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)

2018
ANNUAL REPORT

* For identification purposes only

CONTENTS

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 *(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)
(Retired on 26 February 2019)
Mr. Wang Xiaojie
(Chairman of the Supervisory Committee)
(Appointed on 26 February 2019)
Mr. Zou Chao
Ms. Zhao Hua

SECRETARY TO THE BOARD

Mr. Wang Ligang

COMPANY SECRETARY

Ms. Mok Ming Wai *(Resigned on 24 August 2018)*
Ms. Ng Ka Man *(Appointed on 24 August 2018)*

QUALIFIED ACCOUNTANT

Mr. Ma Ving Lung Nelson

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE MEMBERS

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

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. Gao Min
Ms. Chen Jinrong
Mr. Wei Junhao

* *For identification purpose only*

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

31st Floor
Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China
78 Fuqian Road
Zhaoyuan City
Shandong 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 and new technology 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 2018, the Company owned a number of subsidiaries, joint ventures and associates nationwide, with their businesses covering major gold production regions in the PRC. As at 31 December 2018, 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 39,597.2 kozs, and our recoverable gold reserves was approximately 16,436.7 kozs.

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

SUMMARY OF OPERATING RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**7,177,057**	6,673,999	6,664,785	5,886,845	5,606,182
Gross profit	**2,482,208**	2,634,529	2,729,320	2,231,092	2,172,407
Share of profit of associates	**6,195**	4,274	7,622	6,819	6,597
Share of profit/(loss) of joint ventures	**17,306**	9,750	(1,628)	(3,443)	19,236
Profit before tax	**756,703**	888,184	799,444	554,513	683,024
Profit attributable to equity holders of the Company	**474,287**	643,951	353,322	308,140	455,388
Earnings per share (RMB)	**0.15**	0.20	0.12	0.10	0.15

SUMMARY OF ASSETS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Total assets	**35,887,179**	33,812,886	32,963,659	31,064,082	26,400,310
Cash and cash equivalents	**1,143,299**	1,847,169	1,437,951	2,033,203	1,254,916
Total liabilities	**(19,079,614)**	(17,048,978)	(18,828,442)	(17,417,671)	(16,650,346)
Net assets	**16,807,565**	16,763,908	14,135,217	13,646,411	9,749,964
Net assets per share (RMB)	**5.22**	5.21	4.77	4.60	3.29

The above earnings per share for 2018 is based on the weighted average number of ordinary shares of 3,220,696,000 (2014-2016: 2,965,827,000; 2017: 3,155,675,000) in issue during the year. The above net assets per share for 2018 is based on the ending number of ordinary shares of 3,220,696,000 (2014-2016: 2,965,827,000; 2017: 3,220,696,000) in issue during the year.

To Shareholders,

I am pleased to present the annual report of the Group for the year ended 31 December 2018 (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 2018, amidst the challenging situation of slowdown in the growth of macro-economy, the fluctuation at low level in the price of main products and by-products, and the internal and external contradictions, all management and staff members of the Company worked concertedly and enthusiastically in adhering to the value of striving for excellence in the "five-excellence competition", thereby delivering hard-earned development achievements and maintaining a good momentum of steady advance.

OUTLOOK

In 2019, the Company will seek a breakthrough of "two improvements" in economic benefit and management. Taking "reform, development, stability" as a keynote, and adhering to "production + operation, management + technology, resource + capital" as the general focus, the Company will further strengthen and optimize its main business (i.e. mining business), and take steps to promote reform, enhance management, improve benefit, prevent risks, benefit people's livelihood and maintain stability. In China's new round of reform and opening up and the shift from old industrial drivers to the new ones, the Company will achieve the "double H" strategy driven by high quality development, and build a world-class gold mining company with international competitiveness.

ACKNOWLEDGEMENT

In 2018, the business indicators of the Group achieved continuous optimization. The reserves increased steadily and development was maintained in a stable manner. These results were obtained not only from the achievements made by 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 all members of 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 environmentally 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

22 March 2019

RESULTS FOR THE YEAR

Gold output

For the Year, the Group's total output of gold amounted to 34,173.34 kg (approximately 1,098,697.59 ozs), representing an increase of approximately 1.28% as compared to the previous year. Among which, 20,834.99 kg (approximately 669,860.04 ozs) of gold was mine-produced gold, representing an increase of approximately 2.63% as compared to the previous year, and 13,338.35 kg (approximately 428,837.55 ozs) was smelted and processed gold, representing a decrease of approximately 0.76% as compared to the previous year.

Copper output

For the Year, the Group's total output of content copper amounted to 16,422.82 tons, representing a decrease of approximately 10.87% as compared to the previous year.

Revenue

For the Year, the Group's revenue was approximately RMB7,177,057,000 (2017: RMB6,673,999,000), representing an increase of approximately 7.54% as compared to the previous year.

Net profit

For the Year, the Group's net profit was approximately RMB576,303,000 (2017: RMB754,029,000), representing a decrease of approximately 23.57% as compared to the previous year. The decrease in net profit was primarily due to the decrease in gross profit and the increase in other expenses.

Earnings per share

For the Year, the basic and diluted earnings per share attributable to ordinary equity holders of the parent amounted to approximately RMB0.15 and RMB0.15, respectively (2017: RMB0.2 and RMB0.2, respectively), representing a decrease of approximately 25% and 25% respectively as compared to the previous year.

Distribution Proposal

The Board proposed the payment of a cash dividend of RMB0.04 (tax included) per share (2017: RMB0.06 (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 "2018 AGM"), which will be held on Friday, 14 June 2019.

If the distribution proposal is approved at the 2018 AGM, it is expected that the final dividend for the Year will be paid on or before Friday, 28 June 2019 to the Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2019.

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold and pay the corporate income tax at the rate of 10% when distributing the final dividend to non-resident enterprises (which shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company on Monday, 24 June 2019.

In accordance with the PRC Tax Law, the Company is required to withhold and pay individual income tax when distributing the final dividend to individual Shareholders whose names appear on the H shares register of members of the Company on Monday, 24 June 2019. 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 Monday, 24 June 2019. If the resident enterprises (which shall have the meaning as defined under the PRC Tax Law) and overseas resident individual Shareholders whose names appear on the H shares register of members of the Company on Monday, 24 June 2019 do not wish to have the corporate income tax and individual income tax withheld and paid by the Company, they should lodge with Computershare Hong Kong Investor Services Limited the relevant documents issued by the relevant PRC tax authority certifying that they are resident enterprises or individual Shareholders, on or before 4:30 p.m. on Thursday, 20 June 2019. 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 2018, with strong US dollar, soaring stock market and economic recovery in the United States, the international gold price went down as compared to the price in 2017. The international gold price opened at US$1,302.61/oz with the highest price reaching US$1,366.06/oz and the lowest price reaching US$1,160/oz. The closing price for the Year was US$1,282.18/oz. The average price for the Year was US$1,265.75/oz. In January, the international gold price was all the way up to year high and fluctuated between US$1,300 and US$1,360/oz. Since mid to late April, the international gold price was all the way down to the lowest price in mid-August. After staggering for nearly two months, the international gold price edged upward in volatility since mid-October, showing a fall in the first half and then a resilience trend in the second half of 2018. The opening price of the "Au9995" on the Shanghai Gold Exchange ("SGE") was RMB274.8/g with the highest at RMB289.16/g and the lowest at RMB237.88/g. The closing price was RMB283.81/g and the annual average price was RMB271.54/g, representing a drop of 1.43% as compared with the same period of last year.

According to the statistics from the China Gold Association, China's gold output amounted to 401.119 tons in 2018, representing a year-on-year decrease of 5.87%. However, China still managed to rank as the number one gold producer in the world for 12 consecutive years.

BUSINESS REVIEW

Further enhancements in the overall production index driven by performance of key businesses

In 2018, in view of the challenging internal and external environments, the Company overcame challenges under unfavorable conditions and achieved success. As a result, the Company recorded total output of gold of 34,173.34 kg (approximately 1,098,697.59 ozs), which has increased by approximately 1.28% from last year. In particular, 20,834.99 kg (approximately 669,860.04 ozs) of gold was mine-produced gold, up by approximately 2.63% from last year. Driven by the key mining businesses of the Company, the output of Xiadian Gold Mine and the Zaozigou Gold Mine both exceeded 100,000 ozs. The Company put an emphasis on resources management with an aim to enhance the protection capabilities of mines. The Company has invested a total of RMB105 million in geological prospecting, resulting in an additional output of 52.12 tons of gold metal. According to the standards set out in the JORC Code, the Company's gold resources amounted to 1,231.61 tons (approximately 39,597,200 ozs), and the mineable reserves amounted to 511.24 tons (approximately 16,436,700 ozs).

Key projects advanced steadily, provided constant momentum to support the sustainable development of the Company

With respect to the project construction, the Company planned to implement 56 projects with a total investment of RMB536 million in 2018. In particular, steady progress was achieved concerning the Ten Major Projects, the deep exploration of Xiadian Gold Mine, Dayingezhuang Gold Mine, the system optimization project of Yuantong Mining, the mining and ore processing of Ruihai Mining and other key projects progressed smoothly. The construction of an innovation center for the manufacturing sector at the provincial level was also approved. Regarding the external development, the construction of development bases in eastern Hebei and other areas saw good progress, which provided constant momentum to support the sustainable development of the Company.

