit services; and (ii) loan services by Finance Company to Zhaojin Group under the 2015 Parent Group Financial Services Agreement and the Parent Group Financial Services Agreement is more than 25%, the provision of deposit services and loan services under the 2015 Parent Group Financial Services Agreement and the Parent Group Financial Services Agreement constitute major transactions and non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapters 14 and 14A of the Listing Rules. Given that one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual cap for the provision of bill discounting services by the Finance Company to Zhaojin Group under the 2015 Parent Group Financial Services Agreement and the Parent Group Financial Services Agreement is more than 5%, the provision of bill discounting services under the 2015 Parent Group Financial Services Agreement and the Parent Group Financial Services Agreement constitutes non-exempt continuing connected transactions of the Company, and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapters 14A of the Listing Rules. Given that all of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the proposed annual caps of the service fee for the provision of settlement services under the 2015 Parent Group Financial Services Agreement and the Parent Group Financial Services Agreement is less than 0.1%, the settlement services to be provided by Finance Company is exempt under Chapter 14A of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

Relevant details were set out in the announcements of the Company dated 17 July 2015 and 14 November 2017 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

(7) On 30 December 2015, the Company and Shandong Zhaojin Motian Co., Ltd. ("Zhaojin Motian", a 55% owned subsidiary of Zhaojin Group) entered into the Water Treatment Engineering Services Agreement pursuant to which, Zhaojin Motian agreed to provide the Company necessary super filter membrane, equipment and water treatment engineering services for the Company from 1 January 2016 to 31 December 2018. According to the Water Treatment Engineering Services Agreement, for the years ending 31 December 2016, 31 December 2017 and 31 December 2018, the annual caps related to water treatment business are RMB9,000,000, RMB10,800,000 and RMB13,000,000 respectively.

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

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

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

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

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

(9) On 18 January 2017, the Company entered into the Exploration Services Framework Agreement with Shandong Zhaojin Geological Prospecting Co., Ltd ("Shandong Zhaojin Geological", a wholly-owned subsidiary of Zhaojin Group) in relation to the provision of exploration services by Shandong Zhaojin Geological to the Group for the period from 1 January 2017 to 31 December 2019, pursuant to which the annual caps of the Group in respect of the transactions for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are RMB100,000,000, RMB100,000,000 and RMB100,000,000, respectively.

(10) On 18 January 2017, the Company entered into the Material Procurement Framework Agreement with Zhaoyuan Gold Materials Supply Center Co., Ltd ("Materials Supply Center", a wholly-owned subsidiary of Zhaojin Group) in relation to the provision of materials sales service by Materials Supply Center to the Company for the period from 1 January 2017 to 31 December 2019. Pursuant to the Material Procurement Framework Agreement, the maximum aggregated value of materials procurement transactions for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are approximately RMB85,000,000, RMB90,000,000 and RMB98,000,000, respectively.

On 20 October 2017, the Company entered into the Supplemental Material Procurement Framework Agreement with Materials Supply Center in relation to the provision of materials sales service by Materials Supply Center to the Company for the period from 1 January 2017 to 31 December 2019. Pursuant to the Supplemental Material Procurement Framework Agreement, the revised maximum aggregated value of materials procurement transactions for the three years ending 31 December 2017, 31 December 2018 and 31 December 2019 are approximately RMB130,000,000, RMB140,000,000 and RMB160,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company and both Shandong Zhaojin Geological and Materials Supply Center are wholly-owned subsidiaries of Zhaojin Group. Shandong Zhaojin Geological and Materials Supply Center are therefore connected persons of the Company and the transactions contemplated under the Exploration Services framework Agreement, Material Procurement Framework Agreement and Supplemental Material Procurement Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Exploration Services framework Agreement and Material Procurement Framework Agreement is more than 0.1% but less than 5%, the Exploration Services framework Agreement, Material Procurement Framework Agreement and the transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements and are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Relevant details were set out in the announcements of the Company dated 18 January 2017 and 20 October 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

CONNECTED TRANSACTIONS

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

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

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

The ESSP was approved at the 2016 third extraordinary general meeting and class meetings on 19 September 2016.

On 31 March 2017, the Company has completed the share registration procedures with China Securities Depository and Clearing Corporation Limited in connection with the issuance of the new domestic shares under specific mandate for the Asset Management Plan.

Relevant details were set out in the announcements dated 29 December 2015 and 19 September 2016 and 31 March 2017 and the circular dated 29 July 2016 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(2) On 9 June 2017, the Company, Shanghai Fosun High Technology (Group) Co., Ltd ("Shanghai Fosun"). and Hainan Mining Co., Ltd ("Hainan Mining"). entered into the Investment Co-operation Agreement to establish the joint venture with respect to the joint venture company ("Joint Venture Company") for the purpose of acquiring (the "Acquisition") 12,561,868 shares ("Sale Shares") of Public Joint Stock Company Polyus (the "Target Company"). As at the date of this report, the Joint Venture Company is held as to 49.90%, 37.37% and 12.73% by Hainan Mining, Shanghai Fosun and the Company, respectively. The Joint Venture Company had entered into the sale and purchase agreement (the "SPA") in connection with the Acquisition on 31 May 2017. Pursuant to the terms of the SPA, the Joint Venture Company agreed to purchase (or through its affiliates purchase) and the vendor agreed to sell the Sale Shares owned by the vendor, representing 10% of the share capital excluding treasury shares of the Target Company, at US$70.6025 per share for a maximum consideration of approximately US$887 million in cash, on the terms and subject to the conditions set out in the SPA. Subject to completion, the Joint Venture Company (or its affiliates) shall have an option to purchase from the vendor, and to require the vendor to sell, all or some of the call option shares under the SPA,

representing up to 5% of share capital of the Target Company. The option to purchase the call option shares can be exercised not later than one year from 31 May 2017.

The Company first acquired 12.73% equity interest in the Joint Venture Company on 18 April 2017 at nil consideration. Such acquisition constitutes a connected transaction of the Company that is exempt from the reporting, announcement and independent shareholders' approval requirement under the Listing Rules. The establishing of the joint venture with Hainan Mining and Shanghai Fosun constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 15 January 2018, the Joint Venture Company and the Seller entered into a deed of release and agreed to terminate the SPA immediately, due to the non-satisfaction of certain condition precedent under the SPA. Each party irrevocably and unconditionally releases and discharges the other party absolutely from all claims, liabilities and demands under or in connection with the SPA.

Hainan Mining and Shanghai Fosun are members of the Fosun group since they are the subsidiaries of Fosun International Limited ("Fosun International"). Fosun International, through certain of its wholly-owned subsidiaries holds approximately 3.29% interest in the issued share capital of the Company. The Company deems the Fosun group to be its connected persons under the Listing Rules given that Fosun International is regarded by Shanghai Yuyuan Tourist Mart Co., Ltd ("Shanghai Yuyuan") to be its controlling shareholder and actual controller. By virtue of the Company deeming the Fosun group to be its connected persons, any transaction entered into between the Company and the Fosun group constitutes a connected transaction of the Company under the Listing Rules.

Relevant details were set out in the announcements dated 31 May 2017, 9 June 2017 and 15 January 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(3) On 11 September 2017, the Company, Zhaojin Group and Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited ("Zhaojin Smelting") entered into the Capital Increase Agreement pursuant to which the parties agreed to increase the registered capital of the Finance Company by RMB1,000,000,000, i.e. from RMB500,000,000 to RMB1,500,000,000, in cash in proportion to their respective shareholding interest in the Finance Company. Accordingly, each of the Company, Zhaojin Group and Zhaojin Smelting contributed RMB510,000,000, RMB400,000,000 and RMB90,000,000, respectively, in respect of the capital increase. Upon completion of the capital increase, the proportion of shareholding interest of the Company, Zhaojin Group and Zhaojin Smelting in the Finance Company will remain unchanged.

Zhaojin Group is the controlling shareholder of the Company and is therefore a connected person of the Company. The Finance Company, being a non wholly-owned subsidiary of the Company held as to 40% by Zhaojin Group, is also a connected person of the Company given that it is a connected subsidiary of the Company and also an associate of Zhaojin Group.

Accordingly, the capital contribution by the Company to the Finance Company constitutes a connected transaction of the Company. As the highest applicable percentage ratio in relation to such capital contribution by the Company is more than 0.1% but less than 5%, such capital contribution by the Company is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Since Zhaojin Group is a connected person of the Company, its capital contribution to the Finance Company (being a subsidiary of the Company) also constitutes a connected transaction of the Company. However, such capital contribution by Zhaojin Group will be exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules given that Zhaojin Group's capital contribution will be made in proportion to its shareholding interest in the Finance Company.

As the highest applicable percentage ratio in relation to the capital contribution by Zhaojin Smelting into the Finance Company is less than 5%, such capital contribution by Zhaojin Smelting is exempt from the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 11 September 2017 published on the website of the Stock Exchange at www.hkexnews.com.hk and the website of the Company at www.zhaojin.com.cn.

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

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

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

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

For related party transaction disclosed in note 43 to the consolidated financial statements which constituted connected transaction under the Listing Rules, the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified opinion containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

In respect of the continuing connected transactions disclosed (the "Disclosed Continuing Connected Transactions"), the Company's auditors confirmed that, with respect to those entered into during the financial year ended 31 December 2017 or prior:

a. nothing has come to its attention that causes it to believe that the Disclosed Continuing Connected Transactions have not been approved by the Board;

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

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

d. nothing has come to its attention that causes it to believe that the Disclosed Continuing Connected Transactions have exceeded the maximum aggregate annual value disclosed in the respective announcements made by the Company in respect of each of the Disclosed Continuing Connected Transactions.

A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

UNDERTAKINGS AND STATEMENTS UNDER THE NON-COMPETITION AGREEMENT

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

The Independent Non-executive Directors have reviewed whether Zhaojin Group has complied with their undertakings under the Non-competition Agreement in respect of its existing or future competing businesses. The Independent Non-executive Directors are of the view that Zhaojin Group has complied with those undertakings.

The Company has also received a statement under the Non-competition Agreement from Zhaojin Group on 2 January 2018, which stated that Zhaojin Group, as the controlling Shareholder of the Company, has complied with their undertakings under the Non-competition Agreement dated 17 November 2006 for the year ended 31 December 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in this report, as at 31 December 2017, none of the Directors or any of their respective associates was engaged or had any interests in a business that competes with or may compete with the business of the Group.

SIGNIFICANT EVENTS

1. On 9 June 2017, the following resolutions, among other things, were passed at the 2016 annual general meeting of the Company:

   (1) the Company's profit distribution proposal for the year ended 31 December 2016 to distribute a cash dividend of RMB0.04 (tax included) per share to all Shareholders. On 30 June 2017, the Company distributed the cash dividend of RMB0.04 (tax included) per share for 2016 to all Shareholders;

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

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

   (4) amendments to article 2.2, article 3.5 and article 3.8 of association of the article of the Company.

   Relevant details of 2016 annual general meeting were set out in the circular and notice both dated 21 April 2017 and voting results announcement dated 9 June 2017, published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. On 9 June 2017, the following proposals (among other things) were reviewed at the domestic shares class meeting and H shares class meeting (collectively "Class Meetings") respectively:

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

   The proposal was approved at the Class Meetings.

   Relevant details of the Class Meetings were set out in the circular and notices dated 21 April 2017 and voting results announcement dated 9 June 2017 published by the Company on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. Distribution of Interest of "14 Corporate Bonds" for 2017

   On 31 July 2017, the Company distributed the interest of "14 Corporate Bonds" in an aggregate sum of RMB36,100,000 for the second distributing year from 29 July 2016 to 28 July 2017.

   Relevant details were set out in the announcement of the Company dated 21 July 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. Principal and interest payment and delisting of "12 Corporate Bonds" for 2017

   On 16 November 2017, the Company paid the principal amount of RMB1,200,000,000 for the current bonds and distributed the interest of "12 Corporate Bonds" in an aggregate sum of RMB59,880,000 for the fifth distributing year from 16 November 2016 to 15 November 2017.

   Relevant details were set out in the announcement of the Company dated 9 November 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Issuance of Super Short-term Bonds

   On 8 August 2017, the Company issued the first tranche of super short-term bonds for 2017 with a par value of RMB0.5 billion for a term of 180 days and bearing interest rate of 4.35% per annum. The proceeds are used as general working capital of the Company.

   Relevant details were set out in the announcement of the Company dated 10 August 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

   On 23 August 2017, the Company issued the second tranche of super short-term bonds for 2017 with a par value of RMB0.5 billion for a term of 180 days and bearing interest rate of 4.45% per annum. The proceeds is used as general working capital of the Company.

   Relevant details were set out in the announcement of the Company dated 24 August 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

6. Issue of Renewable Corporate Bonds

   On 21 April 2017, the Company issued the first tranche of Renewable Corporate Bonds for 2017 with a par value of RMB0.5 billion for a term of 5 years and bearing interest rate of 5.43% per annum. The proceeds is to repay bank loans and replenish liquidity funds of the Company.

   Relevant details were set out in the announcements of the Company dated 18 April 2017 and 20 April 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. Issue of Corporate Bonds

   On 31 October 2017, the Company issued the first tranche of Corporate Bonds for 2017 with a par value of RMB0.5 billion for a term of 5 years and bearing interest rate of 5.10% per annum. The proceeds is to repay bank loans and replenish liquidity funds of the Company.

   Relevant details were set out in the announcement of the Company dated 27 October 2017 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 13 November 2017, the Company issued the second tranche of Corporate Bonds for 2017 with a par value of RMB0.35 billion for a term of 5 years and bearing interest rate of 5.10% per annum. The proceeds is to repay bank loans and replenish liquidity funds of the Company.

Relevant details were set out in the announcements of the Company dated 9 November 2017 and 16 November 2017 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

8. Placing of new H Shares under general mandate

On 29 March 2017, the Company entered into the placing agreement (the "Placing Agreement") with UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited and CMB International Capital Limited (the "Joint Placing Agents"), pursuant to which the Company has agreed to issue a total of up to 174,869,000 new H shares of HK$1.00 each (the "Placing Shares") under general mandate, and the Joint Placing Agents have agreed, on a several basis, as the placing agents of the Company, to procure in an aggregate of not less than six and not more than ten professional, institutional and other investor(s) who are independent third parties, or failing which themselves as principal, to subscribe the Placing Shares at the price of HK$6.93 per Placing Share on the terms and subject to the conditions of the placing agreement (the "Placing").

Completion of the Placing took place on 6 April 2017. The aggregate gross proceeds from the Placing is approximately HK$1,211.8 million and the aggregate net proceeds from the Placing, after deducting the placing commission and other related expenses, is approximately HK$1,205 million. The net proceeds from the Placing are intended to be used for supplementing the working capital of the Company.

The Directors are of the view that the Placing will provide a good opportunity to raise additional funds to strengthen the financial position and broaden the Shareholder and capital base of the Group so as to facilitate its future development. The closing price of the H shares on 28 March 2017, being the last trading day prior to the signing of the Placing Agreement, was HK$7.50.

Relevant details were set out in the announcements of the Company dated 29 March 2017 and 6 April 2017 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

9. Termination of the proposed quotation of shares on National Equities Exchange Quotations System ("NEEQ")

On 30 September 2016, Beijing Dongfang Yanjing Mining Engineering Design Company Limited* ("Dongfang Yanjing"), a non-wholly owned subsidiary of the Company, filed an application for the proposed quotation of the shares of Dongfang Yanjing on NEEQ ("Proposed Quotation").

On 29 November 2017, Dongfang Yanjing filed with NEEQ for the withdrawal of the application for the Proposed Quotation (the "Withdrawal"). As at the date of this announcement, the Company has yet to make a spin-off application under Practice Note 15 of the Listing Rules to the Stock Exchange in relation to the Proposed Quotation ("Spin-off Application"). In view of the Withdrawal, the Company will not be making the Spin-off Application to the Stock Exchange.

Relevant details were set out in the announcements of the Company dated 27 February 2017 and 4 December 2017 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

10. Completion of non-public issuance of domestic shares under specific mandate to implement the ESSP and connected subscriptions

Relevant details were set out on page 48 of this annual report.

DETAILS OF SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END

1. Termination of the acquisition by the Joint Venture Company

On 15 January 2018, Shanghai Pingju Investment Management Co., Ltd. (the "Joint Venture Company") and Polyus Gold International Limited entered into a deed of release and agreed to terminate the sale and purchase agreement (the "SPA") immediately, due to the non-satisfaction of certain condition precedent under the SPA. Each party irrevocably and unconditionally releases and discharges the other party absolutely from all claims, liabilities and demands under or in connection with the SPA.

Relevant details were set out in the announcements of the Company dated 31 May 2017, 9 June 2017 and 15 January 2018 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

2. Changes in Composition of the Board

The Company held the fifteenth meeting of the fifth session of the Board on 6 March 2018, at which Mr. Li Xiuchen resigned from the position of an executive director, the chairman of Safety and Environmental Protection Committee, the president and the authorized representative of the Company, Mr. Cong Jianmao resigned from the position of an executive director, member of Nomination and Remuneration Committee and Safety and Environment Protection Committee, and Mr. Li Shousheng resigned from the position of a non-executive director, member of Strategic Committee and Geological and Resources Management Committee due to re-allocation of their work arrangement; Mr. Liang Xinjun resigned from being the vice chairman of the fifth session of the Board, a non-executive Director and a member of Nomination and Remuneration Committee due to health reason. Their resignations are all with effect from 6 March 2018. Mr. Li Xiuchen, Mr. Cong Jianmao, Mr. Liang Xinjun and Mr. Li Shousheng confirmed that they had no disagreement with the Board and there was no matter relating to their resignation that needs to be brought to the attention of the Shareholders. In accordance with the article of association of the Company, the Board agreed to appoint Mr. Xu Xiaoliang as the vice chairman of the fifth session of the Board of the Company, Mr. Dong Xin as an executive director, the chairman of the Safety and Environment Protection Committee, an executive president and the authorized representative of the Company, Mr. Wang Ligang as an executive director, a member of Nomination and Remuneration Committee and Safety and Environment Protection Committee of the Company, Mr. Liu Yongsheng as a non-executive director, a member of Strategic Committee and Geological and Resources Management Committee of the Company, Mr. Yao Ziping as a non-executive director and a member of Nomination and Remuneration Committee of the Company. Their appointments are all with effect from 6 March 2018.

The details of changes in directors of the Board were set out in the announcement of the Company dated 6 March 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

3. **Changes in Supervisors**

Due to the re-allocation of their work arrangement, Mr. Wang Xiaojie and Ms. Jin Ting have resigned from their position as a shareholder representative supervisor, the chairman of the fifth session of the Supervisory Committee and a shareholder representative supervisor of the Company on 6 March 2018 respectively. Their resignations were both with effect from 6 March 2018. On 6 March 2018, Mr. Li Xiuchen was appointed as a shareholder representative supervisor of the Company and the chairman of the fifth session of the Supervisory Committee. Mr. Xie Xueming was appointed as a shareholder representative supervisor of the Company. Their appointments were both effect from 6 March 2018.

The details of changes in members of the Board of Supervisors were set out in the announcement of the Company dated 6 March 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

4. **Changes in Senior Management**

The Company held the fifteenth meeting of the fifth session of the Board on 6 March 2018, at which Mr. Li Xiuchen resigned from the position of the president of the Company with effect from 6 March 2018. The Board agreed to appoint Mr. Dong Xin as the executive president of the Company. The term of office of Mr. Dong Xin will last till the expiration of the term of the current session of the Board.

The details of changes in senior management were set out in the announcement of the Company dated 6 March 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

The Company held the sixteenth meeting of the fifth session of the Board on 16 March 2018, at which, as nominated by the executive president, the Board has appointed Ms. Wang Wanhong, Mr. Tang Zhanxin and Mr. Wang Chunguang as the Company's vice presidents, for a term commencing from 16 March 2018 to the end of the term for the current session of the Board.

5. **Issue of Corporate Bonds**

On 14 March 2018, the Company issued the first tranche of Corporate Bonds for 2018 with a par value of RMB1.75 billion for a term of 3 years and bearing interest rate of 5.45% per annum. The proceeds are to repay interest-bearing loans and replenish liquidity funds of the Company.

Relevant details are set out in the announcements of the Company dated 12 March 2018, 14 March 2018 and 16 March 2018 respectively on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

LITIGATION AND ARBITRATION

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (collectively the "Code") during the year ended 31 December 2017. No Director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the Code by the Company at any time during the Year.

For details of the Corporate Governance Report, please refer to pages 68 to 95 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

AUDIT COMMITTEE

The Audit Committee of the fifth session of the Board of the Company comprises 1 Non-executive Director and 2 Independent Non-executive Directors, namely Mr. Gao Min, Ms. Chen Jinrong and Mr. Choy Sze Chung Jojo. The chairman of the Audit Committee is Ms. Chen Jinrong.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2017 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it has received the annual confirmation of independence from each of the Independent Non-executive Directors in compliance with Rule 3.13 of the Listing Rules on 16 March 2018. The Company is of the view that the Independent Non-executive Directors remain independent during the Year in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the Shareholders who are entitled to attend the 2017 AGM, the register of members will be closed from 9 May 2018 to 8 June 2018, both days inclusive, during which no transfer of shares will be registered. If the resolution in relation to the distribution of final dividend is approved by the Shareholders at the 2017 AGM and in order to determine the Shareholders who are entitled to receive the final dividend for the year ended 31 December 2017, the register of members will be closed between 14 June 2018 and 19 June 2018, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2017 AGM, Shareholders whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the registered address of the Company at 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC (for holders of domestic shares) for registration at or before 4:30 p.m. on Tuesday, 8 May 2018 (Hong Kong time).

To be qualified for receiving the final dividend for the year 2017, Shareholders whose transfer has not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H shares registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders), or the registered address of the Company at 299 Jinhui Road, Zhaoyuan City, Shandong Province, the PRC (for holders of domestic shares) for registration at or before 4:30 p.m. on Wednesday, 13 June 2018 (Hong Kong time).

AUDITOR

The resolution on cessation of BDO China Shu Lun Pan Certified Public Accountants as the Company's PRC auditors for 2015 and the appointment of Ernst & Young Hua Ming LLP (Special General Partnership) as the Company's PRC auditors for 2015 was considered and approved by the Shareholders at the first extraordinary general meeting of 2015 held on 29 September 2015.

The financial statements of the Group for the year ended 31 December 2017 prepared in accordance with Hong Kong Financial Reporting Standards have been audited by Ernst & Young. The auditor is subject to re-election at the 2017 AGM and the Board resolved to appoint Ernst & Young as the Company's auditor. A resolution in relation to the appointment of Ernst & Young as the auditor of the Company will be proposed at the 2017 AGM.

By the order of the Board
Weng Zhanbin
Chairman

16 March 2018

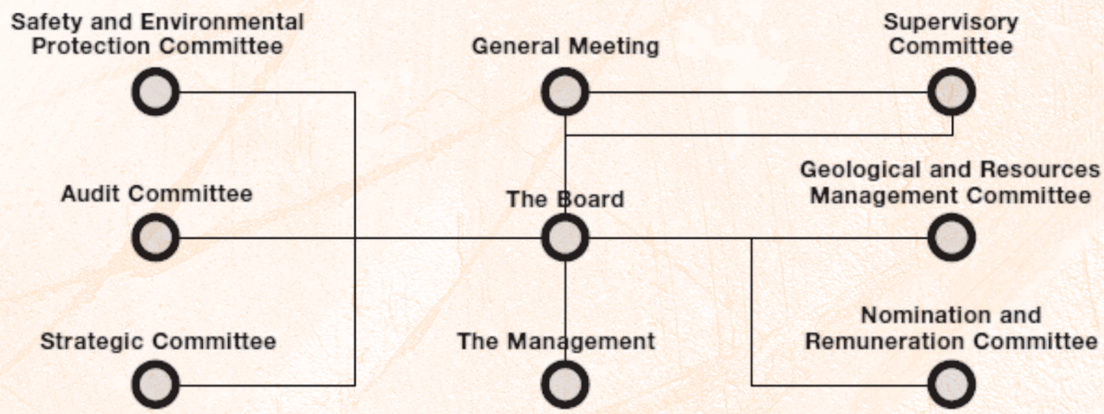
CORPORATE GOVERNANCE PRACTICE REPORT

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

(A) Corporate Governance Practice

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

For the year ended 31 December 2017, the corporate governance structure of the Company is set out as follows:



(B) Securities Transaction of Directors

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

Specific enquiries regarding non-compliance of the Model Code were made to all Directors, and they all confirmed that they had fully complied with the provisions contained in the Model Code during the Year.

(C) The Board

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

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

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

The fifth session of the Board was elected at the extraordinary general meeting convened on 26 February 2016. All members of the fifth session of the Board have a term of three years commencing from 26 February 2016. The Company held the fifteenth meeting of the fifth session of the Board on 6 March 2018, at which Mr. Li Xiuchen resigned from the position of an executive director, the chairman of Safety and Environmental Protection Committee, the president and the authorized representative of the Company, Mr. Cong Jianmao resigned from the position of an executive director, member of Nomination and Remuneration Committee and Safety and Environment Protection Committee, and Mr. Li Shousheng resigned from the position of a non-executive director, member of Strategic Committee and Geological and Resources Management Committee, Mr. Liang Xinjun resigned from the position of the vice chairman of the fifth session of the Board, a non-executive Director and a member of Nomination and Remuneration Committee. The Board agreed to appoint Mr. Xu Xiaoliang as the vice chairman of the fifth session of the Board of the Company, Mr. Dong Xin as an executive director, the chairman of the Safety and Environment Protection Committee, an executive president and the authorized representative of the Company, Mr. Wang Ligang as an executive director, a member of Nomination and Remuneration Committee and Safety and Environment Protection Committee of the Company, Mr. Liu Yongsheng as a non-executive director, a member of Strategic Committee and Geological and Resources Management Committee of the Company, Mr. Yao Ziping as a non-executive director and a member of Nomination and Remuneration Committee of the Company.

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

In the fifth session of the Board, the Company has three Executive Directors responsible for specific management duties, representing 27% of the total number of the Board members. This helps the Board to closely review and monitor the management procedure of the Company. Mr. Weng Zhanbin, the Chairman of the Company, Mr. Dong Xin, the Executive President of the Company and Mr. Wang Ligang, Executive Director of the Company, have extensive experience in the gold mining management industry and are responsible for the business management, formulating and implementing important strategies, making day-to-day business decisions and coordinating overall business operations.

The Company has four Independent Non-executive Directors, representing 36% of the total number of the Board members, which complies with the requirements of Rules 3.10(1) and 3.10A of the Listing Rules. The Company is of the view that the four Independent Non-executive Directors have extensive experience in the industry or financial matters and qualifications to perform their responsibilities, which complies with the requirements of Rule 3.10(2) of the Listing Rules which requires that at least one of the Independent Non-executive Directors shall have appropriate professional qualifications, accounting or related financial management expertise. Independent Non-executive Directors are assumed by the persons who are independent of any Directors, Supervisors, key executives and substantial shareholders (as defined in the Listing Rules) or such individuals without any connection thereto (the independent third party), which complies with the requirement of independence of Listing Rules. According to the Listing Rules, each Independent Non-executive Director shall confirm his/her independence to the Stock Exchange prior to his/her appointment. The Company had received the annual confirmation of independence from each of the four Independent Non-executive Directors confirming their independent status in accordance with Rule 3.13 of the Listing Rules on 16 March 2018. The Company had verified their independence and confirmed that all of the Independent Non-executive Directors were independent individuals. The four independent Non-executive Directors held office in the Audit Committee, Nomination and Remuneration Committee, Geological and Resources Management Committee or Safety and Environmental Protection Committee under the Board.

The Board convenes meetings on a regular basis. A minimum of four meetings with Directors' attendance in person are held each year, and additional meetings will be convened if necessary. The secretary to the Board/company secretary is responsible for assisting the Chairman in compiling agendas. Each Director can request to have discussion topics included in the agenda. The Company convened ten Board meetings of the fifth session of the Board, three general meetings and two class meetings during the Year and the record of attendance of each Director is set out as follows:

	Number of Board meetings convened	Attendance	Of which: attendance by proxy	Number of general meetings and class general meetings convened	Attendance
Executive Directors					
Weng Zhanbin *(Chairman)*	10	9	(1)	5	2
Li Xiuchen *(President)* (resigned with effect from 6 March 2018)	10	10	(0)	5	3
Cong Jianmao (resigned with effect from 6 March 2018)	10	10	(0)	5	3
Non-executive Directors					
Liang Xinjun *(Vice Chairman)* (resigned with effect from 6 March 2018)	10	7	(3)	5	0
Li Shousheng (resigned with effect from 6 March 2018)	10	9	(1)	5	3
Xu Xiaoliang	10	7	(3)	5	0
Gao Min	10	10	(0)	5	3
Independent Non-executive Directors					
Chen Jinrong	10	10	(0)	5	3
Choy Sze Chung Jojo	10	10	(0)	5	3
Wei Junhao	10	10	(0)	5	3
Shen Shifu	10	9	(1)	5	0

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(D) Chairman and Executive President

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

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

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

(E) Non-executive Directors

The fifth session of the Board currently consists of four Non-executive Directors and four Independent Non-executive Directors, accounting for approximately 72.73% of the total number of the Board members. Non-executive Directors include Mr. Xu Xiaoliang, Mr. Liu Yongsheng, Mr. Yao Ziping and Mr. Gao Min, and Independent Non-executive Directors include Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu.

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

Pursuant to the Articles of Association, Non-executive Directors and Independent Non-executive Directors may be re-elected on the expiry of the three-year term commencing from the date of their respective appointment.

(F) Nomination and Remuneration Committee

As at 31 December 2017, the fifth session of Nomination and Remuneration Committee consists of five members, among whom the Chairman is Mr. Choy Sze Chung Jojo, an Independent Non-executive Director. Other members are Mr. Cong Jianmao*, being an Executive Director, Mr. Liang Xinjun*, being a Non-executive Director, and Ms. Chen Jinrong and Mr. Wei Junhao, both being Independent Non-executive Directors.

* Mr. Cong Jianmao and Mr. Liang Xinjun have resigned with effect from 6 March 2018.

The major terms of reference of the Nomination and Remuneration Committee are set out as follows:

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

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

(3) to conduct examination and make recommendations on candidates for Directors and senior management;

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

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

(6) to conduct annual performance assessment of senior executives during their terms of office and report to the Board for consideration of their reappointment; and

(7) other duties authorized by the Board.

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

Working procedures of the Nomination and Remuneration Committee include:

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

2. to extensively look for candidates of Directors and senior management within the Company and its controlled (holding) companies as well as in the recruitment market;

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

4. to implement of the policy of Directors' remuneration, evaluate performance of Executive Directors and approve contractual terms stipulated in service contracts of Executive Directors. Remuneration of Directors and Supervisors for the year ended 31 December 2017 are detailed in note 8 to the financial statements on pages 172 to 176 in this annual report.

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

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

Board Diversity Policy

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

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

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

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

	Number of meeting	Attendance	Of which: attendance by proxy
Choy Sze Chung Jojo *(Chairman)*	1	1	(0)
Liang Xinjun (resigned with effect from 6 March 2018)	1	1	(0)
Cong Jianmao (resigned with effect from 6 March 2018)	1	1	(0)
Chen Jinrong	1	1	(0)
Wei Junhao	1	1	(0)

In 2017, the Nomination and Remuneration Committee considered and passed the Resolution on "Appraisal of 2017 Annual Remuneration of the President and Senior Management".

Senior management's remuneration

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

	Number of Individuals 2017	2016
Below HK$1,000,000 (approximately equivalent to RMB835,900)	5	5
HK$1,000,001 – HK$1,500,000 (approximately equivalent to RMB835,901 – RMB1,253,850)	0	0
Total	5	5

(G) Auditor's remuneration

The auditor appointed by the Company is nominated by the Board and approved in the general meeting. There was no disagreement between the Board and the Audit Committee on the selection and the appointment of the auditor. Their remuneration was determined by the Board as authorised by the general meeting. During the Year, the remuneration paid to the auditors for their auditing services to the Group was RMB2,800,000 (2016: RMB2,800,000).

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

(H) Audit Committee

To achieve best corporate governance practice, the Company established the Audit Committee on 16 October 2004. The committee members have necessary professional qualifications and experience in financial matters and are familiar with the accounting and financial affairs, so that they can perform functions and powers in full, in compliance with the requirement of the relevant Listing Rules. The members of the Audit Committee shall have a term of office of three years.

For the year ended 31 December 2017, the Audit Committee comprised of three members, with Ms. Chen Jinrong, being an Independent Non-executive Director, as the Chairman. Other members were Mr. Gao Min, being an Non-executive Director, and Mr. Choy Sze Chung Jojo, being an Independent Non-executive Director.

The major working system and terms of reference of the Audit Committee are set out as follows:

(1) to propose the appointment, reappointment or change of external auditors, approve the remuneration and terms of the external auditors, and handle with any issues regarding the resignation or dismissal of the external auditors;

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

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

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

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

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

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

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

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

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

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

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

	Number of meetings	Attendance	Of which: attendance by proxy
Chen Jinrong *(Chairman)*	2	2	(0)
Choy Sze Chung Jojo	2	1	(1)
Gao Min	2	2	(0)

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

1. reviewed the Group's annual report and final results announcement for the year ended 31 December 2016;

2. reviewed the Group's interim report and interim results announcement for the six months ended 30 June 2017;

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

4. supervised internal audit work of the Company;

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

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

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

(I) Directors' Responsibilities for the financial statements

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

In preparing the financial statements for the year ended 31 December 2017, the Directors have selected appropriate accounting policies and applied them consistently; made prudent and reasonable judgments and estimates; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records in order to make reasonable and accurate disclosure of the financial position of the Group at any time.

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

(J) Strategic Committee

The Company has established the Strategic Committee of the Board which is mainly responsible for conducting research and proposing recommendations on the strategies of long-term development and material investment decisions of the Company.

For the year ended 31 December 2017, the Strategic Committee comprised three members, with Mr. Weng Zhanbin, being an Executive Director, as the chairman. Other members included Mr. Xu Xiaoliang and Mr. Li Shousheng*, both being Non-executive Directors.

* Mr. Li Shousheng has resigned with effect from 6 March 2018.

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

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

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

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

4. other matters authorised by the Board.

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

	Number of meeting	Attendance	Of which: attendance by proxy
Weng Zhanbin *(Chairman)*	1	1	(0)
Xu Xiaoliang	1	1	(0)
Li Shousheng (resigned with effect from 6 March 2018)	1	1	(0)

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

(K) Geological and Resources Management Committee

The Geological and Resources Management Committee of the Board is mainly responsible for the management of geological exploration and gold mineral resources, providing accurate storage basis to the Company, reviewing geological exploration plans, the usage condition of new storage and proved storage, enhancing the decision making ability, reducing operation risk of the enterprise and enhancing the corporate governance structure.

For the year ended 31 December 2017, the Geological and Resources Management Committee comprised three members, with Mr. Wei Junhao, being an Independent Non-executive Director, as the chairman. Other members were Mr. Li Shousheng*, being a Non-executive Director, and Mr Shen Shifu, being an Independent Non-executive Director.

* Mr. Li Shousheng has resigned with effect from 6 March 2018.

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

1. standardizing the Company's classification of gold mineral reserves, the scope of application of the reserves classification, the standards on preparation of geological exploration summary report and the procedural requirement in submitting the reserves report in accordance with relevant national requirements;
2. analyzing the situation of gold mine resources, and establishing long-term strategies and year plan of geological exploration and utilisation of reserves;
3. reviewing annual utilisation of reserves and the quantity of reserves, and reviewing new reserves of various mines; and
4. other matters authorised by the Board.

During the Year, the Geological and Resources Management Committee convened one meeting chaired by the chairman of the committee to discuss the amount of new geological reserves of the Company in 2017. The record of attendance of each member of the committee is set out below:

	Number of meeting	Attendance	Of which: attendance by proxy
Wei Junhao *(Chairman)*	1	1	(0)
Li Shousheng (resigned with effect from 6 March 2018)	1	1	(0)
Shen Shifu	1	1	(0)

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

(L) Safety and Environment Protection Committee

The Safety and Environment Protection Committee of the Board is mainly responsible for conducting research and proposing recommendations on material safety and environmental protection decisions of the Company.

For the year ended 31 December 2017, the Safety and Environment Protection Committee comprised three members, with Mr. Li Xiuchen*, being an Executive Director, as the chairman. Other members included Mr. Cong Jianmao*, being an Executive Director, and Mr Shen Shifu, being an Independent Non-executive Director.

* Mr. Li Xiuchen and Mr. Cong Jianmao have resigned with effect from 6 March 2018.

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

1. conducting research on significant safety and environmental protection investment projects during the Year;
2. formulating the long-term plan and annual plan of safety and environmental protection;
3. carrying out research and examination on the implementation of the above matters; and
4. other matters authorised by the Board.

During the Year, the Safety and Environment Protection Committee convened one meeting chaired by Mr. Li Xiuchen, the chairman of the committee. The committee reviewed and passed the Summary of Safety and Environmental Protection Work for 2017 and reviewed and passed the Plan on Safety and Environment Protection Work for 2018.

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

	Number of meeting	Attendance	Of which: attendance by proxy
Li Xiuchen *(Chairman)* (resigned with effect from 6 March 2018)	1	1	(0)
Cong Jianmao (resigned with effect from 6 March 2018)	1	1	(0)
Shen Shifu	1	1	(0)

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

CORPORATE GOVERNANCE FUNCTION

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

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

MONITORING MECHANISM

Supervisory Committee

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

The fifth session of the Supervisory Committee was established by election at the extraordinary general meeting convened on 26 February 2016. The committee comprises Mr. Wang Xiaojie, Ms. Jin Ting and Ms. Zhao Hua. For the year ended 31 December 2017, members of the fifth session of the Supervisory Committee comprised Mr. Wang Xiaojie, Ms. Jin Ting and Ms. Zhao Hua, among whom Ms. Zhao Hua is an employee representative Supervisor and Mr. Wang Xiaojie is the chairman of the Supervisory Committee. The number of members and composition of the Supervisory Committee of the Company were in compliance with the laws and regulations.

For the change in supervisors on 6 March 2018, please refer to page 65 of this annual report.

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

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

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

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

Internal control and internal audit

The Board acknowledges its responsibilities for the Group's risk management and internal control systems and has established and maintained the Company's risk management and internal control systems for reviewing the effectiveness of relevant financial, operating and supervisory control procedures to ensure that all internal control measures are in place to safeguard the Group's assets and to comply with relevant regulations and the best practices. The Board is also aware of the fact that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Board authorises the management of the Company to implement the risk management and internal control systems mentioned above, and the effectiveness of which is reviewed by the Audit Committee.

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

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

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

3. ensuring compliance with relevant legislations and requirements.

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

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

The Company regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various auxiliary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately disclosed, and the dissemination of such information is efficiently and consistently made.

The Board reviewed the risk management and internal control systems at least once a year and conducted a comprehensive review of the effectiveness of the risk management and internal control systems of the Company during the Year, which included the Company's financial control, operation control, compliance control and risk management function, etc. To further promote effective internal control, the Board set up the following major procedures:

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

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

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

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

During the Year, the Company continued to appoint an internal control and assessment advisor who is an independent third party to conduct detailed assessment about the risk management and the internal control systems for the Year. According to the assessment report by the internal control and assessment advisor, the Board had reviewed the risk management and the internal control systems of the Company and its subsidiaries and confirmed the effectiveness of these systems and these systems are adequate, and the Audit Committee had not found material deficiencies on the risk management and the internal control systems.

Chief Financial Officer

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

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

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

Relationship with Shareholders, Investors and Other Concerned Parties

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

General Meeting

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

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

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

Procedures for Shareholders to Propose a General Meeting

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

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

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

Procedures for Shareholders to Raise Enquiries for the Board

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

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

Procedures for Shareholders to Make Proposals at the General Meeting

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

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

In 2017, the Company convened one annual general meeting, one domestic shares class meeting, one H shares class meetings and two extraordinary general meetings.

Controlling Shareholder

As at 31 December 2017, 1,137,481,195 domestic shares and 43,890,000 H shares were held by Zhaojin Group, the controlling Shareholder of the Company, representing approximately 36.68% of the total issued ordinary shares of the Company.

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

Company Secretary

Ms. Mok Ming Wai was appointed as Company Secretary. She is a director of TMF Hong Kong Limited. Mr. Wang Ligang, secretary to the Board of the Company, is the main internal liaison between her and the Company. In compliance with Rule 3.29 of the Listing Rules, during the year ended 31 December 2017, Company Secretary, Ms. Mok, has received not less than 15 hours of relevant professional training.

Independence from Zhaojin Group

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

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

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

- **Production and operation independence:** Since its incorporation, the Group has operated its business independently from the Zhaojin Group, and has not shared any of its production teams, production facilities and equipment, or marketing, sales and general administration resources with the Zhaojin Group or its associated companies, except as described in the section of "Connected Transactions and Continuing Connected Transactions" with respect to services by the Zhaojin Group, which were conducted on an arm's length basis and on normal commercial terms. The Zhaojin Group operates gold bullion trading agency business through its SGE membership and had approximately 606 customers in addition to the Company as at 31 December 2017 (as at 31 December 2016: approximately 556 customers).

  The refinery business owned by the Zhaojin Group through its majority interest in Zhaojin Refinery provides gold refinery services to gold production enterprises and had approximately 298 customers in addition to the Company as at 31 December 2017 (31 December 2016: approximately 305 customers). Under the terms of the agreements with the Zhaojin Group for these services, the Company may terminate the agreements at any time and the Company is not prohibited from engaging other service providers during the term of the agreements.

In the Yantai region, there are more than 5 other qualified refineries and more than 6 other SGE members that the Company can readily engage on comparable terms as those which the Company has agreed with the Zhaojin Group to provide the Company with refinery or trading agency services, if necessary.

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

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

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

Non-Competition Agreement and Excluded Businesses

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

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

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

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

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

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

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

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

In 2012, Zhaoyuan Gold Smelting Company Limited, a wholly-owned subsidiary of Zhaojin Group, successfully repurchased the 20% equity interests in Shandong Guoda Gold Co., Ltd. held by China Gold Development Group (HK) Limited, having its shareholding increased to 65.22% and making it the biggest controlling shareholder of Shandong Guoda Gold Co., Ltd.

In 2017, Zhaojin Group had transferred all of its 100% equity interest in Zhaoyuan Gold Smelting Company Limited to Zhaoyuan Municipal State-owned Assets Supervision Bureau. The Non-competition Agreement made between the Company and Zhaojin Group on 17 November 2006 for the option to acquire the 65.22% equity interest in Shandong Guoda Gold which held by Zhaoyuan Gold Smelting Company Limited lapsed accordingly.