Injecting energy into innovation and benefit creation, boosting the high quality development of the Company

In 2018, in order to overcome technical bottlenecks, the Company launched 43 technology innovation projects with a total investment of RMB118 million. Significant progress have been made in the renovation of tantalum coating system (浸銻系統), optimisation of sulfur separation indices and technique of breaking cyanogen by oxidation (氧化破氰工藝). The optimisation of the cemented filling of fine grained tailings has achieved good results, creating a new way for the industry to achieve zero discharge of tailings. 160 “four new” technologies including new energy-saving fans and permanent magnet driving motors have been applied throughout the Year, saving approximately RMB33 million during the Year for the Company. The Company enjoyed the tax concessions of RMB210 million and unrequited funds of approximately RMB20 million were granted for the Year.

Striving for excellence in performance management, setting off a new wave of competition by “five-optimal competitions”

In 2018, the Company deepened POMS management to plug loopholes in system and process management and to promote overall improvement at the management level. Meawhile, the Company has launched a series of five-optimal competitions with the theme of “excellent performance, superior management, innovative advantages, team optimization, and beautiful environment” throughout the Company. Various activities such as Master Shifu (以師帶徒), Innovation Studio (創新工作室), Talent Cultivation (金種子培養), Zhaojin Elite Lecture Hall (招金精英大講台) and the Selection of Top 10 Teams (十大全優班組評選) have been held, which have created the momentum of the whole company to strive for excellence. The Company has also won management awards, including the Most Valuable Energy & Resources Company Golden Hong Kong Stocks, Most Social Responsible Listed Company Award and Award for Promoting the Standardisation of Equipment Management in China.

Constantly consolidating the foundation of sustainable development on the basis of safety and environmental protection

In 2018, facing increasingly severe safety and environmental protection situations, the Company, by way of zoning management and with the improvement of its staff’s safety awareness and the construction and operation of “Dual Prevention Systems” as its main tasks, continued to increase its efforts on safety and environmental protection and management innovation, which have ensured the stability of the safety and environmental protection situation of the Company. During the Year, a total of RMB200 million has been invested in safety and environmental protection to actively promote mechanisation, automation, digitisation and intelligence and further achieve the targets of “substituting people by mechanisation and reducing people by automation”. Additional 65 hectares were developed for the greening works of mines, and various supporting funds for environmental protection amounting to RMB3.9 million was granted.

Table 1: Statistics of Zhaojin Mining's Mineral Resources (as at 31 December 2018)

				JORC-Code-Complied Resources	
No.	Name of the mine	Mineral	Unit	Measured+ Indicated	Inferred
1	Xiadian Gold Mine	Gold	Ore (Mt)	23.853	12.512
			Grade (g/t)	2.99	3.25
			Metal (t)	71.33	40.66
2	Hedong Gold Mine	Gold	Ore (Mt)	1.497	2.451
			Grade (g/t)	3.95	4.36
			Metal (t)	5.91	10.70
3	Dayinggezhuang Gold Mine	Gold	Ore (Mt)	53.092	42.640
			Grade (g/t)	2.51	2.43
			Metal (t)	133.02	103.71
4	Jinchiling Gold Mine	Gold	Ore (Mt)	0.446	0.603
			Grade (g/t)	5.98	8.29
			Metal (t)	2.67	5.01
5	Jintingling Mining	Gold	Ore (Mt)	1.712	1.182
			Grade (g/t)	3.42	12.28
			Metal (t)	5.86	14.51
6	Canzhuang Gold Mine	Gold	Ore (Mt)	2.913	5.331
			Grade (g/t)	2.91	4.43
			Metal (t)	8.48	23.62
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)	0.352	0.496
			Grade (g/t)	3.47	3.76
			Metal (t)	1.22	1.86
9	Ruihai Mining	Gold	Ore (Mt)	51.370	82.643
			Grade (g/t)	4.86	3.78
			Metal (t)	249.66	312.71
10	Zhaojin North Xin Jiang	Gold	Ore (Mt)	0.954	2.046
			Grade (g/t)	4.23	4.45
			Metal (t)	4.04	9.10

No.	Name of the mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	Inferred
11	Minxian Tianhao	Gold	Ore (Mt)	2.925	0.199
			Grade (g/t)	2.51	2.59
			Metal (t)	7.34	0.51
12	Zhaojin Kunhe	Gold	Ore (Mt)	0.137	0.130
			Grade (g/t)	4.90	5.26
			Metal (t)	0.67	0.68
13	Fengningjinlong	Gold	Ore (Mt)	1.797	1.296
			Grade (g/t)	3.92	3.53
			Metal (t)	7.05	4.58
14	Zaozigou Gold Mine	Gold	Ore (Mt)	4.915	9.935
			Grade (g/t)	4.84	3.37
			Metal (t)	23.81	33.50
15	Xinyuan Mining	Gold	Ore (Mt)	—	0.006
			Grade (g/t)	—	6.38
			Metal (t)	—	0.04
16	Liangdang Zhaojin	Gold	Ore (Mt)	1.122	8.415
			Grade (g/t)	2.45	2.13
			Metal (t)	2.75	17.96
17	Zhaojin Baiyun	Gold	Ore (Mt)	1.367	14.324
			Grade (g/t)	3.04	2.71
			Metal (t)	4.16	38.80
18	Qinghe Mining	Gold	Ore (Mt)	3.293	1.117
			Grade (g/t)	6.59	4.87
			Metal (t)	21.70	5.45
19	Longxin Mining	Gold	Ore (Mt)	1.219	2.127
			Grade (g/t)	5.28	2.75
			Metal (t)	6.43	5.86
20	Gansu Xinrui	Gold	Ore (Mt)	2.975	5.299
			Grade (g/t)	2.62	2.46
			Metal (t)	7.79	13.02
21	Zhaojin Zhengyuan	Gold	Ore (Mt)	0.062	0.825
			Grade (g/t)	5.79	3.43
			Metal (t)	0.36	2.83
22	Subei Jinying	Gold	Ore (Mt)	0.208	1.711
			Grade (g/t)	4.92	5.87
			Metal (t)	1.02	10.05

No.	Name of the mine	Mineral	Unit	JORC-Code-Complied Resources Measured+ Indicated	 Inferred
23	Yuantong Mining	Gold	Ore (Mt)	0.246	0.778
			Grade (g/t)	4.89	3.86
			Metal (t)	1.20	3.00
24	Jinwang Mining	Gold	Ore (Mt)	0.21	1.148
			Grade (g/t)	3.20	3.89
			Metal (t)	0.67	4.47
25	Tonghui Mining	Copper	Ore (Mt)	3.422	1.784
			Grade (%)	1.66	1.31
			Metal (kt)	56.77	23.36
26	Dishui Copper Mine	Copper	Ore (Mt)	9.407	16.020
			Grade (%)	1.05	1.01
			Metal (kt)	98.71	161.39
	Total amount of mineral resources	Gold	Ore (Mt)	156.933	197.440
			Grade (g/t)	3.62	3.36
			Metal (t)	568.20	663.42
		Copper	Ore (Mt)	12.830	17.804
			Grade (%)	1.21	1.04
			Metal (kt)	155.48	184.75
	Total amount of mineral resources owned by Zhaojin	Gold	Ore (Mt)	132.255	148.809
			Grade (g/t)	3.43	3.32
			Metal (t)	454.19	494.26
		Copper	Ore (Mt)	10.580	14.297
			Grade (%)	1.23	1.04
			Metal (kt)	130.21	148.99

Table 2: Statistics of Zhaojin Mining's Recoverable Reserve (as at 31 December 2018)

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
1	Xiadian Gold Mine	Gold	Ore (Mt)	3.013	20.840	23.853	12.512	3.062	21.180	24.242
			Grade (g/t)	2.64	3.04	2.99	3.25	2.45	2.82	2.77
			Metal (t)	7.96	63.37	71.33	40.66	7.50	59.75	67.25
2	Hedong Gold Mine	Gold	Ore (Mt)	0.230	1.267	1.497	2.451	0.232	1.277	1.508
			Grade (g/t)	4.94	3.77	3.95	4.36	4.71	3.60	3.77
			Metal (t)	1.14	4.78	5.91	10.70	1.09	4.59	5.68
3	Dayingezhuang Gold Mine	Gold	Ore (Mt)	7.525	45.567	53.092	42.640	7.683	46.524	54.207
			Grade (g/t)	2.47	2.51	2.51	2.43	2.31	2.35	2.35
			Metal (t)	18.57	114.45	133.02	103.71	17.77	109.54	127.31
4	Jinchiling Gold Mine	Gold	Ore (Mt)	–	0.446	0.446	0.603	–	0.477	0.477
			Grade (g/t)	–	5.98	5.98	8.29	–	5.32	5.32
			Metal (t)	–	2.67	2.67	5.01	–	2.54	2.54
5	Jintingling Mining	Gold	Ore (Mt)	–	1.712	1.712	1.182	–	1.700	1.700
			Grade (g/t)	–	3.42	3.42	12.28	–	3.27	3.27
			Metal (t)	–	5.86	5.86	14.51	–	5.56	5.56
6	Canzhuang Gold Mine	Gold	Ore (Mt)	0.676	2.236	2.913	5.331	0.687	2.271	2.957
			Grade (g/t)	2.30	3.09	2.91	4.43	2.19	2.93	2.76
			Metal (t)	1.56	6.92	8.48	23.62	1.50	6.66	8.16
7	Daqingjia 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	0.244	0.352	0.496	0.112	0.253	0.365
			Grade (g/t)	4.31	3.09	3.47	3.76	3.58	2.57	2.88
			Metal (t)	0.47	0.76	1.22	1.86	0.40	0.65	1.05
9	Ruihai Mining	Gold	Ore (Mt)	15.343	36.028	51.370	82.643	14.345	33.686	48.031
			Grade (g/t)	6.25	4.27	4.86	3.78	5.68	3.88	4.42
			Metal (t)	95.86	153.80	249.66	312.71	81.48	130.73	212.21
10	Zhaojin North Xinjiang	Gold	Ore (Mt)	0.138	0.816	0.954	2.046	0.138	0.819	0.958
			Grade (g/t)	5.13	4.08	4.23	4.45	4.68	3.72	3.86
			Metal (t)	0.71	3.33	4.04	9.10	0.65	3.05	3.70
11	Minxian Tianhao	Gold	Ore (Mt)	–	2.925	2.925	0.199	–	2.930	2.930
			Grade (g/t)	–	2.51	2.51	2.59	–	2.35	2.35
			Metal (t)	–	7.34	7.34	0.51	–	6.88	6.88