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

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

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

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

The Company has also received a statement under the Non-competition Agreement from Zhaojin Group dated 2 January 2018, which stated that Zhaojin Group, as the controlling Shareholder of the Company, has complied with its undertakings under the Non-competition Agreement dated 17 November 2006 for the year ended 31 December 2017.

Investor Relations

With the constant advancement and perfection of the systematization of capital market becoming more mature and international, the meaning and importance of investor relations management of listed companies becomes more obvious. The Company insists on attaching great importance to investor relations management and considers it as one of main routine works. In 2017, the Company accommodated 5 batches of investor visitors and held more than 10 conference calls with analysts and investors. The Company successfully launched the roadshow for the announcement of its interim and annual results, and held more than 40 investor meetings in different cities such as Hong Kong, Shenzhen and Singapore. We also organized on-site presentations and one-on-one communication meetings with investors relating to our regular report and private placement of H Shares. In particular for the private placement of H Shares, the management visited important investors in Hong Kong and Singapore to conduct on-site presentation and pricing inquiry, gaining full recognition from and maintaining good relationship with investors. The Company further consolidates its image among the investors by proactive and effective communications between the institutional investors and Shareholders through different channels and means. In the meantime, the Company also maintained a sound relationship with the media and received warm positive coverage from mainstream media. This helped the Company in establishing a healthy, favorable and positive image for its investors. In view of the remarkable performance in investor relations management, the Company was honorably awarded "2017 China Securities Golden Bauhinia Award - Best Listed Company with Investor Relations Management".

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

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

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

Change in Constitutional Documents

The Company reviewed and approved the revision of Articles 2.2, 3.5 and 3.8 of the Articles of Association at the annual general meeting, H Shares Class Meeting and Domestic Shares Class Meeting held on 9 June 2017. The revised Articles of Association took effect upon completion of registration with relevant administration of industry and commerce and was uploaded to the websites of the Stock Exchange and the Company on 30 June 2017.

Other Interested Parties

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

Continuous Enhancement of Corporate Governance

Good corporate governance is for catering to the basic requirements of regulators on listed companies and, more importantly, meeting the inherent needs for the development of the Company. A scientific and standardized system, mutual supervisory regime and effective enforcement are essential to the healthy and sustainable development of the Company. The Company strictly observes the laws and regulations and supervision requirements of the PRC and Hong Kong so as to step up efforts to improve the transparency and independence of its operations, to enhance the corporate governance standard, to realize steady development, and to constantly enhance the Shareholders' value.

Training for the Directors

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

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

Details of the training attended by the Directors in 2017 are set out below:

Director	Position	Participation of Training Types
Weng Zhanbin	Executive Director, Chairman	A, B, C, D
Li Xiuchen	Executive Director (resigned with effect from 6 March 2018)	A, B, C, D
Cong Jianmao	Executive Director (resigned with effect from 6 March 2018)	A, B, C, D
Liang Xinjun	Non-executive Director (resigned with effect from 6 March 2018)	A, B, C, D
Li Shousheng	Non-executive Director (resigned with effect from 6 March 2018)	A, B, C, D
Xu Xiaoliang	Non-executive Director	A, B, C, D
Gao Min	Non-executive Director	A, B, C, D
Chen Jinrong	Independent Non-executive Director	A, B, C, D
Choy Sze Chung Jojo	Independent Non-executive Director	A, B, C, D
Wei Junhao	Independent Non-executive Director	B, C, D
Shen Shifu	Independent Non-executive Director	B, C, D

Training Types

A. Training provided by regulators
B. Attending seminars/forums
C. Reading economic, financial and business articles, as well as articles and information related to the duties of a director and the Company
D. Conducting on-site inspections on the Company's businesses

A. ENVIRONMENT

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection to ensure our compliance of prevailing environmental protection laws and regulations. The Group adheres to the environmental principle of "complying with environmental regulations, preventing environmental pollution; promoting energy conservation and waste reduction, making rational use of resources; emphasizing on continuous improvement and developing green mines" while commit itself to the environmental protection concept of "building a harmonious relationship between gold/silver mining and the environment", strictly complying with the emission standard of "waste water, waste gas, waste residue and noise", prohibiting excessive discharge of pollutants and enhancing ecologic greening construction of mines.

Emission of Pollutants Meeting the Standards

In 2017, the Group strictly observed the laws and regulations in relation to environmental protection, including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) and Law of Prevention and Control of Water Pollution of the People's Republic of China (中華人民共和國水污染防治法), and firmly establish environmental awareness. Based on these requirements, the Group developed environmental protection measures, and established a reliable environmental protection system. We also strictly followed the standards of the PRC such as the Standard for Pollution Control on General Industrial Solid Waste Sites (GB18599-2001) (《一般工業固體廢物貯存、處置場污染控制標準》and the Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-2004) (《大氣污染物綜合排放標準》), to prevent and control the pollution levels, ensuring all emissions from production or other activities comply with the standards.

Major emissions of the Group during the reporting period are set out as below:

Emission	Volume of emission
Waste gas	29,800,000 m^3
Waste water	490,000 tons
Greenhouse gas	Nil

No hazardous waste was discharged during our production process. The non-hazardous waste was mainly residue and waste mining rocks, with volume of 4 million tons and density of 1.35 ton/m^3. Most of which were used for filling pits while a small portion stored in qualified tailing dams.

For waste gas, we have adopted three-level absorption + primary de-fog to minimise the emission of sulfur dioxide and nitrogen oxide, with heating boilers upgraded and coal-fired boilers replaced by air energy boilers. For waste water, an underground sewage treatment plant was built for all enterprises. A sewage treatment processer using the technology of "primary sedimentation + sodium meta synthesis method for removing cyanide + electrocoagulation + anaerobic hydrolysis acidification + biological contact oxidation" which could purify cyanide-containing waste water, heavy metal waste water and household waste water. After treatment, more than 85% of the waste water was re-used for production, while the remaining 15% was discharged complying the emission standards after advanced treatment.

Usage of Resources

The Group primarily uses mineral resources, which are the basis for the survival of the Group and the driving force for its development. Other resources used include water, electricity, diesel and coal. Our usage in 2017 was as follows:

Resource type	Usage
Water	Among total consumption of 11,960.58 tons, 10,800.40 tons was recycled water, and only 1,160.18 tons was fresh water
Electricity	Total consumption was 64,208.92 million kwh, and integrated power consumption was 36.68 kwh/ton
Diesel	4,137.19 tons
Coal	32,883.11 tons

No packing materials were used during the year.

The Group always attaches great importance to, and encourages, conservation and efficient use of resources. We have broken the traditional economic development model and focus on the development of circular economy. In 2017, we put great effort in promoting energy-saving in all mines through replacing large energy-consuming electrical equipment, and actively applying four new technologies, continuously improving production processes and preventing waste of resources. Our annual energy consumption was 8.32 kg/ton, decreased by 51.72% compared to 2016. During the reporting period, the Group strengthened its energy conservation awareness, signed energy conservation target commitments at every level, and implemented the responsibility of energy conservation and emission reduction. Five major measures were adopted: first, we decomposed the energy conservation target layer by layer, explored the internal potential, assessed strictly and assigned energy conservation segmented tasks. Second, we prohibited purchasing electromechanical equipment listed in "Directory of Eliminated Items", and implemented one-vote responsibility system of energy conservation and emission reduction targets. The newly purchased motor must reach a level of 2 or above energy efficiency. The third one was to strengthen peak-valley electricity management and improve the relevant units of peak-valley electricity management level, so as to ensure the whole company saving capital from electricity saving and load regulation to more than RMB1,500,000. Fourth, we dedicated to basic tasks of energy conservation and carried out energy conservation activities based on the "Seven in One" energy conservation working methods. Fifth, we continued to launch direct purchase of electricity, and the unit price of electricity was reduced by RMB0.0376 per KWH, and the cumulated savings in electricity was RMB28.476 million.

There was no issue in sourcing water during the year.

Construction of Ecological Civilisation

The Group adheres to the targets of protecting ecological environment, reducing resources consumption and pursuing sustainable economy, strictly adhered to the three "red lines" for safety, ecological and environmental, practises and implements the belief of green ecology throughout the entire process of developing and utilising mine resources. The construction of green mines has been given top priority both in the overall development agenda of the Group as well as sustainable development strategy and has been earnestly adopted and implemented, and achieved positive results. In 2017, with accumulative injection of more than RMB120 million, the Group deepened the governance of hidden danger investigation and developed safety awareness to continuously ensure the safety and stability. The Company further added over 68 hectares of afforestation areas and maintained a long-term sustainable greening vitality.

Environmental and Natural Resources

Mining and processing of mineral resources are the core business of the Group, while mineral resources are the basis of our business and our major consumption resources. The Group reduces the consumption of mineral resources by increasing the recovery of mineral resources, and offsets the consumption of mineral resources by increasing the reserves of mineral resources; reduces the loss of ore and increases the recovery rate of ore by increasing the density of high-grade ore drilling; the recovery rate of ore processing is over 90% as the Group has adopted scientific methods of selection to raise the effectiveness in resource using; strengthens the implementation of geological exploration work through integrating the surrounding mineral rights. Our new gold resources accounted for 60.537 tons (approximately 1,946,300 ounces). According to JORC Code, as of 31 December 2017, the Company had resources of 1,251.77 tons (approximately 4,024.53 ounces).

B. SOCIAL RESPONSIBILITIES

Employment and Labour Standards

The Group has been adhering to the Labour Law of the PRC (中華人民共和國勞動法), the Employment Contract Law of the PRC (中華人民共和國勞動合同法) and other relevant laws and regulations with an aim to uphold fair, non-discriminatory and diversified employment policies. We have formulated and implemented the System on Human Resources Management (人力資源管理制度) and the Measures on the Management of the Salary System (薪酬體系管理辦法) and other relevant systems to conduct fair and just treatment to every employee. We uphold the principle of "equal pay for equal work" which ensures equal employment opportunities of females, the disabled and other underprivileged communities. The Group refuses to hire employees under the age of 18 and no employee receive a salary lower than the minimum level stipulated in the laws and regulations. We implement the talent strategy of "introduction, borrowing, cultivation and deployment" with the main focus on internal cultivation in relation to various technological talents and talents in different functions in business management institutions. Through measures including position shifting and off-the-job training, our employees can leverage their talents to the fullest and be the fittest candidates of their positions while being entitled to equal promotion opportunities. Salaries are determined in accordance with the relevant level of position and the range of which is being approved according to the aggregate scores based on the work experience, education background and job title of the employees and the assessment results of the annual performance evaluation. The right to rest of our employees is fully protected and the system of "8-hour work day" is under strict implementation. Employees enjoy equal chances to go on vacations, including statutory leaves, sick leaves, wedding leaves, maternity leaves, home leaves and bereavement leaves. Forced labour of any kind is forbidden. Employees are entitled to relevant remuneration during their vacation and when they leave their job earlier or officially retire. Employees who fail in the annual performance evaluation or open assessments, or are held responsible for misconduct or refuse to undertake any job arrangement would be demoted or dismissed. As of 31 December 2017, the Group had a total of 6,512 employees (2016: 6,001 full-time employees), all of which are full time employees hired through open recruitment and intake of graduates in a fair manner.

Statistics of employees by region, sex and age as of 31 December 2017

	Male	Female	Under 30 years old	30-39 years old	40-49 years old	Over 50 years old	Subtotal
Shandong	4,256	1,046	1,097	1,533	1,643	1,029	5,302
Xinjiang	448	84	246	98	122	66	532
Gansu	285	36	149	61	85	26	321
Inner Mongolia	70	13	34	14	29	6	83
Other region	255	19	102	71	72	29	274
Total	5,314	1,198	1,628	1,777	1,951	1,156	6,512

Health and safety

Although our industry is under strict supervision of the government authorities, risks of getting injured during the processes of mining and processing may still exist. Hence, the Group placed great importance on the health and education on safety of employees and adopted various measures to eliminate safety weaknesses in strict compliance with the Law on the Prevention and Control of Occupational Diseases of the PRC (中華人民共和國職業病防治法), Provisions on the Supervision and Administration of Occupational Health at Work Sites (工作場所職業衛生監督管理規定) and relevant laws and regulations. All employees must undergo relevant safety training before starting their work.

On-site management was held in high regard by the Group in 2017 with constant innovation in management, enhancement of the level of regulation and standardization of on-site management and elimination of on-site weaknesses with the goal of creating a healthy, safe working environment for employees. The Group placed much emphasis on the emergency response plans and joint exercises. In 2017, comprehensive amendment was conducted to the emergency response plans, specific plans and on-site handling plans, emergency equipment was fully upgraded, over 60 joint rescue exercises were conducted and robust rescue teams for mines made up of professional full-time and part-time employees were formed in every enterprise in strict compliance with national standards in 2017 in order to enhance the actual emergency response capabilities and no fatal accident happened. The Group will continue to ensure the health and security of our employees in all aspects.

Development and training

The Company attached great importance to the long-term occupational planning and development of its employees, formulated programs for occupation and qualification training for the development of both the employees and the Company, bore training cost for its employees and created an agreeable environment for occupational development, aiming at providing multi-level occupational training with continuous policy, organizational and financial support. In 2017, the Company enacted the system of regular training meetings to provide training on a weekly basis. In addition, various forms of training were provided throughout the Group, including management training for middle and senior management, induction training for new employees, professional training on geological exploration and safety training, with 368 rounds of training on safety alone. 536 safety management personnel participated in the qualification training on safety, 2,512 personnel who engaged in special operations took part in professional training. The number of attendance of cross-functional safety training (with the construction team included) reached over 20,000. The training costs amounted to RMB2,666,800 during the year (2016: RMB2,804,900).

Supply chain management

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The Company formulated and implemented the Logistic Management System of Zhaojin Mining Industry Company Limited (招金礦業股份有限公司物流管理制度) for the regulation of logistics management and procurement, pursuant to which the required materials of each mine are procured, stored and deployed in a centralized manner. The Group monitors the tendering and procurement process closely so that the entire process would be conducted in an open, fair and just manner. The procurement cost is lowered for the sake of higher cost-efficiency. All procurement is conducted in the form of contract. The Company supervised performance of the contract terms and controlled the capital payment in a strict manner. Meanwhile, a supplier roster is in place for the Company's regular assessments and updates and regular analysis of the level of inventory of materials, types of products procured and the consumption of materials to ensure the security of the supply chain.

In 2017, 1,027 suppliers of the Group were from China, mainly distributed in Shandong, Xinjiang, Gansu, Shanghai, Zhejiang, Beijing, Shaanxi, Hebei and other regions. We gathered the viewpoints and opinions from all customers through various methods and channels and made timely improvements and maintained good relationships with the suppliers during the Year.

Anti-corruption

In 2017, the Company formulated and implemented the new Measures on the Assessment of the Corporate "Honest Compliance" Index (《企業「廉潔合規」指數評價辦法》) in strict compliance with the relevant laws and regulations such Honest Self-discipline Rules of the Communist Party of China (《中國共產黨廉潔自律準則》) and Discipline Regulations of the Communist Party of China (《中國共產黨紀律處分條例》), combined it with production and operation, emphasising accountability on supervision and disciplines, enhanced the level of responsibilities to be borne and increased accountability efforts to form an effective deterrent, and regulated the use of power on the job with an aim to create a favourable atmosphere of righteousness and integrity. The Company has adhered to promote the education of anti-bribery and anti-corruption and initiated various innovative education methods. The Company organized seminars to study and learn the spirit of "the 19th CNG" and actively implement activities of "learning the rules and discipline of the Party", in order to establish the spirit of "being compliance and rejecting bribery and corruption". Also, the Company has strengthened its platform of "cooperation between regulator and enterprises" and jointly implemented the activities of "Anti-bribery and anti-corruption education for the grassroots". Educating and reminding our management personnel at every levels of insisting on integrity, the Company has established a long-term effective clean system of anti-bribery and anti-corruption to advocate the concept of being integrity. The Company has strengthened efforts in the investigation and handling of cases of violation in rules and disciplines and conducted, align with top ten issues of the Company, discipline checks on its domestic and oversea subsidiaries. Once issues were found during the checks, solutions would be provided and adjustments would be made to prevent the occurrence of such issues again.

Product Responsibilities

The Group has always been attaching great importance to product quality and reputation, and has formulated and enacted in a strict manner the Regulations on the Management of Product Sales (《產品銷售管理規定》) to ensure the provision of quality products and services to the customers. The Company has always strictly complied with the Regulations of the People's Republic of China on the Control of Gold and Silver (《中華人民共和國金銀管理條例 》), and the passing rates of our standard gold bullions and other products sold to customers including the SGE have been reaching 100%. The quality of our products and services receives full recognition from our customer without any complaints thereon.

Supporting Community Development

In 2017, the Company and its subsidiaries are committed to making contributions to the society, with a mission of supporting local economic and social development; we proactively adhere to the concept of coordinating the development of "enterprise, employees and community", and to actively fulfill our social responsibilities with the target of building a mine with four distinctive features. The Company has been undergoing operations subject to laws and in full compliance with government policies by fulfilling its tax obligation and create job opportunities for the local labour market, which consequently contributed significantly to local fiscal revenue.

In 2017, through "Ten Pro-people Projects", high importance was attached to community construction with vigorous effort on the development of public welfare and education in the places where our projects located. The Company, together with the local government, regarded improving local people's living standard as a major task for community construction of the year and provided labor, equipment and special capital supports to further assist the target villages in terms of irrigation, road hardening, low-income family relief and financing for poor students, which significantly accelerated the development of the local communities. During the Year, the Company invested a total of over RMB37 million for supporting education development and community building, having turned the social responsibilities of "corporate citizen" into actions, and made an effort in making contributions to the society, which further consolidate the local community relations.

AWARDS TO THE COMPANY IN 2017

- Honorary title of "Listed Company with Best Investor Relations Management" in Golden Bauhinia Award 2017
- 2012-2017 Benchmarking Enterprises of Brand Culture Construction
- Best Case Award of 2017 China Excellence IR

To the Shareholders,

During the Year, complied with the relevant requirements of the Company Law, the Articles of Association, Rules of Procedure of the Supervisory Committee, and abiding by attitude with honesty, diligence and dedication, the Supervisory Committee of the Company independently exercised its authority according to law, and in turn better protect the legal rights and interests of shareholders, the Company and its employees. The Supervisory Committee of the Company inspected and supervised the Company's production and operation, major matters, financial position, and due diligence of the Directors and senior management members, which promoted the normal operation of the Company.

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

1. LEVEL OF WORK OF THE SUPERVISORY COMMITTEE

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

The 5th Meeting of the Fifth Session of the Supervisory Committee on 6 January 2017

Reviewing and approving proposals of the 2017 production and management plan and increasing capital in the same proportion with Finance Company.

The 6th Meeting of the Fifth Session of the Supervisory Committee on 17 March 2017

Reviewing and approving the annual results announcement and the annual report of the Group for 2016.

The 7th Meeting of the Fifth Session of the Supervisory Committee on 18 August 2017

Reviewing and approving interim results announcement, interim report, the proposal of profits allocation of the Group in 2017 and other resolutions.

The 8th Meeting of the Fifth Session of the Supervisory Committee on 20 October 2017

Reviewing and approving the third quarter results of the Group in 2017.

2. LEVEL OF COMPLIANCE OF THE COMPANY'S OPERATIONS WITH LAWS

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

3. PERFORMANCE OF DUTIES BY THE DIRECTORS, GENERAL MANAGER AND OTHER SENIOR MANAGEMENT

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

4. REPORT OF THE BOARD

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

5. FINANCIAL REPORTING

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

6. CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

7. THE INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE REGARDING THE ACQUISITIONS MADE BY THE COMPANY

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

8. LITIGATIONS

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

In 2018, the Supervisory Committee will continue to enhance its capabilities and commitments. Also, it will abide by principles, and fully discharge its duties in the manner of adventurous, fair and reasonable. In the meantime, according to the related requirements of the PRC Company Law and the Articles of Association, the Supervisory Committee will further improve the corporate governance structure, enhance the sense of self-discipline and integrity, and reinforce the supervision, to assume the responsibility of protecting the Shareholders. We will carry out our duties fully and work together with the Board and the Shareholders to propel the implementation of regulated operation of the Company, to achieve sustainable and healthy development.

Li Xiuchen
Chairman of the Supervisory Committee

16 March 2018

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

OPINION

We have audited the consolidated financial statements of Zhaojin Mining Industry Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 112 to 238, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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"), and we have fulfilled our other ethical responsibilities in accordance with 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters :	How our audit addressed the key audit matter
Impairment of goodwill	
The carrying value of goodwill amounting to RMB780 million as at 31 December 2017 has been allocated to each of the Group's cash-generating units ("CGUs") which is the corresponding subsidiary acquired. In accordance with HKFRSs, the Group is required to perform an impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amounts of the respective CGUs to which the goodwill is allocated. Management performed the impairment test using the value in use calculation based on the discounted cash flows. This matter was significant to our audit because the impairment test process was complex and involved significant judgements. The Group's disclosures about impairment of goodwill are included in Section *Business combinations and goodwill* in note 2.4 and *estimation uncertainty* in note 3, and note 14 to the consolidated financial statements, which specifically explains the key assumptions management used for the value in use calculations.	Our audit procedures included, among others, considering the appropriateness of allocation of goodwill to CGUs; evaluating the key assumptions and methodologies used by the Group with the assistance of our valuation specialists, in particular, gold and copper price projections, discount rate; and checking the data of mineral reserves and resources used to the report issued by external specialists. Regarding the gold and copper price projections and discount rate, we compared the key assumptions with the external information resources on the gold and copper industry and analysis of the specific risks relating to the relevant CGUs. Regarding the mineral reserves and resources, we assessed the mine geologist's professional competence, objectivity, and capabilities to understand the assumptions used in the estimation of mineral reserves and resources. We also focused on the adequacy of the Group's disclosures of goodwill.

Key audit matters :	How our audit addressed the key audit matter

Impairment of property, plant and equipment, prepaid land lease payments and other intangible assets

As at 31 December 2017, the Group had property, plant and equipment, prepaid land lease payments and other intangible assets amounting to RMB13,630 million, RMB706 million, and RMB9,316 million, respectively. In accordance with HKFRSs, management is required to perform detailed impairment assessment on these non-current assets when any impairment indicator is identified, and impairment provision is required when the value in use is lower than the respective carrying value. The value in use is determined for the Group's individual CGUs to which the assets belong. The determination of value in use of the Group's individual CGUs is complex and involves significant judgements. The Group's disclosures about impairment of these non-current assets are included in Section *Property, plant and equipment and depreciation*, *Intangible assets (other than goodwill)* in note 2.4, *estimation uncertainty* in note 3, and note 12,13 and 15 to the consolidated financial statements.	Our audit procedures in assessing value in use of the Group's individual CGU to which the assets belong and the impairment indicator exists, included, among others, involving our valuation specialists to assist us in evaluating the key assumptions and methodologies used by management, in particular, gold and copper price projections, discount rate, and checking the data of mineral reserves and resources used to the report issued by external specialists. Regarding the gold and copper price projections and discount rate, we compared the key assumptions with the external information resources on the gold and copper industry and analysis of the specific risks relating to the relevant CGUs. Regarding the mineral reserves and resources, we assessed the mine geologist's professional competence, objectivity, and capabilities to understand the assumptions used in the estimation of mineral reserves and resources. We also focused on the adequacy of the Group's disclosures of impairment of non-current assets.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

- 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 to 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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
16 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
REVENUE	5	**6,673,999**	6,664,785
Cost of sales		**(4,039,470)**	(3,935,465)
Gross profit		**2,634,529**	2,729,320
Other income and gains	5	**254,560**	359,903
Selling and distribution costs		**(44,806)**	(71,720)
Administrative expenses		**(893,850)**	(1,054,665)
Other expenses		**(643,299)**	(704,305)
Finance costs	6	**(432,974)**	(465,083)
Share of profits and losses of:			
Associates		**4,274**	7,622
A joint venture		**9,750**	(1,628)
PROFIT BEFORE TAX	7	**888,184**	799,444
Income tax expense	9	**(134,155)**	(365,925)
PROFIT FOR THE YEAR		**754,029**	433,519
Attributable to:			
Owners of the parent		**643,951**	353,322
Non-controlling interests		**110,078**	80,197
		754,029	433,519
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB)	11	**0.20**	0.12
Diluted			
– For profit for the year (RMB)	11	**0.20**	0.12

	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR	**754,029**	433,519
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**5,505**	5,801
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**5,505**	5,801
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of post-employment benefit obligations	**9,677**	12,707
Income tax effect	**(2,419)**	(3,177)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**7,258**	9,530
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**12,763**	15,331
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**766,792**	448,850
Attributable to:		
Owners of the parent	**656,714**	368,653
Non-controlling interests	**110,078**	80,197
	766,792	448,850

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**13,630,237**	12,974,461
Prepaid land lease payments	13	**705,819**	708,807
Goodwill	14	**779,931**	875,897
Other intangible assets	15	**9,315,819**	9,421,587
Investment in a joint venture	16	**119,979**	120,229
Investments in associates	17	**282,872**	289,638
Available-for-sale investments	18	**38,350**	25,746
Deferred tax assets	19	**170,055**	189,379
Long-term deposits	21	**82,706**	77,383
Other long-term assets	22	**649,424**	670,156
Total non-current assets		**25,775,192**	25,353,283
CURRENT ASSETS			
Inventories	23	**3,564,584**	3,630,598
Trade and notes receivables	24	**236,307**	281,215
Prepayments, deposits and other receivables	25	**708,939**	513,736
Equity investments at fair value through profit or loss	26	**279,078**	414,069
Derivative financial instruments	30	**—**	658
Available-for-sale investments	18	**—**	280,000
Pledged deposits	27	**277,822**	320,351
Loans receivable	20	**1,123,795**	649,124
Cash and cash equivalents	27	**1,847,169**	1,437,951
		8,037,694	7,527,702
Assets of a disposal group classified as held for sale		**—**	82,674
Total current assets		**8,037,694**	7,610,376

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
CURRENT LIABILITIES			
Trade and notes payables	28	445,583	389,861
Other payables and accruals	29	1,949,251	2,150,217
Financial liabilities at fair value through profit or loss	30	—	52,854
Interest-bearing bank and other borrowings	31	10,779,923	10,884,200
Tax payable		68,312	179,076
Provisions	34	16,636	22,556
Corporate bonds	32	—	1,198,071
Deposits from customers	35	517,832	985,736
		13,777,537	15,862,571
Liabilities directly associated with the assets classified as held for sale		—	13,558
Total current liabilities		13,777,537	15,876,129
NET CURRENT LIABILITIES		(5,739,843)	(8,265,753)
TOTAL ASSETS LESS CURRENT LIABILITIES		20,035,349	17,087,530
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	619,338	1,087,706
Corporate bonds	32	1,794,964	945,101
Deferred tax liabilities	19	390,718	396,914
Deferred income	33	364,523	420,635
Provisions	34	76,980	78,339
Other long-term liabilities	36	24,918	23,618
Total non-current liabilities		3,271,441	2,952,313
Net assets		16,763,908	14,135,217

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	**3,220,696**	2,965,827
Perpetual capital instruments	38	**2,664,600**	2,147,132
Reserves	39	**7,314,638**	6,108,910
		13,199,934	11,221,869
Non-controlling interests		**3,563,974**	2,913,348
Total equity		**16,763,908**	14,135,217

Director

Director

	Attributable to owners of the parent									
	Share capital RMB'000 (note 37)	Perpetual capital instruments RMB'000 (note 38)	Capital reserve RMB'000 (note 39)	Special reserve-safety fund RMB'000	Statutory and distributable reserve RMB'000 (note 39)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	2,965,827	2,147,132	1,488,261	18,217	903,518	(13,930)	3,712,844	11,221,869	2,913,348	14,135,217
Profit for the year	—	—	—	—	—	—	643,951	643,951	110,078	754,029
Other comprehensive income for the year:										
Exchange differences related to foreign operations	—	—	—	—	—	5,505	—	5,505	—	5,505
Remeasurements of post-employment benefit obligations, net of tax	—	—	7,258	—	—	—	—	7,258	—	7,258
Total comprehensive income for the year	—	—	7,258	—	—	5,505	643,951	656,714	110,078	766,792
Issue of shares (note 37)	174,869	—	889,510	—	—	—	—	1,064,379	—	1,064,379
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(77,255)	(77,255)
Issue of shares under the employee share subscription plan (note 39)	80,000	—	(80,000)	—	—	—	—	—	—	—
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	58,484	58,484
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(1,469)	(1,469)
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	560,788	560,788
Transfer to reserves	—	—	—	—	79,745	—	(79,745)	—	—	—
Safety production cost	—	—	—	9,922	—	—	(9,922)	—	—	—
Accrued distribution of perpetual capital instruments	—	131,668	—	—	—	—	(131,668)	—	—	—
Distribution of perpetual capital instruments paid	—	(112,700)	—	—	—	—	—	(112,700)	—	(112,700)
Issue of perpetual capital instruments, net of issuance cost	—	498,500	—	—	—	—	—	498,500	—	498,500
Final 2016 dividend declared and paid	—	—	—	—	—	—	(128,828)	(128,828)	—	(128,828)
At 31 December 2017	3,220,696	2,664,600	2,305,029*	28,139 *	983,263 *	(8,425)*	4,006,632*	13,199,934	3,563,974	16,763,908

* These reserve accounts comprise the consolidated reserves of RMB7,314,638,000 (31 December 2016: RMB6,108,910,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Year ended 31 December 2016

	Attributable to owners of the parent									
	Share capital RMB'000 (note 37)	Perpetual capital instruments RMB'000 (note 38)	Capital reserve RMB'000 (note 39)	Special reserve-safety fund RMB'000	Statutory and distributable reserve RMB'000 (note 39)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	2,965,827	2,146,823	1,135,208	18,217	818,038	(19,731)	3,676,644	10,741,026	2,905,385	13,646,411
Profit for the year	—	—	—	—	—	—	353,322	353,322	80,197	433,519
Other comprehensive income for the year:										
Exchange differences related to foreign operations	—	—	—	—	—	5,801	—	5,801	—	5,801
Remeasurements of post-employment benefit obligations, net of tax	—	—	9,530	—	—	—	—	9,530	—	9,530
Total comprehensive income for the year	—	—	9,530	—	—	5,801	353,322	368,653	80,197	448,850
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(147,477)	(147,477)
Disposal of partial interest in a subsidiary without loss of control	—	—	323	—	—	—	—	323	1,189	1,512
Issue of shares under the employee share subscription plan (note 37)	—	—	237,600	—	—	—	—	237,600	—	237,600
Equity-settled share-based payments (note 37)	—	—	105,600	—	—	—	—	105,600	—	105,600
Capital contribution from non- controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	74,054	74,054
Transfer to reserves	—	—	—	—	85,480	—	(85,480)	—	—	—
Accrued distribution of perpetual capital instruments	—	113,009	—	—	—	—	(113,009)	—	—	—
Distribution of perpetual capital instruments paid	—	(112,700)	—	—	—	—	—	(112,700)	—	(112,700)
Final 2015 dividend declared and paid	—	—	—	—	—	—	(118,633)	(118,633)	—	(118,633)
At 31 December 2016	2,965,827	2,147,132	1,488,261*	18,217*	903,518*	(13,930)*	3,712,844*	11,221,869	2,913,348	14,135,217

	Note	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		888,184	799,444
Adjustments for:			
Finance costs	6	432,974	465,083
Share of profits of associates		(4,274)	(7,622)
Share of (gain)/loss of a joint venture		(9,750)	1,628
Interest income from loans receivable		(11,664)	(134,250)
Loss on disposal or write-off of items of property, plant and equipment, other intangible assets, prepaid land lease payments and other long-term assets	7	42,682	174,104
Loss on disposal of a subsidiary	7	493	—
Fair value (gain)/loss, net:			
– Equity investments at fair value through profit or loss	7	(1,038)	8,554
Gain on gold leasing business	7	—	(533)
Gain on bargain purchase	7	(2,118)	—
(Gain)/loss from disposal of equity investments at fair value through profit or loss	7	(25,915)	12,615
Loss on settlement of commodity derivative contracts	7	1,741	162,099
Depreciation of property, plant and equipment	7	819,560	761,452
Amortisation of other intangible assets	7	76,556	63,901
Amortisation of prepaid land lease payments	7	20,218	18,166
Amortisation of long-term prepaid expenses		11,438	16,116
Provision for impairment of receivables	7	66,130	3,516
Impairment loss on loans receivable	7	43,117	5,160
Impairment loss on inventories	7	113,455	11,847
Impairment loss on non-current assets	7	190,061	231,212
Impairment loss on assets of a disposal group classified as held for sale	7	—	20,248
Share-based payment expense		—	105,600
Deferred income recognised	33	(71,351)	(89,525)
		2,580,499	2,628,815

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 RMB'000	2016 RMB'000
Decrease in other long-term assets		24,000	—
(Increase)/decrease in long-term deposits		(5,323)	31,707
Increase in inventories		(47,441)	(203,525)
Decrease/(increase) in trade and notes receivables		39,414	(214,719)
Increase in prepayments and other receivables		(267,746)	(52,461)
Increase in pledged deposits		(16,350)	(168,824)
Increase in loans receivable		(515,486)	(402,305)
Increase/(decrease) in trade and notes payables		55,722	(193,415)
(Decrease)/increase in other payables and accruals		(55,541)	223,940
(Decrease)/increase in deposits from customers		(467,904)	575,488
Decrease in provisions		(22,272)	(21,536)
CASH GENERATED FROM OPERATIONS		1,301,572	2,203,165
Income taxes paid		(234,210)	(339,815)
NET CASH FLOWS FROM OPERATING ACTIVITIES		1,067,362	1,863,350
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,212	145,433
Dividend received from a joint venture		10,000	14,901
Purchases of items of property, plant and equipment		(1,380,291)	(1,223,135)
Proceeds from disposal of items of property, plant and equipment		34,643	16,748
Increase in land lease payments		(17,718)	(80,384)
Receipt of government grants for property, plant and equipment		7,552	45,790
Increase in other intangible assets		(143,554)	(443,771)
Acquisition of subsidiaries	40	(26,164)	(20,040)
Advance paid for the acquisition of subsidiaries		—	(99,075)
Advance received from disposal of a subsidiary classified as held for sale		—	9,000
Proceeds from disposal of partial interest in a subsidiary without loss of control		—	1,512
Net proceeds from commodity derivative contracts		(1,741)	(162,099)
Deposits received/(paid) for commodity derivative contracts		39,599	(72,274)
Net proceeds from acquisition and disposal of equity investments at fair value through profit or loss		161,946	(271,183)
Payment for investments in available-for-sale investments		(7,590)	(282,000)
Disposal of investments in available-for-sale investments		280,000	—
Increase in long-term prepaid expenses		(7,000)	(11,391)
Decrease in loans receivable		43,000	48,066
Increase in loans receivable		(25,000)	(70,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,030,106)	(2,453,902)

	Note	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		12,346,542	13,408,118
Issuance of a corporate bond, net of issuance expense		850,000	—
Repayment of a corporate bond		(1,200,000)	(1,500,000)
Repayment of bank and other borrowings		(12,920,432)	(11,203,739)
Proceeds received under the employee share subscription plan		—	237,600
Proceeds from issue of shares		1,064,379	—
(Repayment) /receipts from gold leasing business		(52,196)	52,729
Capital contribution from non-controlling shareholders		560,788	74,054
Dividends paid		(195,783)	(223,610)
Payment for commitment of profit distribution to non-controlling shareholders		—	(90,000)
Decrease/(increase) in pledged deposits for short-term bank loans		58,879	(17,955)
Issuance of perpetual capital instruments, net of issuance expense		498,500	—
Distribution paid for perpetual capital instruments		(112,700)	(112,700)
Interest paid		(486,350)	(645,722)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		411,627	(21,225)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		448,883	(611,777)
Cash and cash equivalents at beginning of year		1,437,951	2,033,203
Effects of foreign exchange rate changes, net		(39,665)	16,525
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,847,169	1,437,951
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	1,846,668	1,419,591
Non-pledged time deposits with original maturity of less than three months when acquired		501	18,360
Cash and cash equivalents as stated in the consolidated statement of cash flows	27	1,847,169	1,437,951

1. CORPORATE AND GROUP INFORMATION

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

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

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

As of 31 December 2017, Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC, and its subsidiary held totally 36.68% of the issued share capital of the Company. Shanghai Yuyuan Tourist Mart Co., Ltd. and its subsidiary held totally 23.70% of the issued share capital of the Company. The remaining issued share capital of the Company was held by shareholders of H shares, Zhaoyuan City State-owned Assets Management Limited and Shanghai Fosun Industrial Investment Co., Ltd.

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Zhaoyuan Jintingling Mining Industry Company Limited ("JTL") (招遠市金亭嶺礦業有限公司)	PRC/Mainland China 10 October 2002	45,000	100	—	Gold mining and processing of gold products
Minxian Tianhao Gold Company Limited ("MXTH") (岷縣天昊黃金有限責任公司)	PRC/Mainland China 16 May 2001	50,000	100	—	Gold mining and processing of gold products
Subsidiary of MXTH:					
Tianshui Xinfeng Mining Company Limited("XFKY") (天水市鑫峰礦業有限公司)	PRC/Mainland China 16 May 2012	5,000	—	100	Sale of mining products
Tuoli Zhaojin Beijiang Mining Company Limited ("TZB") (托里縣招金北疆礦業有限公司)	PRC/Mainland China 16 April 2004	30,000	100	—	Gold mining and processing of gold products
Subsidiary of TZB:					
Tuoli Xinyuan Gold Mining Industry Co., Ltd. ("Xinyuan Gold Company") (托里縣鑫源黃金礦業有限公司)	PRC/Mainland China 7 January 2004	33,400	—	100	Gold mining and processing of gold products
Xinjiang Xingta Mining ("Xingta") Company Limited (新疆星塔礦業有限公司)	PRC/Mainland China 24 November 2005	160,000	100	—	Smelting of gold
Kunhe Zhaojin Mining Company Limited ("Kunhe Mining") (阿勒泰市招金昆合礦業有限公司)	PRC/Mainland China 27 August 2007	10,000	100	—	Gold mining and processing of gold products

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries – *continued*

Particulars of the Company's subsidiaries are as follows: – *continued*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Huabei Zhaojin Mining Investment Company Limited ("HZMI") (華北招金礦業投資有限公司)	PRC/Mainland China 20 June 2007	50,000	100	—	Investment holding
Subsidiary of HZMI:					
Quwo Zhaojin Mining Company Limited ("Quwo") (曲沃縣招金礦業有限公司)	PRC/Mainland China 9 December 2011	30,000	—	70	Sale of mining products
Heihe Zhaojin Mining Company Limited ("Heihe") (黑河招金礦業有限公司)	PRC/Mainland China 6 September 2016	50,000	—	51	Sale of mining products
Lingqiu Liyuan Gold Mining Industry Company Limited ("Liyuan") (靈丘縣梨園金礦有限責任公司)	PRC/Mainland China 1 May 2005	80,000	51	—	Exploration of gold and sale of gold products
Gansu Zhaojin Mining Company Limited ("GSZJ") (甘肅招金礦業有限公司)	PRC/Mainland China 14 August 2007	10,000	100	—	Investment holding
Subsidiary of GSZJ:					
Liangdang Zhaojin Mining Industry Company Limited ("Liangdang Mining") (兩當縣招金礦業有限公司)	PRC/Mainland China 28 March 2008	6,000	—	70	Gold mining and processing of gold products
Fengningjinlong Mining Company Limited ("FNJL") (豐寧金龍黃金工業有限公司)	PRC/Mainland China 14 September 2000	94,519	52	—	Gold mining, smelting and processing of gold products

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries – *continued*

Particulars of the Company's subsidiaries are as follows: – *continued*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Zhaojin Jinhe Technical Company Limited ("Jinhe") (招遠市招金金合科技有限公司)	PRC/Mainland China 8 January 2013	162,000	100	—	Research of mining and smelting, and sale of residue
Subsidiary of Jinhe:					
Shandong Zhaojin Taoci Technical Company Limited ("Taoci Technology") [2] (山東招金陶瓷科技有限公司)	PRC/Mainland China 29 June 2017	80,000	—	65	Research of mining, smelting and sales of ceramic materials
Gansu Hezuo Zaozigou Mining Industry Company Limited ("ZGM") (甘肅省合作早子溝金礦有限責任公司)	PRC/Mainland China 29 October 2008	2,000	52	—	Gold mining, smelting and processing of gold products
Jiashi Tonghui Mining Company Limited ("TCM") (伽師縣銅輝礦業有限責任公司)	PRC/Mainland China 5 January 2004	9,000	92	—	Copper mining and processing of copper products
Subsidiary of TCM:					
Kezhou Zhaojin Mining Industry Company Limited ("Kezhou") (克州招金礦業有限責任公司)	PRC/Mainland China 9 January 2012	50,000	—	92	Copper mining and processing of copper products
Xinjiang Xinhui Copper Company Limited ("Xinhui") (新疆鑫慧銅業有限公司)	PRC/Mainland China 16 November 2006	30,000	92	—	Smelting of copper
Xinjiang Zhaojin Smelting Company Limited ("Xinjiang Smelting") (新疆招金冶煉有限公司)	PRC/Mainland China 5 January 2012	50,000	92	—	Smelting of copper

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries – *continued*

Particulars of the Company's subsidiaries are as follows: – *continued*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Qinghe Jindu Mining Company Limited ("Qinghe Mining") (青河縣金都礦業開發有限公司)	PRC/Mainland China 4 August 2005	10,000	95	—	Gold mining and processing of gold products
Xinfengyuan Mining Company Limited ("Xinfengyuan Mining") (鳳城市鑫豐源礦業有限公司)	PRC/Mainland China 12 December 2007	10,000	100	—	Gold mining, exploration and processing of gold products
Xinjiang Zhaojin Mining Development Company Limited ("XJKF") (新疆招金礦業開發有限公司)	PRC/Mainland China 19 May 2010	30,000	100	—	Mining investment and sale of gold products
Guigang Longxin Mining Company Limited ("Longxin Mining") (廣西貴港市龍鑫礦業開發有限公司)	PRC/Mainland China 19 December 2005	5,000	100	—	Sale of gold products
Zhaojin Zhengyuan Mining Company Limited ("Zhengyuan") (山東招金正元礦業有限公司)	PRC/Mainland China 18 August 2010	10,000	80	—	Mining investment and exploration of gold
Zhaojin Baiyun Mining Company Limited ("Baiyun Mining") (遼寧招金白雲黃金礦業有限公司)	PRC/Mainland China 20 December 1983	30,000	55	—	Exploration of gold and sale of gold products
Daqinjia Gold Mining Industry Company Limited ("Daqinjia") (大秦傢金礦礦業有限公司)	PRC/Mainland China 3 June 1986	30,000	90	—	Gold mining and processing of gold products
Yantai Jinshi Mining Investment Company Limited ("Jinshi") (煙台金時礦業投資有限公司)	PRC/Mainland China 26 September 2011	5,000	100	—	Investment holding