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	Fengning Jinlong	Gold	Ore (Mt)	0.951	0.846	1.797	1.296	0.973	0.865	1.838
			Grade (g/t)	3.99	3.84	3.92	3.53	3.47	3.35	3.41
			Metal (t)	3.80	3.25	7.05	4.58	3.38	2.90	6.27
14	Zaozigou Gold Mine	Gold	Ore (Mt)	0.219	4.695	4.915	9.935	0.225	4.817	5.042
			Grade (g/t)	4.84	4.84	4.84	3.37	4.59	4.59	4.59
			Metal (t)	1.06	22.74	23.81	33.50	1.03	22.12	23.15
15	Xinyuan Mining	Gold	Ore (Mt)	–	–	–	0.006	–	–	–
			Grade (g/t)	–	–	–	6.38	–	–	–
			Metal (t)	–	–	–	0.04	–	–	–
16	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
17	Zhaojin Baiyun	Gold	Ore (Mt)	–	1.367	1.367	14.324	–	1.226	1.226
			Grade (g/t)	–	3.04	3.04	2.71	–	2.86	2.86
			Metal (t)	–	4.16	4.16	38.80	–	3.51	3.51
18	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
19	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
20	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
21	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
22	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
23	Yuantong Mining	Gold	Ore (Mt)	–	0.246	0.246	0.778	–	0.236	0.236
			Grade (g/t)	–	4.89	4.89	3.86	–	4.76	4.76
			Metal (t)	–	1.20	1.20	3.00	–	1.12	1.12

No.	Name of mine	Mineral	Unit	Measured	Indicated	Measured+ Indicated	Inferred	Proved	Probable	Total
24	Jinwang Mining	Gold	Ore (Mt)	–	0.208	0.208	1.148	–	0.207	0.207
			Grade (g/t)	–	3.20	3.20	3.89	–	3.09	3.09
			Metal (t)	–	0.67	0.67	4.47	–	0.64	0.64
25	Tonghui Mining	Copper	Ore (Mt)	0.393	3.029	3.422	1.784	0.388	2.986	3.373
			Grade (%)	1.58	1.67	1.66	1.31	1.52	1.61	1.60
			Metal (kt)	6.23	50.54	56.77	23.36	5.91	47.97	53.88
26	Dishui Copper Mine	Copper	Ore (Mt)	3.391	6.017	9.407	16.020	3.052	5.416	8.468
			Grade (%)	1.02	1.06	1.05	1.01	0.91	0.95	0.94
			Metal (kt)	34.68	64.04	98.71	161.39	27.90	51.52	79.41
	Total amount of recoverable reserve	Gold	Ore (Mt)	28.264	128.669	156.933	197.440	27.520	128.209	155.729
			Grade (g/t)	4.65	3.40	3.62	3.36	4.18	3.09	3.28
			Metal (t)	131.35	436.85	568.20	663.42	115.03	396.21	511.24
		Copper	Ore (Mt)	3.784	9.046	12.830	17.804	3.440	8.401	11.841
			Grade (%)	1.08	1.27	1.21	1.04	0.98	1.18	1.13
			Metal (kt)	40.90	114.58	155.48	184.75	33.81	99.49	133.29
	Total amount of recoverable reserve owned by Zhaojin	Gold	Ore (Mt)	22.147	110.108	132.255	148.809	21.750	110.503	132.253
			Grade (g/t)	4.26	3.27	3.43	3.32	3.84	2.98	3.12
			Metal (t)	94.33	359.86	454.19	494.26	83.43	329.23	412.66
		Copper	Ore (Mt)	3.040	7.540	10.580	14.297	2.768	7.025	9.793
			Grade (%)	1.09	1.29	1.23	1.04	0.99	1.21	1.15
			Metal (kt)	33.12	97.09	130.21	148.99	27.48	84.83	112.31

Notes:

1. The consumption of gold ore reserve in 2018 was 7,587,174 tonnes. The grade was 2.57 gram per tonne. 518 gold exploration drill holes were conducted, 28,215.22 meters of tunneling footage and 135,050.53 meters of drilling footage were completed.

2. The consumption of copper ore reserve in 2018 was 1,168,417 tonnes. The grade was 1.24%. 11 copper exploration drill holes were conducted, 2,242.2 meters of tunneling footage and 1,352.12 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 2017 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 2017, 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 2018, 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, assessment reports or geological reports is used;

iv. The average recovery rate of Zhaojin Mining's 14 gold productive mines was approximately 94.00%, while the dilution rate was approximately 6.74%; 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 2017, Beijing Haidiren updated the estimates by incorporating the mining consumption of copper mineral resources between January to December 2018, 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 2 copper mines was approximately 90.83%, while the dilution rate was approximately 5.04%; 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 2018 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.

FINANCIAL ANALYSIS

Revenue

For the Year, the Group's revenue was approximately RMB7,177,057,000 (2017: RMB6,673,999,000), representing an increase of approximately 7.54% (2017: an increase of approximately 0.14%) as compared to the previous year. The increase was mainly due to the increase in volumes of sales of gold by the Group during this year.

Cost of sales

For the Year, the Group's cost of sales was approximately RMB4,694,849,000 (2017: RMB4,039,470,000), representing an increase of approximately 16.22% (2017: an increase of approximately 2.64%) as compared to the previous year. The increase was primarily attributable to the following reasons: (1) the increase in the volumes of production and sales; (2) the influence of inflation, increase in labour costs and increase in construction costs due to the increased depth of mining.

Gross profit and gross profit margin

During the Year, the Group's gross profit and gross profit margin were approximately RMB2,482,208,000 (2017: RMB2,634,529,000) and approximately 34.59% (2017: 39.47%), respectively, representing a decrease in gross profit of approximately 5.78% (2017: a decrease of approximately 3.47%) and a decrease in gross profit margin of approximately 4.89% (2017: a decrease of approximately 1.48%), respectively, as compared to the previous year. The decrease in gross profit was primarily due to the year-on-year decrease in unit sales revenue and the slight increase in unit production cost.

Other income and gains

During the Year, the Group's other income and gains were approximately RMB440,070,000 (2017: RMB254,560,000), representing an increase of approximately 72.87% (2017: a decrease of approximately 29.27%) as compared to the previous year. The increase in other income and gains was mainly due to the increase in the gains from investments of the Company.

Selling and distribution expenses

For the Year, the Group's selling and distribution expenses were approximately RMB55,584,000 (2017: RMB44,806,000), representing an increase of approximately 24.05% (2017: a decrease of approximately 37.53%) as compared to the previous year. The increase was mainly due to the increase in gold transaction fees as a result of the increase in sales volume during the Year.

Administrative and other expenses

The Group's administrative and other operating expenses were approximately RMB1,652,967,000 during the Year (2017: RMB1,537,149,000), representing an increase of approximately 7.53% (2017: a decrease of approximately 12.61%) as compared to 2017. The increase was primarily due to the significant increase in research and development costs which aimed to optimize the production processes and promote the production utilization.

Finance costs

For the Year, the Group's finance costs were approximately RMB480,525,000 (2017: RMB432,974,000), representing an increase of approximately 10.98% (2017: a decrease of approximately 6.9%) as compared to 2017. The increase was mainly due to the increase in interests resulted from optimizing the debt structure.

Income tax expenses

For the Year, the Group's income tax expenses increased by approximately RMB46,245,000 as compared to the previous year. The increase was primarily due to additional tax concessions enjoyed for 2017. During the Year, corporate income tax within the territory of the PRC has been provided at a rate of 25% (2017: 25%) on the taxable income (except for the five High and New Technology Enterprises and four western-region-development subsidiaries of the Group in Mainland China, which are taxed at a preferential rate of 15%). Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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 23.84% during the Year (2017: 15.1%).

Profit attributable to owners of the parent

For the Year, the Group's profit attributable to the owners of the parent was approximately RMB474,287,000, representing a decrease of approximately 26.35% (2017: an increase of approximately 82.26%) from approximately RMB643,951,000 in 2017.