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries – *continued*

Particulars of the Company's subsidiaries are as follows: – *continued*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Shandong Ruiyin Mining Industry Development Company Limited ("Ruiyin") (山東瑞銀礦業發展有限公司)	PRC/Mainland China 30 August 2006	425,819	63.86	—	Sale of mining products
Subsidiaries of Ruiyin:					
Laizhou Ruihai Mining Industry Company Limited ("Ruihai") (萊州市瑞海礦業有限公司)	PRC/Mainland China 14 September 2009	8,300	—	63.86	Exploration of gold and sale of gold products
Laizhou Jinxiu Club Limited ("Jinxiu") (萊州錦秀休閒俱樂部有限公司)	PRC/Mainland China 29 July 2002	87,280	—	63.86	Entertainment and hotel
Laizhou Ruihai Porting Industry Company Limited ("Ruihai") (萊州市瑞海港務有限公司)	PRC/Mainland China 7 November 2016	10,000	—	63.86	Exploration of gold and sale of gold products
Baicheng Dishui Copper Mining Development Company Limited ("Dishui") (拜城縣滴水銅礦開發有限責任公司)	PRC/Mainland China 18 May 2007	140,000	79	—	Copper mining and processing of copper products
Gansu Zhaojin Precious Metal Smelting Company Limited ("Gansu Smelting") (甘肅招金貴金屬冶煉有限公司)	PRC/Mainland China 11 December 2012	300,000	55	—	Smelting of gold and other precious metals

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries – *continued*

Particulars of the Company's subsidiaries are as follows: – *continued*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Fuyun Zhaojin Mining Industry Company Limited ("Fuyun") (富蘊招金礦業有限公司)	PRC/Mainland China 27 September 2012	10,000	100	—	Investment holding
Zhaojin Jishan Mining Industry Company Limited ("Jishan") (招遠市招金紀山礦業有限公司)	PRC/Mainland China 26 October 2012	1,000	95	—	Exploration of gold
Subei Jinying Gold Company Limited ("Jinying") (肅北縣金鷹黃金有限責任公司)	PRC/Mainland China 9 March 1998	50,000	51	—	Gold mining and processing of gold products
Ejina Yuantong Mining Industry Company Limited ("Yuantong") (額濟納旗圓通礦業有限責任公司)	PRC/Mainland China 12 May 2004	15,000	70	—	Gold mining and processing of gold products, and smelting
Subsidiary of Yuantong:					
Inner Mongolia Ejinaqi Qianfeng Mining Industry Company Limited ("Qianfeng") (內蒙古額濟納旗乾豐礦業有限公司)	PRC/Mainland China 6 November 2014	10,000	—	70	Exploration and sale of mining products
Gansu Xinrui Mining Company Limited ("Xinrui") (甘肅鑫瑞礦業有限公司)	PRC/Mainland China 20 November 2008	83,000	51	—	Exploration and sale of mining products and advisory service
Subsidiary of Xinrui:					
Xiahe Xinrui Mining Industry Company Limited ("XHXR") (夏河縣鑫瑞礦業有限公司)	PRC/Mainland China 11 June 2015	5,000	—	51	Consulting services related to mining

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries – *continued*

Particulars of the Company's subsidiaries are as follows: – *continued*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Zhaojin Shunhe International Hotel Limited ("Shunhe") (山東招金舜和國際飯店有限公司)	PRC/Mainland China 22 January 2013	10,000	100	—	Accommodation and catering services
Shandong Zhaojin Group Financial Company Limited ("Zhaojin Finance") (山東招金集團財務有限公司)	PRC/Mainland China 1 July 2015	1,500,000	51	—	Financial service
Beijing Dongfang Yanjing Engineering Technology Company Limited ("Dongfang Yanjin") (北京東方燕京工程技術股份有限公司)	PRC/Mainland China 7 September 1994	30,000	51	—	Engineering design and development
Yantai Dian Jing Cheng Chuan Investment Limited Partnership ("Dianjinchengchuan") (煙台點金成川投資中心(有限合夥))	PRC/Mainland China 22 May 2015	200,100	99.95	—	Investment
Sparky International Trade Company Limited ("SIT") (斯派柯國際貿易有限公司)	Hong Kong 16 May 2007	HK$127,600,000	100	—	Purchase of gold concentrates from places outside China
Subsidiaries of SIT:					
Gold Vein International Investment Limited ("Gold Vein") (金脈國際投資有限公司)	British Virgin Islands 14 October 2009	United States dollars ("USD")[1]	—	100	Investment holding
Starlet Creation Limited ("Starlet") (星河創建有限公司)	Hong Kong 7 July 2011	HK$1	—	100	Investment holding

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries – *continued*

Particulars of the Company's subsidiaries are as follows: – *continued*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Jodies Joy Limited ("Jodies Joy") (領興有限公司)	British Virgin Islands 21 July 2011	USD1	—	100	Investment holding
Silver Pine Capital Limited ("Silver Pine") (銀松資本有限公司)	Seychelles 8 June 2015	USD1	—	100	Investment holding
Zhaojin Mining Company Ecuador S.A ("Zhaojin Ecuador") (招金礦業(厄瓜多爾)股份有限公司)	Ecuador 14 June 2016	USD500,000	—	100	Mining of precious metals
Subsidiaries of Zhaojin Ecuador:					
Goldking Mining Company S.A ("Goldking") [1] (金王礦業股份股份)	Ecuador 5 October 2000	USD500,000	—	60	Gold mining and processing of gold products
Beijing Zhaojin Jingyi Fund Management Company Limited ("Jingyi Jijin") (北京招金經易基金管理有限公司)	PRC/Mainland China 12 September 2014	10,000	80	—	Investment
Fengning Manchu Autonomous County Zhaojin Mining Company Limited ("Fengning Zhaojin") (豐寧滿族自治縣招金礦業有限公司)	PRC/Mainland China 21 March 2016	10,000	100	—	Exploration of gold mining
Subsidiary of Fengning Zhaojin:					
Fengning Manchu Autonomous Jintonghaida Trading Company Limited ("JTHD") [1] (豐寧滿族自治縣金通海達商有限公司)	PRC/Mainland China 5 March 2013	200	—	75	Sale of mining products

1. CORPORATE AND GROUP INFORMATION – *continued*

Information about subsidiaries – *continued*

Particulars of the Company's subsidiaries are as follows: – *continued*

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued/ registered share capital RMB'000	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Taojin Technology Investment (Beijing) Company Limited ("Taojin Technology") (淘金科技投資(北京)股份有限公司)	PRC/Mainland China 26 January 2016	200,000	60	—	Research and development of investment systems
Qingdao Baisitong Investment Limited Partnership ("Qingdao Baisitong") (青島百思通投資中心(有限合夥))	PRC/Mainland China 19 May 2016	200,000	99.95	—	Investment
Shandong Zhaojin Naimocailiao Company Limited ("NMCL")[2] (山東招金新型耐磨材料有限公司)	PRC/Mainland China 1 November 2016	40,000	60	—	Research of wear-resistant steel balls
Inner Mongolia Zhaojin Kaifa Company Limited ("IMZJ")[2] (內蒙古招金礦業開發有限公司)	PRC/Mainland China 27 June 2017	10,000	100	—	Sale of mining products

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

1. Zhaojin Ecuador acquired 60% equity interests of Goldking and Fengning Zhaojin acquired 75% equity interests of JTHD during this year. Further details of this acquisition are included in note 40.

2. During the year, the Group established Taoci Technology, NMCL and IMZJ with capital injections of RMB52,000,000, RMB24,000,000, and RMB10,000,000, and held the equity interests of 65%, 60% and 100%, respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

2.1 BASIS OF PREPARATION

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

As at 31 December 2017, the Group had net current liabilities of RMB5,739,843,000 (2016: RMB8,265,753,000). 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, 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 accordingly, these financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION – *continued*

Basis of consolidation – *continued*

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity 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. Disclosure of the changes in liabilities arising from financing activities is provided in note 41(b) to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group had no subsidiary classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect the loss allowance to be significantly different upon application of the expected credit loss model.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. During the year ended 31 December 2017, the Group has performed a preliminary detailed assessment on the impact of the adoption of HKFRS 15. Based on the assessment, the Group anticipates that the adoption of HKFRS 15 is unlikely to have any significant impact on the revenue recognition except for the presentation and disclosure as follows.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

The Group's principal activities consist of the exploration, mining, processing, and smelting of gold, copper and other mining products. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) *Presentation and disclosure*

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 43(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB68,671,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS – *continued*

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates and joint ventures – *continued*

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combinations and goodwill – *continued*

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fair value measurement – *continued*

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment and depreciation

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

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

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

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

Buildings	15 to 30 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	6 to 10 years
Mining infrastructure	Respective mining lifetime of mines

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment and depreciation – *continued*

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

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

Non-current assets and disposal groups held for sale

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

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

Intangible assets (other than goodwill)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets (other than goodwill) – *continued*

Exploration rights and assets

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

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

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

Mining rights and reserves

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leases

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments and other financial assets – *continued*

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments and other financial assets – *continued*

Subsequent measurement – continued

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of financial assets – *continued*

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of financial assets – *continued*

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, financial liabilities at fair value through profit or loss, corporate bonds, interest-bearing bank and other borrowings and other long-term liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial liabilities – *continued*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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

Loans and borrowings

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Derecognition of financial liabilities

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

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, mainly including commodity derivative contracts (standardised copper cathode futures contracts on the Shanghai Futures Exchange ("SHFE")) to hedge its price fluctuation risk and gold forward contracts on the SHFE and the Shanghai Gold Exchange ("SGE") in accordance with the quantity, specification and repayments terms of gold to be returned to banks in the future to hedge certain risks arising from gold price fluctuation from the gold leasing business. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

Inventories

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Cash and cash equivalents

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

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

Provisions

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Share based payments

The Company operates a share incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). Further details are given in note 37 to the financial statements.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of the period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Income tax – *continued*

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

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

Revenue recognition

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Employee benefits

Pension obligations

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

Early retirement benefits

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

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

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

Medical benefit costs

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

Housing fund

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Borrowing costs

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

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 3.19% and 6.20% has been applied to the expenditure on the individual assets.

Dividends

Final and interim dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies – *continued*

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

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

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

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

Perpetual capital instruments

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

(a) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2017 was approximately RMB170,055,000 (2016: RMB189,379,000). Further details are contained in note 19 to the financial statements.

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was RMB779,931,000 (2016: RMB875,897,000). Further details are contained in note 14 to the financial statements.

(c) Impairment of other intangible assets and property, plant and equipment

The carrying values of mining and exploration assets and property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of these assets, or where appropriate, the cash-generating unit to which they belong, is the higher of their fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The aggregate carrying value of other intangible assets and property, plant and equipment at 31 December 2017 was RMB22,946,056,000 (2016: RMB22,396,048,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – *continued*

Estimation uncertainty – *continued*

(d) Post-employment benefit obligations

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

(e) Mine reserves

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

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

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss At 31 December 2017, impairment losses in the amount of RMB26,877,000 (2016: RMB26,877,000) have been recognised for available-for-sale financial assets. The carrying amount of available-for-sale assets as at 31 December 2017 was RMB38,350,000 (2016: RMB305,746,000).

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) the "others" segment comprises, principally, the Group's other investment activities, a finance company operation, a hotel and catering operation and engineering design and consulting operation.

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

Segment assets exclude cash and cash equivalents, deferred tax assets, derivative financial instruments for gold forward contracts, available-for-sale investments for unlisted debt investments, pledged deposits and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, corporate bonds, financial liabilities at fair value through profit or loss – gold leasing business and gold forward contracts, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

4. OPERATING SEGMENT INFORMATION – *continued*

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

Year ended 31 December 2017

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenue from external customers	6,001,719	632,254	40,026	6,673,999
Segment results	1,287,596	53,078	(76,487)	1,264,187
Reconciliation:				
Interest income				56,971
Finance costs				(432,974)
Profit before tax				888,184
Segment assets	28,124,608	2,351,863	1,041,369	31,517,840
Reconciliation:				
Corporate and other unallocated assets				2,295,046
Total assets				33,812,886
Segment liabilities	2,518,146	350,895	594,994	3,464,035
Reconciliation:				
Corporate and other unallocated liabilities				13,584,943
Total liabilities				17,048,978
Other segment information				
Capital expenditure*	1,757,693	114,857	40,983	1,913,533
Investments in associates	282,872	—	—	282,872
Investment in a joint venture	—	119,979	—	119,979
Impairment losses recognised in the statement of profit or loss	347,655	55,791	9,317	412,763
Share of profits/(losses) of				
– Associates	4,274	—	—	4,274
– A joint venture	—	9,750	—	9,750
Depreciation and amortisation	801,048	97,747	17,539	916,334
Fair value (loss)/gain on equity investments at fair value through profit or loss	(1,178)	—	2,216	1,038

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

4. OPERATING SEGMENT INFORMATION – *continued*

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

Year ended 31 December 2016

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenue from external customers	6,070,825	542,899	51,061	6,664,785
Segment results	1,186,536	(6,865)	(75,211)	1,104,460
Reconciliation:				
Interest income				160,067
Finance costs				(465,083)
Profit before tax				799,444
Segment assets	27,485,399	2,200,906	1,049,015	30,735,320
Reconciliation:				
Corporate and other unallocated assets				2,228,339
Total assets				32,963,659
Segment liabilities	2,996,618	253,880	1,013,098	4,263,596
Reconciliation:				
Corporate and other unallocated liabilities				14,564,846
Total liabilities				18,828,442
Other segment information				
Capital expenditure*	2,082,535	64,172	4,301	2,151,008
Investments in associates	289,638	—	—	289,638
Investment in a joint venture	—	120,229	—	120,229
Impairment losses recognised in the statement of profit or loss	261,568	(14)	10,429	271,983
Share of profits/(losses) of				
– Associates	7,622	—	—	7,622
– A joint venture	—	(1,628)	—	(1,628)
Depreciation and amortisation	763,498	71,331	8,690	843,519
Fair value loss on equity investments at fair value through profit or loss	(6,817)	—	(1,737)	(8,554)

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

4. OPERATING SEGMENT INFORMATION – *continued*

Geographical information

As over 96% of the assets of the Group were located in Mainland China and almost all of the sales were made to customers in Mainland China, no further geographical segment information has been presented.

Information about a major customer

Revenue of approximately RMB5,275,094,000 (79% of the total sales) (2016: RMB4,894,643,000, 73% of the total sales) was derived from sales by the gold operations segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts and net of various types of government surcharges where applicable, and the value of services rendered.

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

	2017 RMB'000	2016 RMB'000
Revenue		
Sale of goods:		
Gold	5,952,639	5,828,045
Copper	604,197	486,493
Silver	62,342	278,992
Sulphur	36,401	41,318
Other by-products	104,940	81,487
Rendering of services:		
Processing of gold and silver	60,072	32,992
Others	30,825	51,761
	6,851,416	6,801,088
Less:		
Government surcharges	(177,417)	(136,303)
Revenue	6,673,999	6,664,785

5. REVENUE, OTHER INCOME AND GAINS – *continued*

	2017 RMB' 000	2016 RMB' 000
Other income and gains		
Interest income	56,971	160,067
Government grants	71,351	96,274
Sales of auxiliary materials	74,173	72,635
Gain on settlement of commodity derivative contracts	26,953	—
Others	25,112	30,927
Other income and gains	254,560	359,903

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 RMB' 000	2016 RMB' 000
Interest on bank and other borrowings	182,505	241,654
Interest on corporate bonds	105,905	176,221
Interest on gold leasing business	207,646	112,423
Interest on short-term bonds	37,803	69,961
Subtotal	533,859	600,259
Less: Interest capitalised	(104,138)	(139,122)
Incremental interest on provisions and other long-term liabilities	3,253	3,946
Total	432,974	465,083

7. PROFIT BEFORE TAX

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

	2017 RMB'000	2016 RMB'000
Cost of inventories sold and services provided	4,039,470	3,935,465
Staff costs (including Directors' remuneration):		
Wages and salaries	672,620	634,196
Share-based payment expense	—	105,600
Defined contribution fund:		
– Retirement costs	123,902	130,512
– Other staff benefits	96,160	88,903
Total staff costs	892,682	959,211
Auditor's remuneration	2,800	2,800
Amortisation of prepaid land lease payments	20,218	18,166
Amortisation of other intangible assets	76,556	63,901
Depreciation of property, plant and equipment	819,560	761,452
Loss on disposal or write-off of items of property, plant and equipment, other intangible assets, prepaid land lease payments and other long-term assets	42,682	174,104
Operating lease rentals	15,900	12,576
Provision for impairment of receivables	66,130	3,516
Impairment loss on prepaid land lease payments	94	7,214
Impairment loss on available-for-sale investments	—	200
Impairment loss on assets of a disposal group classified as held for sale	—	20,248
Impairment loss on property, plant and equipment	62,861	192,473
Impairment loss on other intangible assets	31,140	31,325
Impairment loss on goodwill	95,966	—
Impairment loss on inventories	113,455	11,847
Impairment loss on loans receivable	43,117	5,160
Fair value (gain)/loss, net:		
– Equity investments at fair value through profit or loss	(1,038)	8,554
Loss on settlement of commodity derivative contracts	1,741	162,099
Gain on gold leasing business	—	(533)
(Gain)/loss on disposal of equity investments at fair value through profit or loss	(25,915)	12,615
Loss on disposal of a subsidiary	493	—
Gain on bargain purchase	(2,118)	—

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 RMB'000	2016 RMB'000
Fees:		
– Non-executive directors	—	—
– Independent non-executive directors	640	640
– Supervisors	—	—
	640	640
Salaries, allowances and benefits in kind	581	466
Performance related bonuses	1,666	1,903
Pension scheme contributions	192	181
	2,439	2,550
	3,079	3,190

8. DIRECTORS' AND SUPERVISORS' REMUNERATION – *continued*

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

For the year ended 31 December 2017

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
– Weng Zhan Bin	—	234	662	44	940
– Li Xiu Chen	—	188	555	74	817
– Cong Jian Mao	—	159	449	74	682
	—	581	1,666	192	2,439
Non-executive directors:					
– Liang Xin Jun	—	—	—	—	—
– Xu Xiao Liang	—	—	—	—	—
– Li Shou Sheng	—	—	—	—	—
– Gao Min	—	—	—	—	—
	—	—	—	—	—
Supervisors:					
– Jin Ting	—	—	—	—	—
– Wang Xiao Jie	—	—	—	—	—
– Zhao Hua					
	—	—	—	—	—
	—	—	—	—	—
	—	581	1,666	192	2,439

8. DIRECTORS' AND SUPERVISORS' REMUNERATION – *continued*

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

For the year ended 31 December 2016

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
– Weng Zhan Bin	—	188	680	43	911
– Li Xiu Chen	—	150	659	69	878
– Cong Jian Mao	—	128	564	69	761
	—	466	1,903	181	2,550
Non-executive directors:					
– Liang Xin Jun	—	—	—	—	—
– Xu Xiao Liang	—	—	—	—	—
– Li Shou Sheng (appointed on 26 February 2016)	—	—	—	—	—
– Gao Min (appointed on 26 February 2016)	—	—	—	—	—
– Wu Yi Jian (resigned on 26 February 2016)	—	—	—	—	—
	—	—	—	—	—
Supervisors:					
– Jin Ting	—	—	—	—	—
– Wang Xiao Jie	—	—	—	—	—
– Zhao Hua (appointed on 26 February 2016)	—	—	—	—	—
– Chu Yu Shan (resigned on 26 February 2016)	—	—	—	—	—
	—	—	—	—	—
	—	466	1,903	181	2,550

8. DIRECTORS' AND SUPERVISORS' REMUNERATION – *continued*

(a) (ii) Independent non-executive directors

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

	2017 RMB'000	2016 RMB'000
Nie Feng Jun (resigned on 26 February 2016)	—	40
Xie Ji Yuan (resigned on 26 February 2016)	—	40
Cai Si Cong	**160**	160
Chen Jin Rong	**160**	160
Shen Shi Fu	**160**	120
Wei Jun Hao	**160**	120
	640	640

There were no other emoluments payable to the independent non-executive directors during the year (2016: Nil).

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

(b) Five highest paid employees

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

	2017	2016
Directors	**2**	3
Non-director and non-supervisor employees	**3**	2
	5	5

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

8. DIRECTORS' AND SUPERVISORS' REMUNERATION – *continued*

(b) Five highest paid employees – *continued*

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

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	488	255
Performance related bonuses	1,423	1,114
Pension scheme contributions	222	137
	2,133	1,506

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

	Number of employees	
	2017	2016
Nil to HK$1,000,000 (Equivalent to RMB835,900)	3	2

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

9. INCOME TAX EXPENSE

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

Provision for Mainland China current income tax is based on the statutory rate of 25% (2016: 25%) of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain high and new technology enterprises and western-region-development enterprises of the Group in Mainland China, which are taxed at a preferential rate of 15%. Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	2017	2016
	RMB'000	RMB'000
Current - Hong Kong	**—**	—
Current - Mainland China		
– Charge for the year	**123,446**	388,235
Deferred tax *(note 19)*	**10,709**	(22,310)
Total tax charge for the year	**134,155**	365,925

9. INCOME TAX EXPENSE – *continued*

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

		2017		2016
	%	RMB'000	%	RMB'000
Profit before tax		888,184		799,444
Tax at the statutory tax rates	25.0	222,046	25.0	199,861
Reconciling items:				
Lower tax rates for specific entities	(12.0)	(106,751)	(0.4)	(2,972)
Expenses not deductible for tax	0.8	6,778	1.3	9,981
Income not subject to tax	—	—	(1.0)	(8,078)
Adjustment in respect of current tax of previous periods	(13.1)	(116,481)	1.1	8,828
Tax losses and temporary differences not recognised	19.7	175,272	20.7	165,085
Effect on opening deferred tax of increase in rates of certain subsidiaries	(1.2)	(10,640)	—	—
Tax losses utilised from previous periods	(1.9)	(16,449)	(0.7)	(5,281)
Research and development costs	(1.8)	(16,114)	—	—
Profits and losses attributable to associates and a joint venture	(0.4)	(3,506)	(0.2)	(1,499)
Total tax charge for the year	15.1	134,155	45.8	365,925

10. DIVIDEND

	2017 RMB'000	2016 RMB'000
Ordinary:		
Proposed final – RMB0.06 per share		
(2016: RMB0.04 per share)	193,242	118,633

The board of directors recommends a cash dividend to all shareholders on the basis of RMB0.06 per share (tax included) (2016: RMB0.04 per share (tax included)).

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,155,675,000 (2016: 2,965,827,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – *continued*

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

	2017 RMB'000	2016 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	643,951	353,322

	Number of shares 2017 '000	2016 '000
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	3,155,675	2,965,827
Effect of dilution – weighted average number of ordinary shares:		
– Employee Share Subscription Plan	—	22,732
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	3,155,675	2,988,559
Basic earnings per share (RMB)	0.20	0.12
Diluted earnings per share (RMB)	0.20	0.12

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2017

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost:							
At 1 January 2017	4,753,620	3,064,282	248,025	294,160	6,292,745	2,578,744	17,231,576
Additions	203,560	173,502	15,317	24,252	176,823	995,328	1,588,782
Transferred from CIP	90,252	60,258	729	5,787	1,030,412	(1,187,438)	—
Acquisition of a subsidiary (note 40)	1,517	7,145	185	2,061	—	15,017	25,925
Disposals/write-off	(34,241)	(87,217)	(6,490)	(21,200)	(16,807)	(4,564)	(170,519)
At 31 December 2017	5,014,708	3,217,970	257,766	305,060	7,483,173	2,397,087	18,675,764
Accumulated depreciation:							
At 1 January 2017	859,035	1,198,458	159,345	182,111	1,654,161	—	4,053,110
Charge for the year	195,424	267,668	30,842	35,636	289,990	—	819,560
Disposals/write-off	(13,889)	(53,969)	(4,327)	(16,797)	(5,027)	—	(94,009)
At 31 December 2017	1,040,570	1,412,157	185,860	200,950	1,939,124		4,778,661
Impairment:							
At 1 January 2017	—	—	—	—	161,957	42,048	204,005
Charge for the year*	3,883	7,554	17,614	928	32,882	—	62,861
At 31 December 2017	3,883	7,554	17,614	928	194,839	42,048	266,866
Net book value:							
At 31 December 2017	3,970,255	1,798,259	54,292	103,182	5,349,210	2,355,039	13,630,237

12. PROPERTY, PLANT AND EQUIPMENT – *continued*

* During the year, the impairment loss on property, plant and equipment related to mining infrastructure and the relevant CIP, and these assets belonged to the mining operation of the Daqinjia Mining CGU, and the Xinyuan Mining CGU, respectively. The impairment charges are driven by the lower recoverable amounts of those CGUs mentioned above than the carrying amounts in aggregate of relevant assets (including property, plant and equipment, other intangible assets and prepaid land lease payments) belong to those CGUs resulting in the directors' reassessment of proved and probable mining reserves and the grade of the gold mines taken the recent production and technical information of those CGUs into consideration. The recoverable amounts of those CGUs have been determined based on value-in-use calculations, which are based on certain key assumptions including the discount rate, gold price projection and estimation of mineral reserves and resources.

During the process of the impairment test, the carrying amounts of those assets belonging to the mining operation of the Daqinjia Mining CGU were determined to be higher than the recoverable amount of zero, and impairment losses of RMB52,980,000 (2016: Nil), RMB30,403,000 (2016: Nil) were allocated and recognised in property, plant and equipment, and other intangible assets, respectively.

During the process of the impairment test, the carrying amounts of those assets belonging to the Xinyuan Mining CGU were determined to be higher than the recoverable amount of RMB79,688,000, and impairment losses of RMB9,881,000 (2016: Nil), RMB737,000 (2016: Nil) and RMB94,000 (2016: Nil) were allocated and recognised in property, plant and equipment, other intangible assets and prepaid land lease payment, respectively.

12. PROPERTY, PLANT AND EQUIPMENT – *continued*

31 December 2016

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost:							
At 1 January 2016	4,419,409	2,831,471	244,161	294,990	5,482,265	2,960,454	16,232,750
Additions	26,531	89,616	13,224	20,525	83,153	1,009,688	1,242,737
Transferred from CIP	374,164	228,416	92	1,752	741,867	(1,346,291)	—
Acquisition of a subsidiary not accounted for as a business combination	232	533	5	—	—	—	770
Classified as assets held for sale	(5,165)	(3,529)	(247)	(706)	(14,540)	(30,813)	(55,000)
Disposals/write-off	(61,551)	(82,225)	(9,210)	(22,401)	—	(14,294)	(189,681)
At 31 December 2016	4,753,620	3,064,282	248,025	294,160	6,292,745	2,578,744	17,231,576
Accumulated depreciation:							
At 1 January 2016	704,998	1,008,505	142,952	167,718	1,377,336	—	3,401,509
Charge for the year	175,106	249,268	24,991	32,925	279,162	—	761,452
Classified as assets held for sale	(1,563)	(1,160)	(67)	(327)	(2,337)	—	(5,454)
Disposals/write-off	(19,506)	(58,155)	(8,531)	(18,205)	—	—	(104,397)
At 31 December 2016	859,035	1,198,458	159,345	182,111	1,654,161	—	4,053,110
Impairment:							
At 1 January 2016	—	—	—	—	11,532	—	11,532
Charge for the year	—	—	—	—	150,425	42,048	192,473
At 31 December 2016	—	—	—	—	161,957	42,048	204,005
Net book value:							
At 31 December 2016	3,894,585	1,865,824	88,680	112,049	4,476,627	2,536,696	12,974,461

At 31 December 2017, no property, plant and equipment of the Group were pledged to secure certain of the Group's bank borrowings (2016: RMB16,815,000) (note 31).

13. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**708,807**	623,579
Additions during the year	**17,718**	113,357
Write-off during the year	**(394)**	(2,749)
Amortised during the year	**(20,218)**	(18,166)
Impairment during the year	**(94)**	(7,214)
Carrying amount at 31 December	**705,819**	708,807

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

At 31 December 2017, no prepaid land lease payments of the Group was pledged to secure certain of the Group's bank borrowings (2016: RMB26,424,000) (note 31).

14. GOODWILL

	RMB'000
Cost at 1 January 2016, net of accumulated impairment	885,815
Classified as assets held for sale	(9,918)
Cost and net carrying amount at 31 December 2016	875,897
At 31 December 2016:	
Cost	925,065
Accumulated impairment	(49,168)
Net carrying amount	875,897
Cost at 1 January 2017, net of accumulated impairment	**875,897**
Impairment during the year	**(95,966)**
Cost and net carrying amount at 31 December 2017	**779,931**
At 31 December 2017:	
Cost	**925,065**
Accumulated impairment	**(145,134)**
Net carrying amount	**779,931**

14. GOODWILL – *continued*

Impairment testing of goodwill

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, in performing the impairment test, the goodwill generated from each acquisition is allocated to the corresponding subsidiary acquired.

The recoverable amount of each cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The discount rates applied to the cash flow projections are in a range of 12% to 16% (2016: 11% to 15.5%).

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Gold and copper output

The values assigned to the future revenues are estimated based on the annual gold and copper production, which is in line with the processing capacity of each cash-generating unit, taking into consideration the expected future capital expenditure and capacity expansion.

Mining costs

The basis used to determine the values assigned to the mining costs is the input requirements in accordance with the long-term mining plan at real unit costs.

Commodity price

Future commodity prices in the valuation model are estimated by management based on their industry experience, historic price trends and independent expert reports and commentaries.

Discount rates

The discount rates used are based on a weighted average cost of capital, and are real rates, before tax reflecting specific risks relating to the cash-generating units.

The values assigned to the key assumptions are consistent with external information sources.

15. OTHER INTANGIBLE ASSETS

31 December 2017

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Software RMB'000	Non-patent technologies RMB'000	Total RMB'000
Cost:					
At 1 January 2017	7,952,884	2,563,787	4,491	16,485	10,537,647
Additions	121,149	11,401	1,728	9,276	143,554
Acquisition of a subsidiary not accounted for as a business combination *(note 40)*	3,539	—	—	—	3,539
Acquisition of a subsidiary accounted for as a business combination *(note 40)*	—	134,015	—	—	134,015
Disposals/write-off	(279,180)	—	—	—	(279,180)
At 31 December 2017	7,798,392	2,709,203	6,219	25,761	10,539,575
Accumulated amortisation:					
At 1 January 2017	42,203	845,900	668	3,814	892,585
Provided during the year	—	70,347	628	5,581	76,556
At 31 December 2017	42,203	916,247	1,296	9,395	969,141
Impairment:					
At 1 January 2017	45,963	177,512	—	—	223,475
Provided during the year*	514	30,626	—	—	31,140
At 31 December 2017	46,477	208,138	—	—	254,615
Net book value:					
At 31 December 2017	7,709,712	1,584,818	4,923	16,366	9,315,819

* During the year, the impairment losses on other intangible assets related to the mining operation of the Daqinjia Mining CGU of RMB30,403,000 (2016: Nil) (note 12) and the Xinyuan Mining CGU of RMB737,000 (2016: Nil) (note 12), respectively.

As at 31 December 2017, no other intangible assets were pledged to secure the Group's bank borrowings. As at 31 December 2016, no other intangible assets were pledged to secure the Group's bank borrowings (note 31).

15. OTHER INTANGIBLE ASSETS – *continued*

31 December 2016

	Exploration rights and assets RMB'000	Mining rights and reserves RMB'000	Software RMB'000	Non-patent technologies RMB'000	Total RMB'000
Cost:					
At 1 January 2016	7,247,154	2,522,050	3,208	18,185	9,790,597
Additions	768,747	4,844	1,283	—	774,874
Acquisition of a subsidiary not accounted for as a business combination *(note 40)*	—	19,270	—	—	19,270
Reclassification	(17,623)	17,623	—	—	—
Classified as assets held for sale	(43,127)	—	—	—	(43,127)
Disposals/write-off	(2,267)	—	—	(1,700)	(3,967)
At 31 December 2016	7,952,884	2,563,787	4,491	16,485	10,537,647
Accumulated amortisation:					
At 1 January 2016	42,203	787,391	238	—	829,832
Provided during the year	—	58,509	430	4,962	63,901
Disposals/write-off	—	—	—	(1,148)	(1,148)
At 31 December 2016	42,203	845,900	668	3,814	892,585
Impairment:					
At 1 January 2016	18,800	173,350	—	—	192,150
Provided during the year	27,163	4,162	—	—	31,325
At 31 December 2016	45,963	177,512	—	—	223,475
Net book value:					
At 31 December 2016	7,864,718	1,540,375	3,823	12,671	9,421,587

16. INVESTMENT IN A JOINT VENTURE

	2017 RMB'000	2016 RMB'000
Share of net assets	119,979	120,229

The Group's prepayments, deposits and other receivable balances and trade transactions with the joint venture are disclosed in notes 25 and 43 to the financial statements.

Particulars of the Group's material joint venture are as follows:

Company name	Place and date of establishment	Paid-up/ registered share capital	Percentage of equity interest directly attributable to the Group	Principal activities
Ruoqiang Changyun Sanfengshan Mining Company Limited ("Sanfengshan") (若羌縣昌運三峰山金礦有限責任公司)	PRC 13 November 2006	RMB9,000,000	50%	Mining, exploration of non-ferrous and ferrous metals; and processing of non-ferrous and ferrous metal products

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

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

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

	2017 RMB'000	2016 RMB'000
Current assets	67,551	34,519
Non-current assets	249,459	318,336
Current liabilities	(77,052)	(91,539)
Non-current liabilities	—	(20,858)
Net assets	239,958	240,458

16. INVESTMENT IN A JOINT VENTURE – *continued*

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

	2017 RMB'000	2016 RMB'000
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	119,979	120,229
Carrying amount of the investment	119,979	120,229
Revenue	173,490	134,805
Other income	268	1,051
	173,758	135,856
Total expenses	(138,644)	(138,288)
Tax	(15,614)	(823)
Total comprehensive gain/(loss) for the year	19,500	(3,255)
Dividend received	10,000	10,000

17. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	222,273	229,039
Goodwill on acquisition	60,599	60,599
	282,872	289,638

The Group's prepayments, deposits and other receivable balances, trade payable balances and transactions with the associates are disclosed in notes 25, 28 and 43 to the financial statements.

17. INVESTMENTS IN ASSOCIATES – *continued*

Particulars of the material associates are as follows:

Company name	Place and date of establishment incorporation	Paid-up/ registered share capital	Percentage of equity interest directly attributable to the Group	Principal activities
Aletai Zhengyuan International Mining Company Limited ("Aletai") (阿勒泰正元國際礦業有限公司)	PRC 20 May 2005	RMB90,000,000	38.50%	Gold mining and processing of gold products
Jin's Bonanza (Resource) Holding Limited ("JBHL") (大愚智水(資源)控股有限公司)	BVI 31 October 2011	USD10,000	46.07%	Investment holding

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

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

	2017 RMB'000	2016 RMB'000
Share of the associates' profit for the year	4,274	7,622
Share of the associates' total comprehensive income	4,274	7,622
Aggregate carrying amount of the Group's investments in the associates	282,872	289,638

18. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Unlisted equity investments, at cost:		
– Mainland China	38,550	25,946
– Australia	26,677	26,677
Unlisted debt investments, at cost	—	280,000
Subtotal	65,227	332,623
Less: Impairment	(26,877)	(26,877)
Total	38,350	305,746
Less: Current portion of available-for-sale investments – financial products	—	(280,000)
Total of non-current portion	38,350	25,746

19. DEFERRED TAX

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

2017

Deferred tax assets

	Share-based payment RMB'000	Difference on tax depreciation and book value of property, plant and equipment RMB'000	Provision for early retirement and rehabilitation RMB'000	Deferred income RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profit RMB'000	Inventory provision RMB'000	Impairment of assets of a disposal group classified as held for sale RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	26,400	43,032	22,624	26,705	56,288	6,852	2,165	5,062	64,776	253,904
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 9)*	(26,400)	23,463	(10,130)	(10,353)	(42,011)	6,704	16,023	(5,062)	(23,359)	(71,125)
Deferred tax credited to other comprehensive income	—	—	(2,419)	—	—	—	—	—	—	(2,419)
At 31 December 2017	—	66,495	10,075	16,352	14,277	13,556	18,188	—	41,417	180,360

19. DEFERRED TAX – *continued*

2017 – *continued*

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Difference on tax depreciation and book value of other intangible assets RMB'000	Total RMB'000
At 1 January 2017	(360,584)	(100,855)	(461,439)
Deferred tax charged to the statement of profit or loss during the year *(note 9)*	11,969	48,447	60,416
At 31 December 2017	(348,615)	(52,408)	(401,023)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position as at 31 December 2017. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Deferred tax assets

	2017 RMB'000
Gross deferred tax assets at 31 December 2017	180,360
Deferred tax assets and liabilities have been offset in the statement of financial position	(10,305)
Net deferred tax assets recognised in the consolidated statement of financial position	170,055

Deferred tax liabilities

	2017 RMB'000
Gross deferred tax liabilities at 31 December 2017	(401,023)
Deferred tax assets and liabilities have been offset in the statement of financial position	10,305
Net deferred tax liabilities recognised in the consolidated statement of financial position	(390,718)

19. DEFERRED TAX – *continued*

2016

Deferred tax assets

	Share-based payment RMB'000	Difference on tax depreciation and book value of property, plant and equipment RMB'000	Provision for early retirement and rehabilitation RMB'000	Deferred income RMB'000	Losses available for offsetting against future taxable profits RMB'000	Fair value change from commodity derivative contract RMB'000	Unrealised profit RMB'000	Inventory provision RMB'000	Impairment of assets of a disposal group classified as held for sale RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	—	36,769	28,279	18,157	56,273	(207)	6,847	3,280	—	94,853	244,251
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 9)	26,400	6,263	(2,478)	8,548	15	207	5	(1,115)	5,062	(30,077)	12,830
Deferred tax credited to other comprehensive income	—	—	(3,177)	—	—	—	—	—	—	—	(3,177)
At 31 December 2016	26,400	43,032	22,624	26,705	56,288	—	6,852	2,165	5,062	64,776	253,904

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Difference on tax depreciation and book value of other intangible assets RMB'000	Total RMB'000
At 1 January 2016	(384,184)	(100,075)	(484,259)
Deferred tax charged/(credited) to the statement of profit or loss	10,260	(780)	9,480
Net deferred tax liabilities recognised in the disposal group during the year *(note 9)*	13,340	—	13,340
At 31 December 2016	(360,584)	(100,855)	(461,439)

19. DEFERRED TAX – *continued*

2016 – *continued*

Deferred tax liabilities – continued

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position as at 31 December 2016. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

Deferred tax assets

	2016 RMB'000
Gross deferred tax assets at 31 December 2016	253,904
Deferred tax assets and liabilities have been offset in the statement of financial position	(64,525)
Net deferred tax assets recognised in the consolidated statement of financial position	189,379

Deferred tax liabilities

	2016 RMB'000
Gross deferred tax liabilities at 31 December 2016	(461,439)
Deferred tax assets and liabilities have been offset in the statement of financial position	64,525
Net deferred tax liabilities recognised in the consolidated statement of financial position	(396,914)

At 31 December 2017, there was no significant unrecognised deferred tax liability (2016: Nil) for taxes that would be payable on the remitted earnings of the Group's subsidiaries, associates or joint venture as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences of RMB1,162,379,000 and RMB262,286,000 respectively as at 31 December 2017 (2016: RMB1,319,843,000 and RMB255,025,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. LOANS RECEIVABLE

	Notes	2017 RMB'000	2016 RMB'000
Loans receivable due from			
– a joint venture	(a)	10,000	53,000
– an associate	(a)	53,934	28,934
– Zhaojin Group	(b)	487,628	200,000
– subsidiaries of Zhaojin Group	(c)	374,896	91,872
– an associate of Zhaojin Group	(d)	—	70,000
– third parties	(e)	246,100	211,000
		1,172,558	654,806
Less: Impairment		(48,763)	(5,682)
		1,123,795	649,124
Less: Due within 12 months		(1,123,795)	(649,124)
Due after 12 months		—	—

(a) Pursuant to the entrusted loan agreements, the Company extended loans to a joint venture and an associate through a bank. The loans are unsecured, bear interest at a fixed rate of 4.35% per annum and have maturity dates in 2018.

(b) Zhaojin Finance, a subsidiary of the Group, signed loan agreements to provide loans of RMB270,000,000 (2016: RMB200,000,000) to Zhaojin Group. Both of the loans amounted to RMB270,000,000 provided in 2017 and RMB200,000,000 provided in 2016 have been fully settled in 2017.

Zhaojin Finance also provided bill discounting services of RMB487,628,000 (2016: Nill) to Zhaojin Group, which bear interest at fixed rates from 3.00% to 3.915% per annum and have maturity dates from 13 August 2018 to 15 November 2018.

(c) Zhaojin Finance provided loans of RMB267,671,000 (2016: RMB39,685,000) to subsidiaries of Zhaojin Group. The loans are guaranteed by Zhaojin Group, bear interest at fixed rates from 2.81% to 4.48% per annum and have maturity dates from 10 January 2018 to 6 November 2018.

Zhaojin Finance also provided bill discounting services of RMB107,225,000 (2016: RMB52,187,000) to subsidiaries of Zhaojin Group, which bear interest at fixed rates from 3.00% to 3.915% per annum and have maturity dates from 10 August 2018 to 26 December 2018.

(d) Zhaojin Finance signed a loan agreement to provide a loan of RMB40,000,000 (2016: RMB70,000,000) to an associate of Zhaojin Group. The loan was paid off in 2017.

(e) The Company signed entrusted loan agreements to provide loans of RMB185,100,000 (2016: RMB150,000,000) to third parties through China Construction Bank. The loans are unsecured, bear interest at fixed rate of 4.35% per annum and have maturity dates from 1 January 2018 to 28 November 2018.