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 decreased from approximately RMB1,847,169,000 as at 31 December 2017 to approximately RMB1,143,299,000 as at 31 December 2018. The decrease was mainly because that the cash inflow from operating and financing activities of the Group was less than that the net cash outflow of investing activities of the Group.

As at 31 December 2018, the cash and cash equivalents of the Group denominated in Hong Kong dollars amounted to approximately RMB95,549,000 (2017: RMB851,629,000), those denominated in US dollars amounted to approximately RMB27,023,000 (2017: RMB87,741,000), those denominated in Australian dollars amounted to approximately RMB0 (2017: RMB22,217,000), those denominated in Kazakhstani tenge amounted to approximately RMB8,000 (2017: RMB8,000), those denominated in Canadian dollars amounted to approximately RMB0 (2017: RMB1,092,000) and those denominated in British Pounds amounted to approximately RMB0 (2017: RMB4,000). All other cash and cash equivalents held by the Group are denominated in RMB.

Borrowings

As at 31 December 2018, the Group had outstanding bank loans, other borrowings and gold from gold leasing business (namely, the funds that were raised by the Group through leasing gold from bank and subsequently sold through SGE) of approximately RMB8,602,417,000 (2017: RMB11,399,261,000), of which approximately RMB8,365,787,000 (2017: RMB10,779,923,000) shall be repaid within one year, approximately RMB236,630,000 (2017: RMB619,338,000) shall be repaid within two to five years, and approximately RMB0 (2017: RMB0) shall be repaid after five years. As at 31 December 2018, the Group had outstanding corporate bonds of approximately RMB0, which will be repaid in one year (2017: RMB0) and approximately RMB6,098,697,000 (2017: RMB1,794,964,000), 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 debt structure proactively during the Year and settled part of its borrowings.

As at 31 December 2018, except for bank loans of RMB0 and RMB0 (2017: RM647,830,000 and RMB588,000) denominated in Hong Kong dollars and US dollars respectively, all borrowings are denominated in RMB. As at 31 December 2018, approximately 82% 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 2018, the gearing ratio of the Group was 44.65% (31 December 2017: 40.37%). As the Group's financing needs have increased this year, the gearing ratio has therefore increased.

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) contracts, which substantially are forward commodity contracts, on SGE to hedge potential price fluctuations of gold. Under these contracts 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) contracts 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 of the Group. Accordingly, a reasonable possible fluctuation of 10% in commodity prices would have no significant impact on the Group's profit and equity for the Year.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the 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 etc.. Change in relevant industry policies may have corresponding effects on the Company's production and operation.

Pledge

As at 31 December 2018, except for the pledged deposits, the Group has not pledged any assets.

BUSINESS OUTLOOK

With the cyclical adjustment of the mining industry, the tightening of domestic mining policies and the promotion of the "One Belt One Road" strategy, a landscape in which the development is dominated by large mining groups is developing. Facing various challenges, in 2019, the Company will follow the general principle of "reform, development, and stability", adopt "production + operation, management + technology, resources + capital" as the general measure, and value "clear objective, definite responsibilities, quantified assessment, distinct rewards and punishments, innovative mechanisms and the right talent for the right job" as the core of management. In the new round of national reform and opening up as well as the replacement of old growth drivers with new ones, the Company will strive to implement the "double H" strategy driven by high-quality development, and develop itself as a world-class gold mining company with international competitiveness.

Adhering to the "production + operation" coordinated development and creating new high-quality development advantages

In 2019, the Company will strengthen production scheduling and improve the deep exploration and production of key mines, such as Xiadian Gold Mine, Dayingezhuang Gold Mine and Tonghui Mining, to prepare for the subsequent development; led by production competitions, the Company will stimulate the enthusiasm of all employees to increase production and create efficiency through initiating various competitions, aiming to achieve a total gold production volume of 32,853.13 kg (approximately 1.0563 million ozs) for the year. At the same time, the Company will change its philosophy from a "production-oriented" one to one focused on quality and efficiency, deliver a new spirit of "performance-oriented" spirit and promote six major reforms in terms of appraisal mechanism, compensation mechanism, incentive mechanism, budget performance, scientific research mechanism and operation model, creating an atmosphere of "tension, vitality and action" in the whole Company under which all staff will be motivated to compete with others and strive for excellence.

Adhering to the double drivers of "management + technology" to gain new growth drivers of high-quality development

In 2019, the Company will focus on management and accelerate the transition from extensive management to refined management. It will continue to promote POMS management and excellence in performance management to achieve "systematic management, standardized work, refined process and data-based results". In terms of engineering management, the Company intends to invest in 78 construction projects with a total investment of RMB7.914 billion. During this year, with the "Ten Major Projects" as the general focus, the Company plans to invest RMB948 million to accelerate the promotion of mining and ore processing project at Ruihai Mining as well as the production projects at Xiadian Gold Mine, Dayingezhuang Gold Mine and Zaozigou Gold Mine. The Company will focus on technology and accelerate the transition of development model from factor-driven to technology-driven. In 2019, it is planned that the Company will implement a total of 84 scientific research projects with a total investment of RMB267 million, of which RMB177 million will be invested in 2019. Focusing on promoting the "Top Ten Scientific Research Projects", the Company's efforts will be exerted on the optimization and upgrading of the transportation system at Xiadian Gold Mine, improvement of ore processing technology and recovery rate research at Zaozigou Gold Mine, the experimental study of ore processing of polymetallic ore at Yuantong Mining as well as chlorination and recovery rate research at Gansu Zhaoye Mining and Xingta Mining. With the implementation of such key innovative projects, the Company aims to address bottleneck problems in production, thus enhancing its competitiveness.

Adhering to the positive interaction of "resources + capital" to create a new model for the Company's high-quality development

In 2019, the Company will regard human resources as capital for investment and management, and realize the value addition of human capital appreciation by strengthening education and training, strengthening rational allocation and strengthening management assessment. Adhering to the development of mineral resources as its first priority, the Company will promote the "two cores" of external development and geological prospecting works. Capitalizing on the platforms of Fengning Zhaojin (豐寧招金), Inner Mongolia Zhaojin (內蒙招金) and Huabei Zhaojin (華北招金), the Company will proactively and steadily promote external development. It plans to invest RMB86.98 million to obtain 20.7 additional tons of gold resources reserves and 1,430 additional tons of copper resources reserves. At the same time, the Company will adhere to a path of capital operation and realize its transformation from resources-based operations to capital-based operations. Through capital operation, the Company aims to expand capital financing channels, activate the capital market, optimize asset structure.

Maintaining the support from stability, establishing and improving the "four major guarantees" system and creating a new landscape of high-quality development

In 2019, the Company will ensure stability and advance reform and development with the support of stability. Firstly, the Company will establish a safety and environmental protection management system. During the year, it will commit funds in the amount of RMB 209 million for safety and environmental protection in order to promote the zoning management and the construction of dual prevention system, strengthen safety education and training and comprehensively renovate the ecological environment in the mining area. Secondly, the Company will establish an internal control and supervision system. It will build an internal control and supervision system of "Four in One" integrating audit, finance, legal affairs and discipline inspection to eliminate legal risks and build a solid defense line for anti-bribery and anti-corruption. Thirdly, the Company will establish a corporate culture system. Guided by the spirit of cultivating the enterprise and staff with cultural knowledge, it will strive to convey cultural symbols such as fairness, competition, loyalty and integrity, and create a clean, fair and impartial environment which is suitable for entrepreneurship. Fourthly, the Company will establish a system of maintaining stability. It will proactively carry out construction of community, government and enterprise as well as business environment, maintain friendly relationship with local governments, communities and other parties in the society to establish a good social image of the Company.

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 53, 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 Company Limited (斯派柯國際有限公司). 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 mine 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 had 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 had 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 53, 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 and the president of the Company and the chairman of Gold Association of Xinjiang Uygur Autonomous Region. Currently, Mr. Dong is the director of Shandong Zhaojin Technology Company Limited (山東招金科技有限公司). 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 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 an executive Director and executive president of the Company since March 2018 and as the president of the Company since February 2019.

Mr. Wang Ligang, aged 47, 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 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 Company Limited (斯派柯國際有限公司). 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 Company Limited. 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 46, 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 (復星集團), the chairman of Fosun Hive Holding (復星蜂巢控股), 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 (stock code: 600655), 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 54, 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 Zhaojin Group. 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 Zhaojin Group. 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 45, 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 general manager of enterprise planning and development department of China Minmetals Corporation (中 國 五 礦 集 團 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 Minmetals Development Co., Ltd. (五礦發展股份有限公司) (stock code: 600058), a company listed on the SSE, 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), and the president of Europol Intelligent Network Co., Ltd. (歐浦智網股份有限公司) (stock code: 002711), a company listed on the Shenzhen Stock Exchange. Mr. Yao has won the first prize and second prize of "National Enterprise Management Modernization Innovation Achievements" each time. He has won the title of "Person of the Year in China's Production Materials Circulation" and "Top Ten Outstanding Persons of China's Steel E-commerce". Mr. Yao has been a non-executive Director of the Company since March 2018.