Zhaojin Finance signed a loan agreement to provide a loan of RMB61,000,000 (2016: RMB61,000,000) to a third party. The loan is unsecured, bears interest at a fixed rate of 4.35% per annum and has a maturity date on 19 April 2018.

21. LONG-TERM DEPOSITS

Long-term deposits represent utilities and environmental rehabilitation deposits paid to service providers and the government respectively. The amounts were not expected to be refunded within the next 12 months as at 31 December 2017.

22. OTHER LONG-TERM ASSETS

	2017 RMB'000	2016 RMB'000
Advances and deposits paid for acquisitions of subsidiaries and exploration rights	462,239	514,792
Advance payments for purchases of property, plant and equipment	151,361	115,102
Long-term prepaid expenses	35,824	40,262
	649,424	670,156

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

23. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	134,618	121,214
Work in progress	3,284,509	3,431,421
Finished goods	260,093	90,120
	3,679,220	3,642,755
Less: impairment	(114,636)	(12,157)
	3,564,584	3,630,598

24. TRADE AND NOTES RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	45,770	270,167
Notes receivable	190,537	11,048
	236,307	281,215

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

	2017 RMB'000	2016 RMB'000
Within 1 year	33,305	252,355
1 to 2 years	527	7,296
2 to 3 years	7,161	13,842
Over 3 years	14,352	755
	55,345	274,248
Less: provision for impairment of trade receivables	(9,575)	(4,081)
	45,770	270,167

The movements in provision for impairment are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of year	4,081	3,450
Impairment losses recognised	5,819	1,723
Impairment losses reversed	(325)	(1,092)
At end of year	9,575	4,081

Trade and notes receivables are non-interest-bearing. As 79% (2016: 73%) of the sales of the Group for the year ended 31 December 2017 were made through the SGE without specific credit terms, there were no significant receivables that were overdue or impaired.

24. TRADE AND NOTES RECEIVABLES – *continued*

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

	2017 RMB'000	2016 RMB'000
Amounts due from related parties		
– Zhaojin Group	55	261
– Subsidiaries of Zhaojin Group	199,548	252,631
– Associates of Zhaojin Group	—	15
	199,603	252,907

The amounts due from related parties are unsecured, interest-free and are expected to be settled within 180 days.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments	392,117	155,973
Other receivables	421,166	401,614
	813,283	557,587
Less: impairment	(104,344)	(43,851)
	708,939	513,736

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – *continued*

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

	2017 RMB'000	2016 RMB'000
Amounts due from related parties:		
– Zhaojin Group	3,928	3,829
– Subsidiaries of Zhaojin Group	4,453	28,481
– Associates	6,997	95
– A joint venture - Sanfengshan	801	4,245
	16,179	36,650

The amounts due from related parties are unsecured, interest-free and are repayable on demand.

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

	2017 RMB'000	2016 RMB'000
At 1 January	43,851	43,119
Impairment losses recognised	61,858	21,305
Impairment losses reversed	(1,222)	(18,420)
Amount written off as uncollectible	(143)	(2,153)
At 31 December	104,344	43,851

26. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 RMB'000	2016 RMB'000
Listed equity investments, at market value	245,178	294,682
Listed fund investments, at market value	33,900	119,387
	279,078	414,069

27. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**1,846,668**	1,419,591
Time deposits	**278,323**	338,711
	2,124,991	1,758,302
Less: Pledged deposits		
– Pledged for environment governance	**(153,479)**	(121,493)
– Pledged for short-term bank loans	**(17,710)**	(76,589)
– Required reserve deposits*	**(96,535)**	(113,719)
– Pledged for bills payable	**(10,098)**	(8,550)
	1,847,169	1,437,951

* Required reserve deposits amounting to RMB96,535,000 (2016: RMB113,719,000) are placed by Zhaojin Finance, with the People's Bank of China ("PBOC"). The reserve deposits with the PBOC are not available for use in the Group's daily operations.

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Hong Kong dollars ("HK$") amounted to approximately RMB851,629,000 (2016: RMB160,992,000), those denominated in United States dollars ("USD") amounted to approximately RMB87,741,000 (2016: RMB91,958,000), those denominated in Australian dollars amounted to approximately RMB22,217,000 (2016: RMB23,416,000), those denominated in Kazakhstani Tenge amounted to approximately RMB8,000 (2016: RMB4,000), those denominated in Canadian dollars amounted to approximately RMB1,092,000 (2016: RMB171,000) and those denominated in British Pounds amounted to approximately RMB4,000 (2016: RMB4,000). All other cash and cash equivalents held by the Group are denominated in RMB. The RMB is not freely convertible into other currencies; however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at the time deposit rates. Time deposits (except for pledged time deposits) can be withdrawn at the discretion of the Group with seven days' notice. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE AND NOTES PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	426,637	376,311
Notes payable	18,946	13,550
	445,583	389,861

At 31 December 2017, the balance of trade and notes payables mainly represents the amount regarding the unsettled procurement of gold concentrates. The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

An aging analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within one year	407,673	355,253
Over one year but within two years	28,270	19,449
Over two years but within three years	1,858	9,322
Over three years	7,782	5,837
	445,583	389,861

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

	2017 RMB'000	2016 RMB'000
Amounts due to related parties		
– An associate - Aletai	—	2,162
– Subsidiaries of Zhaojin Group	19,806	12,799
	19,806	14,961

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

29. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Accrued taxes other than income tax	**97,821**	251,574
Accrued expenses and other payables	**995,844**	867,698
Advances received from disposal of a subsidiary classified as held for sale	—	9,000
Capital expenditure payables	**855,586**	1,021,945
	1,949,251	2,150,217

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

	2017 RMB'000	2016 RMB'000
Amounts due to related parties		
– Zhaojin Group	**3,266**	9,269
– Subsidiaries of Zhaojin Group	**29,631**	30,561
	32,897	39,830

The amounts due to related parties are unsecured, interest-free and are repayable on demand.

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

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

		2017 RMB'000	2016 RMB'000
Derivative financial instruments:			
– Gold forward contracts	(a)	—	658
Financial liabilities at fair value through profit or loss:			
Gold leasing business	(a)	—	52,854

(a) The Group financed through leases of gold from banks and subsequently sold through the SGE. The maturity periods range from 180 days to 1 year. The Group used two different approaches to settle the leased golds with banks on the day of maturity as follows:

(i) During the year of 2016, the Group would return gold with the same quantity and specification purchased through the SGE on maturity, and pay rental fees to banks. At the same time, the Group engaged in gold forward contracts on the SGE and SHFE in accordance with the quantity, specification and repayment terms of gold to be returned to banks in the future for the purpose of hedging certain risks arising from gold price fluctuation from the gold leasing business. The Group returned gold with the same quantity in 2017. As at 31 December 2017, realised loss on changes in fair value of the financial liabilities at fair value through profit or loss amounted to RMB125,000 (2016: RMB125,000), and realised gain on changes in fair value arising from derivative financial assets was RMB658,000 (2016: RMB658,000);

(ii) During the years of 2017 and 2016, the Group settled the leased gold with the banks to return the same quantity of gold to the banks at a fixed repayment amount on the contract maturity date. Accordingly, the risk of gold price fluctuation during the gold leasing period is burdened by the banks rather than by the Group. So the Group recorded the disposal proceeds through the SGE of all gold leased from the banks under interest-bearing banks and other borrowings. Please refer to note 31 to the consolidated financial statements.

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2017			2016		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans- secured	(b)	—	—	—	1.76-4.35	2017	165,643
Bank loans- guaranteed	(c)	2.59-4.35	2018	967,830	4.35	2017	120,000
Bank loans- unsecured		3.92-7.82	2018	4,085,464	3.92-10.00	2017	4,467,844
Gold leasing business – unsecured (note 30)		3.25-4.10	2018	3,880,694	3.20-3.70	2017	3,738,674
Gold leasing business – guaranteed	(c)	3.60-3.96	2018	447,332	3.60-4.00	2017	394,681
Other borrowings – unsecured		2.25-2.55	2018	399,219	2.55	2017	708
Short-term bonds – unsecured		4.35-4.45	2018	999,384	2.79-2.82	2017	1,996,650
				10,779,923			10,884,200
Non-current							
Bank loans- secured	(b)	—	—	—	4.56	2019-2020	150,420
Bank loans- guaranteed	(c)	—	—	—	2.59	2018	693,238
Bank loans- unsecured		5.25	2020	582,000	4.75	2018	101,430
Other borrowings – unsecured		2.55-5.46	2020-2021	37,338	2.55-5.46	2018-2021	142,618
				619,338			1,087,706
				11,399,261			11,971,906

31. INTEREST-BEARING BANK AND OTHER BORROWINGS – *continued*

Notes:

(a) Unutilised limit of bank loans and gold leasing business

	2017 RMB'000	2016 RMB'000
Banking facilities:		
– Available	23,638,000	27,420,500
– Utilised	(10,164,003)	(12,886,300)
Unutilised	13,473,997	14,534,200

(b) No bank loans of the Group were secured by mortgages over the Group's plant and machinery, prepaid land lease payments and other intangible assets (2016:RMB16,815,000) (note12), (2016: RMB26,424,000) (note13), and (2016: Nil) (note15). The Group's bank loans secured by mortgages over the Group's pledged deposits were RMB17,710,000 (2016: RMB76,589,000) (note 27).

(c) As at 31 December 2017, bank loans and gold leasing business of the subsidiaries with carrying amounts in aggregate of RMB1,415,162,000 were guaranteed by the Company (2016: RMB1,207,919,000 guaranteed by the Company).

As at 31 December 2017, except for bank loans of RMB647,830,250 and RMB588,078 (2016: RMB715,511,000 and RMB76,307,000) denominated in Hong Kong dollars and United States dollars, respectively, all borrowings were denominated in RMB.

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank loans and short-term bonds repayable:		
Within one year or on demand	6,052,678	6,750,137
In the second year	—	794,668
In the third to fifth years, inclusive	582,000	150,420
	6,634,678	7,695,225
Other borrowings repayable:		
Within one year	399,219	708
In the second year	—	104,572
In the third to fifth years, inclusive	37,338	38,046
	436,557	143,326
Gold leasing business repayable:		
Within one year	4,328,026	4,133,355
	11,399,261	11,971,906

32. CORPORATE BONDS

On 16 November 2012, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.2 billion (the "2012 Zhaojin Bond"). The bond carries interest at 5% per annum with a term of five years, which is payable annually in arrears on 16 November each year. On 16 November 2017, The Company repaid the principal amount of RMB1.2 billion.

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

On 31 October 2017, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB0.5 billion (the "2017 1st Zhaojin Bond"). The bond carries interest at 5.1% per annum with a term of five years, which is payable annually in arrears on 1 November each year. According to the offering memorandum of the 2017 Zhaojin Bond, the bond holders are entitled to redeem the bond at a redemption price equal to the principal amount on the interest payment date of the third year since 1 November 2017.

On 13 November 2017, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB0.35 billion (the "2017 2nd Zhaojin Bond"). The bond carries interest at 5.1% per annum with a term of five years, which is payable annually in arrears on 13 November each year. According to the offering memorandum of the 2017 Zhaojin Bond, the bond holders are entitled to redeem the bond at a redemption price equal to the principal amount on the interest payment date of the third year since 13 November 2017.

	2017 RMB'000	2016 RMB'000
Corporate bonds at the beginning of the year	**2,143,172**	3,639,815
Corporate bonds issued during the year	**850,000**	—
Corporate bonds redeemed during the year	**(1,200,000)**	(1,500,000)
Increase arising from the amortisation method	**1,792**	3,357
Corporate bonds at the end of the year	**1,794,964**	2,143,172
Current	**—**	1,198,071
Non-current	**1,794,964**	945,101
	1,794,964	2,143,172

As at 31 December 2017, the bonds issued with a carrying amount of RMB946,378,104 were guaranteed by Zhaojin Group.

33. DEFERRED INCOME

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

	2017 RMB'000	2016 RMB'000
At beginning of year	420,635	464,370
Received during the year	15,239	45,790
Recognised as income during the year	(71,351)	(89,525)
At end of year	364,523	420,635

34. PROVISIONS

	Notes	2017 RMB'000	2016 RMB'000
Post-employment benefit obligations:			
Early retirement	(a)	59,924	89,658
Rehabilitation	(b)	33,692	11,237
		93,616	100,895
Current		16,636	22,556
Non-current		76,980	78,339
		93,616	100,895

(a) The provision for early retirement is made in respect of future payments to be made by the Group to former employees who have accepted early retirement terms. These payments are made monthly based on the employees' pre-retirement salary level and age, and are due to be made until the former employees reach the normal statutory retirement age, which extends up to 2040. The obligation has no defined benefit plan asset.

The Group's obligation in respect of post-employment benefit - early retirement at the end of the reporting period was computed by an independent actuary, Towers Watson Management Consulting (Shanghai) Co., Ltd., which is a member of the Society of Actuaries of the United States of America at 31 December 2017, using the projected cumulative unit credit method.

34. PROVISIONS – *continued*

(a) – *continued*

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

	2017	2016
Discount rate (%)	**3.75**	2.75
Annual increase rate of post-employment salary continuance benefits (%)		
– Before 2020 (including 2020)	—	—
– After 2021	—	—

Mortality: Average life expectancy of residents in Mainland China

A quantitative sensitivity analysis for significant assumptions as at 31 December 2017 is shown below:

	Increase in rate %	(Decrease)/ increase in net early retirement RMB'000	Decrease in rate %	Decrease in net early retirement RMB'000
Discount rate	0.25	(400)	0.25	394
Annual increase rate of post-employment salary continuance benefits	0.50	709	0.50	N/A*

* Since the annual increase rate of post-employment salary continuance benefits assumption is zero in actuarial valuations before 2020. Therefore, only the results with a 0.5% increase in the annual increase rate of post-employment salary continuance benefits are provided.

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

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

34. PROVISIONS – *continued*

(a) – *continued*

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

	2017 RMB'000	2016 RMB'000
At beginning of year	89,658	121,225
Charged to the statement of profit or loss for employment benefit – interest increment	2,215	2,674
Remeasurement gain recognised in the statement of other comprehensive income	(9,677)	(12,707)
Utilised during the year	(22,272)	(21,534)
At end of year	59,924	89,658
Current	16,636	22,556
Non-current	43,288	67,102
	59,924	89,658

Analysis of the expected maturity of undiscounted post-employment benefits:

At 31 December 2017	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Early retirement benefits	16,636	41,201	8,832	66,669

34. PROVISIONS – *continued*

(b) The provision for rehabilitation is in relation to the estimated costs of complying with the Group's obligations for land reclamation. These costs are expected to be incurred on mine closure, which, based on current mineral reserve estimates, lasts for periods ranging from 2 to 68 years.

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

	2017 RMB'000	2016 RMB'000
At beginning of year	11,237	9,652
Interest increment	420	461
Addition	22,065	—
Change in discount rate	(30)	1,124
At end of year	33,692	11,237
Non-current	33,692	11,237
	33,692	11,237

35. DEPOSITS FROM CUSTOMERS

	2017 RMB'000	2016 RMB'000
Demand deposits	420,007	944,589
Notice deposits	24,225	14,550
Time deposits	73,600	26,597
	517,832	985,736

As at 31 December 2017, deposits from customers represented the deposits which were placed in Zhaojin Finance, a subsidiary of the Group. The deposit interest rates range from 0.42% to 1.95% per annum, except for the time deposits with maturity dates from 8 February 2018 to 23 August 2018, other deposits will be repaid upon the demand and notice of the customers.

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

	2017 RMB'000	2016 RMB'000
Amounts due to related parties		
– Zhaojin Group	125,318	143,702
– Subsidiaries of Zhaojin Group	388,850	756,895
– Associates of Zhaojin Group	85	3,259
	514,253	903,856

36. OTHER LONG-TERM LIABILITIES

As at 31 December 2017, the non-current portions of other long-term liabilities amounting to RMB24,918,000 (2016: RMB23,618,000) represent the payable for the commitment of profit distribution to non-controlling shareholders of a subsidiary of the Group, which will be settled in the next 3 years.

37. SHARE CAPITAL

	2017 RMB'000	2016 RMB'000
Registered, issued and fully paid:		
2,171,481,195 (2016: 2,091,481,195)		
domestic shares of RMB1.00 each	2,171,481	2,091,481
1,049,215,000 (2016: 874,346,000)		
H shares of RMB1.00 each	1,049,215	874,346
	3,220,696	2,965,827

A summary of movements in the Company's share capital is as follows:

Domestic shares:		Number of shares in issue	Share capital RMB'000
As at 1 January 2017		2,091,481,195	2,091,481
Recognition of shares under employee share subscription plan	(a)	80,000,000	80,000
At 31 December 2017		2,171,481,195	2,171,481

H shares:		Number of shares in issue	Share capital RMB'000
As at January 2017		874,346,000	874,346
Issue of shares	(b)	174,869,000	174,869
At 31 December 2017		1,049,215,000	1,049,215

37. SHARE CAPITAL – *continued*

(a) On 31 March 2017, the Company has completed the share registration procedures with China Securities Depository And Clearing Corporation Limited in connection with the issuance of 80 million new domestic shares under specific mandate for the asset management plan. Such 80 million new domestic shares correspond to the 80 million Employee Share Subscription Plan ("ESSP") portions subscribed by the eligible participants of the ESSP.

(b) On 29 March 2017, the Company entered into the placing agreement (the "Placing Agreement") with UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited and CMB International Capital Limited (the "Joint Placing Agents"), pursuant to which the Company has agreed to issue a total of up to 174,869,000 new H Shares of RMB1.00 each (the "Placing Shares") under a general mandate, and the Joint Placing Agents have agreed, on a several basis, as the placing agents of the Company, to procure in an aggregate of not less than six and not more than ten professional, institutional and other investor(s) who are independent third parties, or failing which themselves as principal, to subscribe the Placing Shares at the price of HK$6.93 per Placing Share on the terms and subject to the conditions of the Placing Agreement (the "Placing").

Completion of the Placing took place on 6 April 2017. The aggregate gross proceeds from the Placing were approximately HK$1,211.8 million and the aggregate net proceeds from the Placing, after deducting the placing commission and other related expenses, were approximately HK$1,205 million (RMB1,064,379,000). The net proceeds from the Placing are intended to be used for supplementing the working capital of the Company.

38. PERPETUAL CAPITAL INSTRUMENTS

On 18 March 2015, 7 July 2015 and 20 April 2017, the Company issued perpetual capital instruments to institutional investors in the PRC inter-bond market with par value of RMB500,000,000 at a fixed initial distribution rate of 5.90% per annum, RMB1,600,000,000 at a fixed initial distribution rate of 5.20% per annum and RMB500,000,000 at a fixed initial distribution rate of 5.43% per annum respectively. Proceeds from issuance, net of issuance expense, were RMB2,581,700,000 in aggregate. The perpetual capital instruments have no fixed maturity dates and are callable only at the Company's option. On the fifth and each of the subsequent distribution payment dates of the perpetual capital instruments, the Company is entitled to redeem the perpetual capital instruments at par value together with any accrued, unpaid or deferred coupon distribution payments. If the Group does not exercise the right of redemption, from the beginning of the first six years of distribution bearing, the coupon distribution rate will be reset every five years to a percentage per annum equal to the sum of (a) the initial spread, (b) the five-year China Government Bond rate, and (c) a margin of 3%. While any coupon distribution payments are unpaid or deferred, the Company cannot declare or pay dividends or reduce the registered capital of the Company.

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

39. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Capital reserve

Share premium, which represented the difference between the nominal value and the issue price of the new H Shares issued to the public upon listing of the Company's H Shares on the Main Board of the HKEX amounting to RMB2,332,418,000, was recognised in the capital reserve. In addition, share subscription expenses of RMB163,665,000 were offset against the share premium.

On 16 May 2008, the shareholders approved a bonus issue of 546,536,000 shares of RMB1 each on the basis of 0.75 share for every share held by capitalising the capital reserve amounting to RMB546,536,000 to share capital.

On 13 June 2011, the annual general meeting of the Company approved a resolution to increase the share capital of the Company from RMB1,457,430,000 to RMB2,914,860,000 by way of a bonus issue on the basis of one bonus share issued for every share held by shareholders (50% of which is made by the capitalisation of capital reserve and 50% of which is made by the capitalisation of retained profits).

In November 2012, the Company issued 50,967,195 domestic shares (RMB1 per share) at the issue price of RMB11.73 per share.

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

In September 2016, the Company recognised RMB105,600,000 as costs of share-based compensation in aggregate and the total considerations received for the granted domestic shares amounting to RMB237,600,000 the capital reserve.

On 31 March 2017, the Company has completed the share registration procedures with China Securities Depository And Clearing Corporation Limited in connection with the issuance of 80 million new domestic shares under a specific mandate for the asset management plan. Such 80 million new domestic shares correspond to the 80 million ESSP portions subscribed by the eligible participants of the ESSP. In March 2017, the par value related to share-based compensation amounting to RMB80,000,000 was transferred into share capital after the completion of share registration.

On 29 March 2017, the Company entered into the placing agreement (the "Placing Agreement") with UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited and CMB International Capital Limited (the "Joint Placing Agents"), pursuant to which the Company has agreed to issue a total of up to 174,869,000 new H Shares of RMB1.00 each (the "Placing Shares") under a general mandate, and the Joint Placing Agents have agreed, on a several basis, as the placing agents of the Company, to procure in an aggregate of not less than six and not more than ten professional, institutional and other investor(s) who are independent third parties, or failing which themselves as principal, to subscribe the Placing Shares at the price of HK$6.93 per Placing Share on the terms and subject to the conditions of the Placing Agreement (the "Placing").