Mr. Gao Min, aged 46, 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, senior assistant to the president, co-chief human resource officer of Fosun International (stock code: 00656), a company listed on the Stock Exchange, and a non-executive director of Shanghai Yuyuan (stock code: 600655) listed on the SSE. Mr. Gao has served as a vice president of Shanghai Yuyuan and chairman of its subordinate industry group, an assistant to the president and the joint general manager for human resources department 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 Forte Land (Group) Co., Ltd (復地(集團)股份有限公司) and the chairman of the board of its subordinate city company in charge of human resources, corporate universities and part of the business. Mr. Gao is a specially appointed expert of an externally renowned management consulting organization. Mr. Gao has been a non-executive Director of the Company since February 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chen Jinrong, aged 60, 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 a 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) (stock code: 601699), Bright Oceans Inter-Telecom Corporation (億陽信通股份有限公司) (stock code: 600289) and the Shenzhen Stock Exchange listed company Jingwei Textile Machinery Co., Ltd. (經緯紡織機械股份有限公司) (stock 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 (北京華清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.

Mr. Choy Sze Chung Jojo, aged 60, 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 (stock code: 0970) (耀萊集團有限公司), Luye Pharma Group Ltd. (stock code: 2186) (綠葉製藥集團有限公司) and First Credit Finance Group Limited (stock 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. Wei Junhao, aged 58, was born in 1961. He is a professor (post-doctoral) 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 has engaged in metallogenic prediction and prospecting research for a long time 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 over 110 masters and doctoral students. Mr. Wei has been an independent non-executive Director of the Company since February 2016.

Mr. Shen Shifu, aged 53, 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 an independent non-executive Director of the Company, a chief expert of Mineral Processing Research and Design Institute of BGRIMM Technology Group Co., Ltd. ("BGRIMM Group") (北京礦冶科技集團有限公司選礦研究設計所). 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). As the main operator, Mr. Shen has presided over or participated in science and technology support project of the Tenth Five-year Plan, the Eleventh Five-year Plan, the Twelfth Five-year Plan, and the Thirteenth Five-year key research and development program national high and new technology industrialization projects, State 863 Project, and State 973 Project. Mr. Shen has undertaken more than 40 enterprise commissions (including the beneficiation of various kinds of mineral, the comprehensive utilization of tailings, and the harmless disposal of hazardous waste and comprehensive utilization of mineral material). Mr. Shen has been awarded three Ministerial First Prize of Technology Progress, six 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, Qingdao, Pace-setters in the new Long March, and advanced individual of Mineral Processing Research and Design Institute of BGRIMM Group. Mr. Shen has been an independent non-executive Director of the Company since February 2016.

The details of Directors who resigned or retired during 2018 or during the period from 1 January 2019 to the date of this annual report are set out as below:

Mr. Li Xiuchen, whose biographical details are set out on page 35 of this annual report.

Mr. Cong Jianmao, aged 56, 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 51, 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. Mr. Liang is one of the founders of Fosun Group (復星集團) 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 55, 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 2018 to the date of this annual report, please refer to page 64 of this annual report.

SUPERVISORS

Mr. Wang Xiaojie, aged 46, was born in 1973. He is currently the chairman of the Supervisory Committee of the Company, the deputy secretary of the Party Committee of Zhaojin Group and the chairman of the Labour Union. He has served as the deputy manager of Zhaoyuan City Gold Software Science and Technology Co., Ltd., and then the deputy manager and manager of Information Centre of Zhaojin Group. Mr. Wang graduated with a degree in applied electronic technology from Institute of Information Engineering of Shandong, a degree in computer application from Qingdao Chemical & Engineer College and a degree in economics and management from the Party School of the Shandong Provincial Committee of the Communist Party of China. Mr. Wang served as the Shareholder representative Supervisor of the Company and the chairman of the Supervisory Committee from April 2007 to 6 March 2018. Mr. Wang was re-appointed as the Shareholder representative Supervisor and the chairman of the Supervisory Committee of the Company with effect from 26 February 2019.

Mr. Zou Chao, aged 37, was born in 1982 and graduated from Shanghai University of Finance and Economics with a master's degree in business management. He is currently a supervisor of the Company, the vice president and chief financial officer of Shanghai Yuyuan, which is listed on the SSE. Mr. Zou has served as the assistant manager of KPMG Huazhen Certified Public Accountants, senior financial manager of Financial Management Center of Shimao Real Estate and head of Innovation Finance Department. He has served as the director of Budget Analysis and senior financial director of Fosun Property Holdings Limited (復星地產控股有限公司) and the president assistant and chief financial officer of Shanghai Forte Land Company Limited (復地(集團)股份有限公司). He has accumulated extensive experience in respect of financial management of large scale enterprises. Mr. Zou has served as the Shareholder representative Supervisor of the Company since August 2018.

Ms. Zhao Hua, aged 42, 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 Supervisors who resigned or retired during 2018 or during the period from 1 January 2019 to the date of this annual report are set out as below:

Mr. Wang Xiaojie, whose biographical details are set out above. Mr. Wang resigned as the Shareholder representative supervisor and the chairman of the Supervisory Committee of the Company on 6 March 2018, and was re-appointed as the Shareholder representative supervisor and the chairman of the Supervisory Committee of the Company on 26 February 2019.

Ms. Jin Ting, aged 56, was born in 1963. Ms. Jin graduated from Shanghai Light Industry Bureau Vocational University majoring in finance and accounting. She has extensive experience in finance, audit and human resources. Ms. Jin used to serve as deputy general manager of finance department, manager of finance department, manager of fund management department, assistant to president and the chief supervisor of the supervisory committee of Shanghai Yuyuan. Ms. Jin resigned as a Supervisor of the Supervisory Committee of the Company on 6 March 2018.

Mr. Xie Xueming, aged 39, 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. 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), the financial controller of Sincere Properties Holdings Group (協信地產控股集團) and the vice president and chief financial officer of Shanghai Yuyuan, and has accumulated extensive experience in respect of financial management of large enterprises. Mr. Xie resigned as a Supervisor of the Supervisory Committee of the Company on 24 August 2018.

Mr. Li Xiuchen, aged 56, 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 was appointed as the chairman of the Supervisory Committee of the Company with effect from 6 March 2018. 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 resigned as the chairman of the Supervisory Committee of the Company on 26 February 2019.

For information regarding changes in composition of the Supervisory Committee for the period from 1 January 2018 to the date of this annual report, please refer to page 64 of this annual report.

SECRETARY TO THE BOARD

Mr. Wang Ligang, whose biographical details are set out on page 28 of this annual report.

COMPANY SECRETARY

Ms. Ng Ka Man, is the manager of Listing Services Department of TMF Hong Kong Limited. She has over 10 years of experience in company secretarial field and is an associate 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, whose biographical details are set out on page 28 of this annual report.

Mr. Wang Ligang, whose biographical details are set out on page 28 of this annual report.

Mr. Sun Xiduan, aged 54, 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) ("Zhongkuang Gold"), 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. Zou Qingli, aged 43, was born in November 1976. He is a senior accountant, graduated from Xi'an Petroleum Institute (西安石油學院) majoring in financial management. He is currently the chief financial officer of the Company. Mr. Zou served as the head of the finance department and the head of the human resources department of PetroChina Shanghai Company (中國石油上海公司), the deputy manager of its subsidiary and the financial controller of its joint venture company. He once served as the senior director of financial analysis and the managing director of financial analysis of Shanghai Fosun High-Tech Group (上海復星高科技集團), the general manager of Shared Service Center of Fosun Finance (復星財務), and the assistant chief financial officer of Fosun Group (復星集團). Mr. Zou has accumulated extensive experience in corporate financial management, tax management, internal control, informationization and human resource management. Mr. Zou has been the chief financial officer of the Company since February 2019.

Ms. Wang Wanhong, aged 47, 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 53, 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 49, 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 2018.

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 was 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 125 to 133 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 26 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 26 of this annual report.

RESULTS

The Group's results for the year ended 31 December 2018 are set out in the consolidated Statement of Profit or Loss on page 115 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 2017 paid by the Company was approximately RMB193,243,000 (2016: RMB128,828,000).

The Board proposes the payment of a final cash dividend of RMB0.04 (tax included) (2017: RMB0.06 (tax included)) per share to all Shareholders for 2018.

The cash dividend for Shareholders of domestic shares will be distributed and paid in Renminbi ("RMB") and the cash dividend for H Shareholders will be declared in RMB and paid in Hong Kong dollars (at the average exchange rate of the medium rate of converting RMB into Hong Kong dollars as quoted by the People's Bank of China for five business days immediately prior to 14 June 2019).

The proposed distributions are subject to the approval by the Shareholders at the 2018 AGM of the Company to be held on 14 June 2019.

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 89% (2017: 98.71%) 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 27.37% (2017: 33.40%) of the Group's total amount of purchases. The amount of purchases from the largest supplier was 13.27% 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 2018 are set out on pages 219 to 220 of this annual report.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2018 are set out in note 8 to the financial statements on page 220 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 2018, in accordance with the PRC Accounting Standards, the relevant laws of the PRC and the Articles of Association, the distributable reserves of the Group amounted to approximately RMB3,688,490,000 (2017: RMB3,594,027,000), of which approximately RMB128,828,000 are proposed to be the final cash dividend of the Year (2017: dividend of RMB193,243,000).

DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to which it will pay dividends annually, taking into consideration the criteria described below and the fiduciary duties of the Directors. Subject to Shareholders' authorization at a general meeting, the Company may also declare interim or special distributions in addition to the annual distributions.

It is anticipated that the annual distributions will be announced annually in the announcement of annual results, and the decision of the Board on whether any interim distributions will be declared will be announced in the announcement of interim results. Dividends will be declared in RMB, with the dividends on H shares to be paid in Hong Kong dollar, and the dividends on domestic shares to be paid in RMB.

The Company will review its dividend policy and distributions made in any particular year in light of its financial position, the prevailing economic climate and the expectations of the future macroeconomic environment and business performance. The decision to make distributions will be made at the discretion of the Board and will be based upon the Company's operations and earnings, development pipeline, cash flow, financial conditions, capital and other reserve requirements and surplus, general financial conditions, contractual restrictions and any other conditions or factors which the Board deems relevant, and having regard to the Directors' fiduciary duties. The ability of the Company to make distributions is subject to the laws and regulations of the PRC and the Articles of Association. The payment of distributions may also be subject to the restrictions of the PRC laws and the financing agreements of the Company (including any financing agreements that may be entered into by the Company in the future) and will operate in accordance with the law and the regulations in order to comply with the relevant requirements.

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 185 to 187 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 36 to the financial statements on pages 217 to 218 of this annual report.

CHARITY DONATION

During the Year, the Group made various kinds of charitable donation amounted to RMB15,993,000 (2017: RMB8,360,704) in total.

BANK BORROWINGS

Details of bank borrowings of the Company and the Group are set out in note 30 to the financial statements on pages 210 to 211 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 181 to 182 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 2018, the Company did not issue any convertible securities, share options, warrants or similar rights.

During the year ended 31 December 2018 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 *(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 the Vice Chairman and 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. Wang Xiaojie (resigned as a Shareholder Representative Supervisor and the Chairman of the Supervisory Committee with effect from 6 March 2018 and re-appointed as the Chairman of the Supervisory Committee of the Company with effect from 26 February 2019)
Mr. Zou Chao (appointed as a Shareholder Representative Supervisor of the Company with effect from 24 August 2018)
Ms. Zhao Hua
Ms. Jin Ting (resigned as a Shareholder Representative Supervisor of the Company with effect from 6 March 2018 due to re-allocation of work)
Mr. Xie Xueming (resigned as a Shareholder Representative Supervisor of the Company with effect from 24 August 2018)
Mr. Li Xiuchen (retired as the Chairman of the Supervisory Committee of the Company with effect from 26 February 2019)

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 27 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 176 to 180 of this annual report. No Directors waived any emoluments in the year ended 31 December 2018 (2017: 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 terminates 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 pages 86 to pages 87 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 by paid personnel's remuneration are set out in note 8 to the financial statements on pages 179 to 180 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 2018, the Company had a total of 6,351 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 RMB2,972,500 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 2018 are as follows:

Classification	Number of Shareholders
Domestic shares	7
Overseas-listed foreign shares — H shares	1,575
Total number of Shareholders	1,582

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 2018, 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 position
2	Dong Xin (Executive Director and president *(Note 1)*)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	300,000	0.009%	0.01%	Long position
3	Wang Ligan (Executive Director *(Note 1)*)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	1,000,000	0.03%	0.05%	Long position
4	Li Xiuchen (Chairman of the Supervisory Committee *(Note 2)*)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	1,000,000	0.03%	0.05%	Long position
5	Zhao Hua (Supervisor)	Domestic shares	Beneficiary of a trust (other than a discretionary interest)	200,000	0.006%	0.009%	Long position

Notes:

1. Dong Xin and Wang Ligang were appointed as the executive Directors with effect from 6 March 2018.
2. Li Xiuchen retired as chairman of the Supervisory Committee with effect from 26 February 2019.
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 50 and 51 of this annual report.

Save as disclosed above, as at 31 December 2018, 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 2018, the interests 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	32,365,500 *(Notes 1 and 3)*	1.00	–	3.08	Long position
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	Guo Guangchang	Domestic shares	Interest of controlled corporation	869,200,000 *(Note 4)*	26.99	40.03	–	Long position

Name of Shareholders		Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
4	Fosun International Limited	Domestic shares	Interest of controlled corporation	869,200,000 *(Note 4)*	26.99	40.03	–	Long position
5	Fosun International Holdings Ltd.	Domestic shares	Interest of controlled corporation	869,200,000 *(Note 4)*	26.99	40.03	–	Long position
6	The Bank of New York Mellon Corporation	H shares	Interest of controlled corporation	124,772,413 *(Note 5)*	3.87	–	11.89	Long position
		H shares	Interest of controlled corporation	123,083,073	3.82	–	11.73	Lending pool
7	VanEck Vectors ETF – VanEck Vectors Gold Miners ETF	H shares	Beneficial owner	73,627,000 *(Note 6)*	2.29	–	7.02	Long position
8	Van Eck Associates Corporation	H shares	Investment manager	120,344,961 *(Note 6)*	3.74	–	11.47	Long position
9	Schroders Plc	H shares	Investment manager	176,353,940 *(Note 7)*	5.48	–	16.81	Long position
10	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
11	BlackRock, Inc.	H shares	Interest of controlled corporation	87,295,619 *(Note 8)*	2.71	–	8.32	Long position
		H shares	Interest of controlled corporation	1,287,000 *(Note 8)*	0.04	–	0.12	Short position

	Name of Shareholders	Class of shares	Capacity	Number of shares held	Approximate percentage of shareholding in the registered capital of the Company %	Approximate percentage of shareholding in the total number of issued domestic shares of the Company %	Approximate percentage of shareholding in the total number of issued H shares of the Company %	Long position/ Short position/ Lending pool
12	JPMorgan Chase & Co.	H shares	Interest of controlled corporation	9,669,511 *(Note 9)*	0.30	–	0.92	Long position
		H shares	Interest of controlled corporation	5,843,455 *(Note 9)*	0.18	–	0.56	Short position
		H shares	Investment manager	3,500 *(Note 9)*	0.00	–	0.00	Long position
		H shares	Person having a security interest in shares	6,575,500 *(Note 9)*	0.20	–	0.63	Long position
		H shares	Approved lending agent	42,568,884 *(Note 9)*	1.32	–	4.05	Lending pool

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. 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 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. Luyin Trading Pte Ltd. ("Luyin") is a wholly-owned subsidiary of Zhaojin Group and therefore the 32,365,500 H shares held by Luyin is shown as long position of Zhaojin Group.

(4) Guo Guangchang is interested in the shares of the Company through its directly or indirectly controlled companies (including Fosun International Limited and Fosun International Holdings Ltd.).

(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 124,772,413 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.

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

(8) BlackRock, Inc. is interested in the shares of the Company through its directly or indirectly controlled companies.

(9) JPMorgan Chase & Co. is interested in the shares of the Company through its directly or indirectly controlled companies.

As at 31 December 2018, 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 (ESSP)

On 29 December 2015, the Board passed resolutions to implement an ESSP by way of private placement of domestic shares to certain Directors and employees 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 and the operation of the related Asset Management Plan started officially on the same day.

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 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 31 December 2017, the Company entered into the Land Lease Agreement with Zhaojin Group (the controlling Shareholder of the Company) in relation to the leasing of land use rights by Zhaojin Group to the Company for the term of three years commencing from 1 January 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 31 December 2017, the Company entered into the Gold Refinery Agreement with Shandong Zhaojin Gold and Silver Refinery Company Limited ("Zhaojin Refinery", a 80.5% owned subsidiary of Zhaojin Group) in relation to the provision of gold refining services by Zhaojin Refinery to the Company for the term of three years commencing from 1 January 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 31 December 2017, the Company entered into the Digital Mine Construction Technology Services Agreement with Shandong Goldsoft Technology Company Limited ("Goldsoft Technology", a 67.37% owned subsidiary of Zhaojin Group) in relation to the provision of digital mine construction technology services by Goldsoft Technology to the Group for the term of three years commencing from 1 January 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 24 August 2018, the Company entered into the Supplemental Digital Mine Construction Technology Services Agreement with Goldsoft Technology to revise the annual caps under the Digital Mine Construction Technology Services Agreement. According to the Supplemental Digital Mine Construction Technology Services Agreement, the revised 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 RMB90,000,000, RMB95,000,000 and RMB95,000,000, respectively.

(5) On 31 December 2017, the Company entered into the Framework Agreement for Sale of Silver with Shandong Zhaojin Import and Export Company Limited ("Zhaojin Import and Export", a 54% owned subsidiary of Zhaojin Group) in relation to the sale of silver by the Group to Zhaojin Import and Export for the term of three years commencing from 1 January 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.

(6) On 28 December 2018, the Company entered into the Framework Agreement for Mutual Supply of Products with Zhaojin Import and Export, pursuant to which (i) the Group agreed to sell metal concentrate products to Zhaojin Import and Export; (ii) Zhaojin Import and Export agreed to sell metal concentrate products and provide import and export agency services to the Company for a term commencing from 28 December 2018 to 31 December 2020. According to the Framework Agreement for Mutual Supply of Products, the annual caps for the sale of gold concentrates, copper concentrates and other types of concentrates to Zhaojin Import and Export by the Group for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 were RMB5,000,000, RMB30,000,000 and RMB35,000,000, respectively; and the annual caps for the sale of gold concentrates, copper concentrates and other types of concentrates from Zhaojin Import and Export to the Group (inclusive of commission) for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 were RMB20,000,000, RMB40,000,000 and RMB50,000,000, respectively.