39. RESERVES – *continued*

Capital reserve – *continued*

Completion of the Placing took place on 6 April 2017. The aggregate gross proceeds from the Placing were approximately HK$1,211.8 million and the aggregate net proceeds from the Placing, after deducting the placing commission and other related expenses, were approximately HK$1,205 million (RMB1,064,379,000), and capital reserve amounting to RMB889,510,000 was recognised in the capital reserve.

Statutory reserves

In accordance with the articles of association of the Company approved by the relevant government authorities on 16 April 2004, the net profit after tax of the Company for the purpose of profit distribution will be deemed to be the lesser of (i) the net profit determined in accordance with PRC GAAP and (ii) the net profit determined in accordance with HKFRSs. Under the PRC Company Law and the Company's articles of association, the net profit after tax can only be distributed as dividends after allowance has been made for the following:

(i) Making up prior years' cumulative losses, if any.

(ii) Allocations to the statutory common reserve fund of at least 10% of the profit after tax, until the fund aggregates 50% of the Company's share capital. For the purpose of calculating the transfer to the reserve, the profit after tax shall be the amount determined under PRC GAAP. The transfer to this reserve must be made before any distribution of dividends to shareholders.

The statutory common reserve fund can be used to offset previous years' losses, if any, and part of the statutory common reserve fund can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

The above reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For dividend purposes, the amount which the Company and its subsidiaries can legally distribute by way of a dividend is determined with reference to their profits available for distribution as reflected in the respective PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those reflected in the financial statements which are prepared in accordance with HKFRSs.

40. BUSINESS COMBINATION

(a) On 7 July 2017, the Group acquired a 60% interest in Goldking, a company established in the Ecuador. Goldking is engaged in mining and selling of the mining products. The acquisition was made as part of the Group's strategy to expand its global gold business over the world.

The purchase consideration for the acquisition was in the form of cash, with USD4,000,000 prepaid in 2016, USD4,000,000 paid in 2017 and the remaining USD4,000,000 to be paid in 2018 according to the arrangement.

The fair values of the identifiable assets and liabilities of Goldking as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Other intangible assets *(note 15)*	134,015
Property, plant and equipment *(note 12)*	25,925
Accruals and other payables	(22,700)
Total identifiable net assets at fair value	137,240
Non-controlling interest	54,896
Gain on bargain purchase recognised in other income	1,968
Satisfied by cash	80,376
Prepaid in 2016	27,600
Paid in 2017	26,164
To be paid in 2018	26,612

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

	RMB'000
Cash consideration paid in 2017	**26,164**
Cash and cash equivalents acquired	**—**
Net outflow of cash and cash equivalents in respect of the acquisition	**26,164**

Since the acquisition, Goldking contributed RMB10,346,000 to the Group's revenue and RMB2,790,000 to the consolidated profit for the year ended 31 December 2017.

40. BUSINESS COMBINATION – *continued*

(b) On 11 June 2017, the Group acquired a 75% interest in JTHD, a company established in PRC, at an aggregate consideration of RMB10,765,800 to be paid directly to JTHD as capital injection for mining process. The acquisition was made as part of the Group's strategy to expand its gold mining business in China.

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

	Fair value recognised on acquisition RMB'000
Other receivables	10,964
Other intangible assets *(note 15)*	3,539
Total identifiable net assets at fair value	14,503
Non-controlling interest	3,588
Gain on bargain purchase recognised in other income	150
Satisfied by cash	10,765
To be paid	10,765

41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	Corporate bonds RMB'000	Included in other payables and accruals RMB'000	Gold leasing RMB'000
At 1 January 2017	11,971,906	2,143,172	59,844	52,196
Changes from financing cash flows	(573,890)	(350,000)	(486,350)	(52,196)
Interest expense	1,245	1,792	515,305	—
At 31 December 2017	11,399,261	1,794,964	88,799	—

42. COMMITMENTS

(a) Capital commitments

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	799,092	383,033
– Commitment for potential acquisitions	1,691,954	1,844,963
	2,491,046	2,227,996

(b) Operating lease commitments

The Group leases certain of its land and offices under operating lease arrangements, which are negotiated for terms ranging between one and fifty years.

Future minimum lease payments of the Group under non-cancellable operating leases are as follows:

	2017 RMB'000	2016 RMB'000
Within one year	7,987	12,288
In the second to fifth years, inclusive	20,129	17,487
After five years	40,555	45,108
	68,671	74,883

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2017 RMB'000	2016 RMB'000
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Payment of rental of land use rights	4,553	5,782
– Brokerage service fees	7,027	4,073
Others:		
– Loans to related parties	270,000	200,000
– Interest income from loans to related parties	214	275
– Increase in deposits from customers, net	—	84,453
– Decrease in deposits from customers, net	17,821	—
– Interest expense on deposits from customers	2,400	2,628
– Bill discounting service	500,000	—
– Interest income from bill discounting service	5,028	—
(ii) Subsidiaries of Zhaojin Group		
Sales of silver	—	198,713
Expenses:		
– Fees for refining services	5,579	7,226
– Brokerage service fees	70	350
Capital transactions:		
– Purchase of materials	118,701	84,040
– Purchase of exploration services	46,756	35,842
– Purchase of digital mine construction technology services	13,283	17,663
– Purchase of water treatment engineering services and relevant necessary super filter membrane and equipment	17,637	6,213
Others:		
– Loans to related parties	1,016,671	1,447,370
– Interest income from loans to related parties	3,907	2,885
– Increase in deposits from customers, net	—	412,151
– Decrease in deposits from customers, net	368,607	—
– Interest expense on deposits from customers	6,324	3,909
– Bill discounting service	180,000	140,280
– Interest income from bill discounting service	2,782	1,486

43. RELATED PARTY TRANSACTIONS – *continued*

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year: – *continued*

	2017 RMB'000	2016 RMB'000
Nature of relationships/transactions – ***continued***		
(iii) Associate - Aletai		
– Purchase of gold concentrates	52,725	92,742
(iv) Joint venture - Sanfengshan		
– Purchase of copper concentrates	11,031	53,725
– Interest income	1,698	2,769
(v) A subsidiary of an associate - Shandong Wucailong Investment Company Limited		
– Entrusted loans	25,000	25,000
– Interest income	1,900	690
(vi) An associate of Zhaojin Group - Yantai Zhaojin Lifu Precious Metal Company Limited		
– Loans to related parties	40,000	205,000
– Interest income from loans to related parties	1,950	1,461
– Increase in deposits from customers, net	—	3,259
– Decrease in deposits from customers, net	3,174	—
– Interest expense on deposits from customers	8	11

The directors consider that the sales and purchases were undertaken on commercial terms similar to those offered to/by unrelated customers/suppliers in the ordinary course of business of the relevant companies.

(b) Outstanding balances with related parties:

(i) Details of the Group's loans receivable due from its associate, joint venture, Zhaojin Group, subsidiaries of Zhaojin Group and an associate of Zhaojin Group as at the end of the reporting period are included in note 20 to the financial statements.

(ii) Details of the Group's trade balances with subsidiaries of Zhaojin Group as at the end of the reporting period are disclosed in notes 24 and 28 to the financial statements.

(iii) Details of the Group's non-trade balances with Zhaojin Group and its subsidiaries as at the end of the reporting period are disclosed in notes 25, 29 and 35 to the financial statements.

43. RELATED PARTY TRANSACTIONS – *continued*

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

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	4,552	4,697
Post-employment benefits	—	—
Total compensation paid to key management personnel	4,552	4,697

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

(d) Connected transactions

The transactions disclosed in items (a) (i) and (a) (ii) above also constitute connected transactions and/or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2017			
	Financial assets at fair value through profit or loss Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade and notes receivables	—	236,307	—	236,307
Financial assets included in other receivables	—	226,183	—	226,183
Available-for-sale investments	—	—	38,350	38,350
Equity investments at fair value through profit or loss	279,078	—	—	279,078
Loans receivable	—	1,123,795	—	1,123,795
Pledged deposits	—	277,822	—	277,822
Cash and cash equivalents	—	1,847,169	—	1,847,169
Total	279,078	3,711,276	38,350	4,028,704

44. FINANCIAL INSTRUMENTS BY CATEGORY – *continued*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: – *continued*

Financial liabilities

	2017			
	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	—	—	445,583	445,583
Financial liabilities included in other payables and accruals	—	—	1,547,051	1,547,051
Interest-bearing bank and other borrowings	—	—	11,399,261	11,399,261
Corporate bonds	—	—	1,794,964	1,794,964
Deposits from customers	—	—	517,832	517,832
Other long-term liabilities (including current portion)	—	—	24,918	24,918
Total	—	—	15,729,609	15,729,609

44. FINANCIAL INSTRUMENTS BY CATEGORY – *continued*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows : – *continued*

Financial assets

	2016			
	Financial assets at fair value through profit or loss Held for trading RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade and notes receivables	—	281,215	—	281,215
Financial assets included in other receivables	—	275,799	—	275,799
Available-for-sale investments	—	—	305,746	305,746
Equity investments at fair value through profit or loss	414,069	—	—	414,069
Derivative financial instruments	658	—	—	658
Loans receivable	—	649,124	—	649,124
Pledged deposits	—	320,351	—	320,351
Cash and cash equivalents	—	1,437,951	—	1,437,951
Total	414,727	2,964,440	305,746	3,684,913

44. FINANCIAL INSTRUMENTS BY CATEGORY – *continued*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows : – *continued*

Financial liabilities

	2016			
	Financial liabilities at fair value through profit or loss			
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and notes payables	—	—	389,861	389,861
Financial liabilities included in other payables and accruals	—	—	1,649,276	1,649,276
Interest-bearing bank and other borrowings	—	—	11,971,906	11,971,906
Financial liabilities at fair value through profit or loss	52,854	—	—	52,854
Corporate bonds	—	—	2,143,172	2,143,172
Deposits from customers	—	—	985,736	985,736
Other long-term liabilities (including current portion)	—	—	23,618	23,618
Total	52,854	—	17,163,569	17,216,423

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments at fair value through profit or loss	**279,078**	414,069	**279,078**	414,069
Derivative financial instruments	**—**	658	**—**	658
Total	**279,078**	414,727	**279,078**	414,727
Financial liabilities				
Financial liabilities at fair value through profit or loss	**—**	52,854	**—**	52,854
Interest-bearing bank and other borrowings, non-current portion	**619,338**	1,087,706	**619,237**	1,088,232
Corporate bonds-non-current portion	**1,794,964**	2,143,172	**1,779,875**	2,171,700
Other long-term liabilities, non-current portion	**24,918**	23,618	**24,918**	23,618
Total	**2,439,220**	3,307,350	**2,424,030**	3,336,404

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – *continued*

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December2017 was assessed to be insignificant.

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

As at 31 December 2017, the fair value information has not been disclosed for certain available-for-sale investments in equity instruments that do not have a quoted market price in an active market and are measured at cost less any impairment because their fair value cannot be measured reliably. The reason why the fair value cannot be measured reliably is because that the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. The carrying amount of these available-for-sale investments which were unlisted investments in China held by the Group was RMB30,760,000 (31 December 2016: RMB305,746,000) and in Australia held by the Group was RMB7,590,000 (31 December 2016: Nil).

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – *continued*

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	279,078	—	279,078

As at 31 December 2016

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Equity investments at fair value through profit or loss	383,237	30,832	414,069
Derivative financial instruments	658	—	658
Total	383,895	30,832	414,727

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – *continued*

Fair value hierarchy – *continued*

Liabilities measured at fair value:

As at 31 December 2017

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

As at 31 December 2016

	Quoted prices in active markets (Level 1) RMB'000
Financial liabilities at fair value through profit or loss	52,854

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – *continued*

Fair value hierarchy – *continued*

Liabilities for which fair values are disclosed:

As at 31 December 2017

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	—	619,237	619,237
Corporate bonds	1,779,875	—	1,779,875
Other long-term liabilities, non-current portion	—	24,918	24,918
Total	1,779,875	644,155	2,424,030

As at 31 December 2016

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	—	1,088,232	1,088,232
Corporate bonds	2,171,700	—	2,171,700
Other long-term liabilities, non-current portion	—	23,618	23,618
Total	2,171,700	1,111,850	3,283,550

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments were liquidity risk, interest rate risk, commodity price risk, credit risk and equity price risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed facilities from banks to meet its commitments over the foreseeable future in accordance with its strategic plan.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2017				
Interest-bearing bank and other borrowings	10,970,082	701,563	—	11,671,645
Trade and notes payables	445,583	—	—	445,583
Financial liabilities included in other payables and accruals	1,547,051	—	—	1,547,051
Corporate bonds	79,450	2,045,600	—	2,125,050
Deposits from customers	517,832	—	—	517,832
Other long term liabilities	—	24,918	—	24,918
	13,559,998	2,772,081	—	16,332,079

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Liquidity risk – *continued*

	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2016				
Financial liabilities at fair value through profit or loss	52,854	—	—	52,854
Interest-bearing bank and other borrowings	11,139,296	1,118,146	—	12,257,442
Trade and notes payables	389,861	—	—	389,861
Financial liabilities included in other payables and accruals	1,649,276	—	—	1,649,276
Corporate bonds	1,295,980	1,058,300	—	2,354,280
Deposits from customers	985,736	—	—	985,736
Other long term liabilities	—	23,618	—	23,618
	15,513,003	2,200,064	—	17,713,067

Interest rate risk

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

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Interest rate risk – *continued*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
2017		
RMB	**100**	**(2,094)**
HK$	**100**	**(1,070)**
RMB	**(100)**	**2,094**
HK$	**(100)**	**1,070**
2016		
RMB	100	(2,640)
HK$	100	(6,932)
RMB	(100)	2,640
HK$	(100)	6,932

Commodity price risk

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

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

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

The price range of the forward commodity contracts is closely monitored by management. Accordingly, a reasonable possible fluctuation of 10% in commodity prices would have no significant impact on the Group's profit and equity for the year.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Credit risk

The Group has no significant credit risk with customers since almost all gold sales are made through the SGE.

The Group's notes receivable are guaranteed by banks and the risk for default in payment is minimal. The carrying amounts of cash and cash equivalents, trade and notes receivables, and financial assets in other receivables, pledged deposits and loans receivable represent the Group's maximum exposure to credit risk attributable to its financial assets.

Substantial amounts of the Group's cash and cash equivalents are held in well-known financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality.

The Group has no significant concentration of credit risk with any single counterparty.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual listed equity investments classified as equity investments at fair value through profit or loss (note 26) as at 31 December 2017 and 2016. The Group's listed equity investments are listed on the Shanghai and Shenzhen stock exchanges, the Australian, Hong Kong, US and Toronto Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	31 December 2017	High/low 2017	31 December 2016	High/low 2016
Shanghai - A Share Index	**3,307**	**3,448/3,053**	3,250	3,704/2,761
Shenzhen - A Share Index	**1,753**	**1,992/1,656**	2,060	2,237/1,703
Australia - ASX 200 Index	**6,065**	**6,088/5,611**	5,666	5,699/4,707
Hong Kong - HSI Index	**29,919**	**29,919/22,134**	22,001	24,364/18,279
New York - NYSE Index	**12,809**	**12,853/11,154**	11,057	11,256/8,938
Toronto - TSX Index	**16,209**	**16,222/14,952**	15,288	15,433/11,531

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Equity price risk – *continued*

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

2017 Investments listed in	Carrying amount of equity investments RMB'000	Increase/ (decrease) in equity price %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
Australia - Held-for-trading	7,354	10	735	—
		(10)	(735)	—
America - Held-for-trading	92,711	10	9,271	—
		(10)	(9,271)	—
Canada - Held-for-trading	17,387	10	1,739	—
		(10)	(1,739)	—
Shenzhen - Held-for-trading	30,512	10	3,051	—
		(10)	(3,051)	—
Hong Kong - Held-for-trading	97,214	10	9,721	—
		(10)	(9,721)	—
Total	245,178	10	24,517	—
		(10)	(24,517)	—

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Equity price risk – *continued*

2016 Investments listed in	Carrying amount of equity investments RMB'000	Increase/ (decrease) in equity price %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
Australia - Held-for-trading	14,182	10	1,418	—
		(10)	(1,418)	—
America - Held-for-trading	95,105	10	9,511	—
		(10)	(9,511)	—
Canada - Held-for-trading	23,437	10	2,344	—
		(10)	(2,344)	—
Shenzhen - Held-for-trading	61,011	10	5,251	—
		(10)	(5,251)	—
Shanghai - Held-for-trading	3,810	10	381	—
		(10)	(381)	—
Hong Kong - Held-for-trading	97,137	10	9,714	—
		(10)	(9,714)	—
Total	294,682	10	28,619	—
		(10)	(28,619)	—

* Excluding retained profits

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group made no change to its capital structure between 2017 and 2016.

The Group is currently funding its capital expenditure through corporate bonds and new bank borrowings and gold leasing business. Under normal circumstances, the Group monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. The Group's policy is to maintain the gearing ratio between 20% and 60%. Net debt includes interest-bearing bank and other borrowings, corporate bonds, financial liabilities arising from the gold leasing business, less cash and cash equivalents. Capital represents the equity of the Group.

	2017 RMB'000	2016 RMB'000
Interest-bearing bank and other borrowings	**11,399,261**	11,971,906
Corporate bonds	**1,794,964**	2,143,172
Financial liabilities arising from the gold leasing business	—	52,854
Less: Cash and cash equivalents	**(1,847,169)**	(1,437,951)
Net debt	**11,347,056**	12,729,981
Total equity	**16,763,908**	14,135,217
Total equity and net debt	**28,110,964**	26,865,198
Gearing ratio	**40.4%**	47.4%

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	5,795,062	5,482,195
Prepaid land lease payments	208,646	206,935
Goodwill	84,336	84,336
Other intangible assets	1,059,833	1,184,197
Investments in subsidiaries	8,532,632	5,118,242
Investment in a joint venture	100,000	100,000
Investment in an associate	34,650	34,650
Available-for-sale investments	8,740	5,725
Long-term deposits	9,235	11,728
Other long-term assets	526,687	557,581
Total non-current assets	16,359,821	12,785,589
CURRENT ASSETS		
Inventories	2,119,537	2,199,500
Trade and receivables	298,746	359,905
Prepayments, deposits and other receivables	3,085,318	1,984,817
Equity investments at fair value through profit or loss	64,412	33,989
Available-for-sale financial investments	—	200,000
Pledged deposits	101,165	143,249
Loans receivable	5,232,192	8,378,970
Cash and cash equivalents	488,919	558,761
Total current assets	11,390,289	13,859,191

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

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

	31 December 2017 RMB'000	31 December 2016 RMB'000
CURRENT LIABILITIES		
Trade and notes payables	173,544	129,641
Other payables and accruals	955,337	990,632
Interest-bearing bank and other borrowings	9,601,231	10,614,794
Tax payable	22,895	101,729
Provisions	11,944	16,875
Corporate bonds	—	1,198,071
Total current liabilities	10,764,951	13,051,742
NET CURRENT ASSETS	625,338	807,449
TOTAL ASSETS LESS CURRENT LIABILITIES	16,985,159	13,593,038
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	583,198	98,907
Corporate bonds	1,794,964	945,101
Deferred tax liabilities	33,247	37,116
Deferred income	227,767	266,089
Provisions	34,751	52,748
Other long-term liabilities	24,918	23,618
Total non-current liabilities	2,698,845	1,423,579
Net assets	14,286,314	12,169,459
EQUITY		
Share capital	3,220,696	2,965,827
Perpetual capital instruments (note 38)	2,664,600	2,147,132
Reserves (note (a))	8,401,018	7,056,500
TOTAL EQUITY	14,286,314	12,169,459

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

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

Note:

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

	Capital reserve RMB'000	Special reserve-safety fund RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	1,700,300	3,113	818,038	3,543,435	6,064,886
Total comprehensive income for the year	8,348	—	—	871,708	880,056
Accrued distribution of perpetual capital instruments	—	—	—	(113,009)	(113,009)
Issue of shares under the employee shares subscription plan (note 37)	237,600	—	—	—	237,600
Equity-settled share-based payments (note 37)	105,600	—	—	—	105,600
Transfer to reserves	—	—	85,480	(85,480)	—
Final 2015 dividend declared and paid	—	—	—	(118,633)	(118,633)
At 31 December 2016 and 1 January 2017	2,051,848	3,113	903,518	4,098,021	7,056,500
Total comprehensive income for the year	**6,420**	—	—	**789,084**	**795,504**
Capital contributed by owners and capital decreases	**889,510**	—	—	—	**889,510**
Issue of shares under the employee shares subscription plan (note 37)	**(80,000)**	—	—	—	**(80,000)**
Accrued distribution of perpetual capital instruments	—	—	—	**(131,668)**	**(131,668)**
Transfer to reserves	—	—	**79,745**	**(79,745)**	—
Utilisation of the safety fund	—	**3,301**	—	**(3,301)**	—
Final 2016 dividend declared and paid	—	—	—	**(128,828)**	**(128,828)**
At 31 December 2017	**2,867,778**	**6,414**	**983,263**	**4,543,563**	**8,401,018**

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2018.