Zhaojin Group is the controlling Shareholder of the Company. Zhaojin Refinery, Goldsoft Technology and Zhaojin Import and Export are subsidiaries of Zhaojin Group and are therefore connected persons of the Company and the transactions contemplated under the Land Lease Agreement, the Gold Refinery Agreement, the Digital Mine Construction Technology Services Agreement, the Framework Agreement for Sale of Silver, the Supplemental Digital Mine Construction Technology Services Agreement and the Framework Agreement for Mutual Supply of Products constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that the highest 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, the Framework Agreement for Sale of Silver, the Supplemental Digital Mine Construction Technology Services Agreement and the Framework Agreement for Mutual Supply of Products 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, the Framework Agreement for Sale of Silver, the Supplemental Digital Mine Construction Technology Services Agreement and the Framework Agreement for Mutual Supply of Products 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 31 December 2017, 24 August 2018 and 28 December 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

(7) On 14 November 2017, 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 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.

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

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

Relevant details were set out in the announcement of the Company dated 14 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.

(9) On 30 December 2015, the Company and Shandong Zhaojin Motian Co., Ltd. ("Zhaojin Motian", a 55% owned subsidiary of Zhaojin Group) entered into the 2015 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 ended 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.

On 28 December 2018, the Company and Zhaojin Motian entered into the 2018 Water Treatment Engineering Services Agreement pursuant to which, Zhaojin Motian agreed to provide membrane assembly parts and equipment, water treatment engineering services and steel structure engineering services to the Company from 1 January 2019 to 31 December 2021. According to the 2018 Water Treatment Engineering Services Agreement, for the years ending 31 December 2019, 31 December 2020 and 31 December 2021, the annual caps related to water treatment business are RMB30,000,000, RMB35,000,000 and RMB40,000,000 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 2015 Water Treatment Engineering Services Agreement and the 2018 Water Treatment Engineering Services Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios (other than the profits ratio) (as defined under Rule 14.07 of the Listing Rules) in respect of the 2015 Water Treatment Engineering Services Agreement and the 2018 Water Treatment Engineering Services Agreement is more than 0.1% but less than 5%, the 2015 Water Treatment Engineering Services Agreement and the 2018 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 announcements of the Company dated 30 December 2015 and 28 December 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www. zhaojin.com.cn.

(10) 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 ended 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.hk and the website of the Company at www.zhaojin.com.cn.

(11) 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.

(12) 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 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 vendor 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 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.

The independent non-executive Directors have reviewed the continuing connected transactions and other connected transactions set out in note 41 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 41 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 independent 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 2018 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 2019, 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 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in this report, as at 31 December 2018, 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 8 June 2018, the following resolutions, among other things, were passed at the 2017 annual general meeting of the Company:

    (1) the Company's profit distribution proposal for the year ended 31 December 2017 to distribute a cash dividend of RMB0.06 (tax included) per share to all Shareholders. On 29 June 2018, the Company distributed the cash dividend of RMB0.06 (tax included) per share for 2017 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) appointment of executive Directors and non-executive Directors; and

    (5) appointment of Shareholder representative Supervisors.

    Relevant details of 2017 annual general meeting were set out in the circular and notice both dated 24 April 2018 and voting results announcement dated 8 June 2018, 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 8 June 2018, 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 24 April 2018 and voting results announcement dated 8 June 2018 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. Termination of the acquisition by the Joint Venture Company

   On 15 January 2018, Shanghai Ping Ju 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.

4. Issuance of Super Short-term Bonds

   On 10 December 2018, the Company issued the first tranche of super short-term bonds for 2018 with a par value of RMB0.7 billion for a term of 270 days and bearing interest rate of 3.85% per annum. The proceeds are used as general working capital of the Company.

   Relevant details were set out in the announcements of the Company dated 7 December 2018 and 13 December 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

5. Issue of Medium-term Notes

   On 18 October 2018, the Company issued the first tranche of Medium-term Notes for 2018 with a par value of RMB0.5 billion for a term of 3 years and bearing interest rate of 4.27% 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 16 October 2018 and 23 October 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 19 November 2018, the Company issued the second tranche of Medium-term Notes for 2018 with a par value of RMB0.5 billion for a term of 3 years and bearing interest rate of 4.03% 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 15 November 2018 and 22 November 2018 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 Corporate Bonds

On 14 March 2018, the Company issued the first tranche of Corporate Bonds for 2018 with a par value of RMB17.5 billion for a term of 3 years and bearing interest rate of 5.45% 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 12 March 2018, 14 March 2018 and 16 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.

On 9 August 2018, the Company issued the second tranche of Corporate Bonds for 2018 with a par value of RMB1.3 billion for a term of 5 years and bearing interest rate of 4.19% 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 7 August 2018, 10 August 2018 and 13 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

On 24 August 2018, the Company issued the third tranche of Corporate Bonds for 2018 with a par value of RMB0.7 billion for a term of 3 years and bearing interest rate of 4.47% 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 23 August 2018, 24 August 2018 and 29 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

7. Changes in 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, a 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, a 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 appointed 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 under Rule 3.05 of the Listing Rules, 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 members 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.

8. Change in Composition of the Supervisory Committee

Due to the re-allocation of work arrangement, Mr. Wang Xiaojie resigned from his position as a Shareholder representative supervisor and the chairman of the fifth session of the Supervisory Committee of the Company and Ms. Jin Ting resigned from her position as a Shareholder representative supervisor of the Company, both on 6 March 2018. Their resignations were both effective 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 effective from 6 March 2018.

Due to the re-allocation of work arrangement, Mr. Xie Xueming resigned from his position as a Shareholder representative supervisor of the Company on 24 August 2018. His resignation would take effect from 24 August 2018. Mr. Zou Chao was appointed as a Shareholder representative supervisor of the Company with effect from 24 August 2018.

Relevant details of changes in members of the Supervisory Committee were set out in the announcements of the Company dated 6 March 2018 and 24 August 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.

9. 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.

10. Change of Company Secretary

The Company held the eighteenth meeting of the fifth session of the Board on 24 August 2018. The Board approved the resignation of Ms. Mok Ming Wai ("Ms. Mok") as company secretary and agent for acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Cap 622 of the Laws of Hong Kong) ("Process Agent") with effect from 24 August 2018. Ms. Mok has confirmed that she has no disagreement with the Board and that there are no other matters that need to be brought to the attention of the Stock Exchange and the Shareholders. The Board approved the appointment of Ms. Ng Ka Man as company secretary and Process Agent of the Company as required pursuant to Companies Ordinance with effect from 24 August 2018.

Relevant details were set out in the announcement of the Company dated 24 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

11. Partial redemption of corporate bonds

The Company issued a total board lot size of 950,000 corporate bonds to the public on the SSE on 29 July 2015 for a term of five years with an annual interest rate of 3.8%. The Company redeemed 443,008 board lot on 30 July 2018 and the annual interest rate was raised from 3.8% to 4.8%.

Relevant details of the partial redemption of corporate bonds were set out in the announcements of the Company dated 3 July 2018 and 11 July 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

12. Absorption-and-merger of a wholly-owned subsidiary

In order to further integrate internal resources, reduce management costs, improve operational efficiency and further enhance the modernization level of corporate governance capability of the Company, the Company has restructured Yantai Jin Shi Mining Investment Company Limited* (煙台金時礦業投資有限公司), a wholly-owned subsidiary of the Company, through absorption-and-merger.

Relevant details were set out in the announcement of the Company dated 13 September 2018, the circular and notice of the Company both dated 14 September 2018 and the voting results announcement of the Company dated 29 October 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.

13. Entering into the Supplemental Digital Mine Construction Technology Services Agreement

On 24 August 2018, the Company entered into the Supplemental Digital Mine Construction Technology Services Agreement with Goldsoft Technology. Pursuant to the Supplemental Digital Mine Construction Technology Services Agreement, the revised maximum aggregated value of materials procurement transactions for the three years ending 31 December 2018, 31 December 2019 and 31 December 2020 are approximately RMB90 million, RMB95 million and RMB95 million, respectively ("Revised Digital Mine Construction Technology Services Annual Caps").

Zhaojin Group is the controlling Shareholder of the Company. Goldsoft Technology is a subsidiary of Zhaojin Group, and is a connected person of the Company. Therefore, according to Chapter 14A of the Listing Rules, the Supplemental Digital Mine Construction Technology Services Agreement and the transactions as contemplated thereunder constitute continuing connected transactions of the Company. As each of the relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Revised Digital Mine Construction Technology Services Annual Caps in respect of the transactions contemplated under the Supplemental Digital Mine Construction Technology Services Agreement is more than 0.1% but less than 5%, the Supplemental Digital Mine Construction Technology Services Agreement and the 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 24 August 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

14. Cornerstone Investment Agreement

On 13 September 2018, Sparky International Company Limited (斯派柯國際有限公司) ("Sparky International") (a wholly-owned subsidiary of the Company) as an investor entered into the Cornerstone Investment Agreement with, amongst other parties, Shandong Gold Mining Co., Ltd (山東黃金礦業股份有限公司) ("Shandong Gold Mining") as the issuer, pursuant to which Sparky International has agreed to subscribe for the number of H Share of Shandong Gold Mining to be offered by Shandong Gold Mining to Sparky International in the international offering at the offer price. Sparky International was required to pay no more than US$50 million (exclusive of the brokerage and the levies).

As the highest of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the transaction contemplated under the Cornerstone Investment Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Cornerstone Investment Agreement constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules but is exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

Relevant details were set out in the announcement of the Company dated 13 September 2018 published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

DETAILS OF SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR END

1. Changes in Composition of the Board

The Company held the first 2019 extraordinary general meeting on 26 February 2019, at which the Shareholders re-elected Mr. Weng Zhanbin, Mr. Dong Xin and Mr. Wang Ligang as Executive Directors of the Company; Mr. Xu Xiaoliang, Mr. Liu Yongsheng, Mr. Yao Ziping and Mr. Gao Min as Non-executive Directors of the Company; Ms. Chen Jinrong, Mr. Choy Sze Chung Jojo, Mr. Wei Junhao and Mr. Shen Shifu as Independent Non-executive Directors of the Company.

The Company held the first meeting of the sixth session of the Board on 26 February 2019, the Board agreed to appoint Mr. Yao Ziping as a member of Audit Committee of the Company, Mr. Gao Min as a member of Nomination and Remuneration Committee of the Company. Their appointments are all with effect from 26 February 2019.

The details of changes in the composition of the Board were set out in the circular and notice both dated 11 January 2019 and the voting results announcement dated 26 February 2019 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 of in Composition of the Supervisory Committee

The Company held the first 2019 extraordinary general meeting on 26 February 2019, at which the Shareholders re-elected Mr. Zou Chao as a Shareholder representative supervisor; and appointed Mr. Wang Xiaojie as a Shareholder representative supervisor of the Company.

The Company held the first meeting of the sixth session of the Supervisory Committee on 26 February 2019, and agreed to appoint Mr. Wang Xiaojie as the Chairman of the Supervisory Committee. His appointment was with effect from 26 February 2019.

The details of changes in the composition of the Supervisory Committee were set out in the circular and notice both dated 11 January 2019 and the voting results announcement dated 26 February 2019 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 Senior Management**

The Company held the first meeting of the sixth session of the Board on 26 February 2019, at which, as nominated by the chairman, the Board has appointed Mr. Dong Xin as the Company's president, and as nominated by the president, the Board has appointed Mr. Wang Ligang, Mr. Sun Xinduan, Ms. Wang Wanhong, Mr. Tang Zhanxin and Mr. Wang Chunguang as the Company's vice presidents, Mr. Zou Qingli as the Company's Chief Financial Officer for a term commencing from 26 February 2019 to the end of the term for the current session of the Board.

4. **Issuance of Super Short-term Bonds**

On 15 January 2019, the Company issued the first tranche of super short-term bonds for 2019 with a par value of RMB0.7 billion for a term of 270 days and bearing interest rate of 3.45% per annum. The proceeds are used as general working capital of the Company.

Relevant details were set out in the announcements of the Company dated 14 January 2019 and 18 January 2019 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 USD Guaranteed Notes**

On 26 February 2019 (after trading hours), Zhaojin Mining International Finance Limited and the Company entered into the subscription agreement with Credit Suisse Securities (Europe) Limited, Zhongtai International Securities Limited, Standard Chartered Bank, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, Industrial Bank Co., Ltd. Hong Kong Branch, Silk Road International Capital Limited, CCB International Capital Limited, Central Wealth Securities Investment Limited, China Securities (International) Corporate Finance Company Limited, CMB International Capital Limited, Fosun Hani Securities Limited, Ping An of China Securities (Hong Kong) Company Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and UBS AG Hong Kong Branch in connection with the issue of U.S.$300,000,000 5.50 per cent. guaranteed notes due 2022 (the "Notes Issue"). The Notes Issue has been completed on 1 March 2019.

Relevant details were set out in the announcements of the Company dated 18 October 2018, 27 February 2019 and 1 March 2019 respectively published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.zhaojin.com.cn.

LITIGATION AND ARBITRATION

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

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 2018. 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 71 to 99 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 2018, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2018 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 22 March 2019. 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 2018 AGM, the register of members will be closed from 15 May 2019 to 14 June 2019, 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 2018 AGM and in order to determine the Shareholders who are entitled to receive the final dividend for the year ended 31 December 2018, the register of members will be closed between 20 June 2019 and 24 June 2019, both days inclusive, during which no transfer of shares will be registered.

To be qualified for attending and voting at the 2018 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, 14 May 2019 (Hong Kong time).

To be qualified for receiving the final dividend for the year 2018, 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, 19 June 2019 (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 2018 prepared in accordance with Hong Kong Financial Reporting Standards have been audited by Ernst & Young. The auditor is subject to re-election at the 2018 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 2018 AGM.

By the order of the Board
Weng Zhanbin
Chairman

22 March 2019

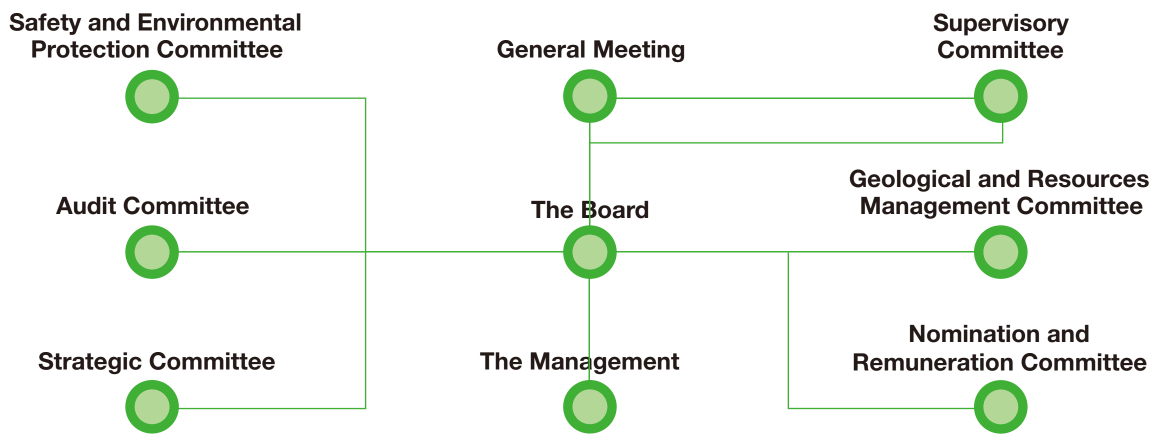
CORPORATE GOVERNANCE PRACTICE REPORT

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 2018, 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.

The fifth session of the Board comprised of eleven Directors, of which three are executive Directors, four are non-executive Directors and four are independent non-executive Directors.

Being the sixth 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 sixth session of the Board was elected at the extraordinary general meeting convened on 26 February 2019. All members of the sixth session of the Board have a term of three years commencing from 26 February 2019.

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, Mr. Li Shousheng resigned from the position of a non-executive Director, member of Strategic Committee and Geological and Resources Management Committee, and 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 had three executive Directors responsible for specific management duties, representing 27% of the directorship.

In the sixth 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 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 22 March 2019. 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 of the Board in compiling agendas. Each Director can request to have discussion topics included in the agenda. The Company convened eight 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)*	8	8	(0)	5	5
Dong Xin *(President)* (appointed with effect from 6 March 2018)	8	7	(0)	5	3
Wang Ligang *(Vice President and Board Secretary)* (appointed with effect from 6 March 2018)	8	7	(0)	5	4
Li Xiuchen (resigned on 6 March 2018)	8	1	(0)	5	0
Cong Jianmao (resigned on 6 March 2018)	8	1	(0)	5	0
Non-executive Directors					
Xu Xiaoliang *(Vice Chairman)* (appointed with effect from 6 March 2018)	8	5	(3)	5	0
Liu Yongsheng (appointed with effect from 6 March 2018)	8	7	(0)	5	0
Yao Ziping (appointed with effect from 6 March 2018)	8	5	(2)	5	0
Gao Min	8	8	(0)	5	3
Liang Xinjun (resigned on 6 March 2018)	8	1	(0)	5	0
Li Shousheng (resigned on 6 March 2018)	8	1	(0)	5	0
Independent Non-executive Directors					
Chen Jinrong	8	8	(0)	5	3
Choy Sze Chung Jojo	8	8	(0)	5	3
Wei Junhao	8	8	(0)	5	3
Shen Shifu	8	8	(0)	5	3

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 President

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

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

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

(E) Non-executive Directors

The fifth session of the Board consisted 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 2018, 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. Wang Ligang, being an executive Director, Mr. Yao Ziping, being a non-executive Director, and Ms. Chen Jinrong and Mr. Wei Junhao, both being independent non-executive Directors.

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 formulate the standard or proposal for the remuneration package for Directors and senior management, based on their scope of work, responsibilities, importance of work and the remuneration level of other related positions, the standard or proposal of remuneration included but not limited to the amount of remuneration and bonus, performance evaluation standards, procedures and major evaluation system, major plans and systems for reward and punishment; and the standard or proposal of remuneration shall be determined with reference to the remuneration paid by comparable companies, time commitment and responsibilities;

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

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

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

(8) 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 2018 are detailed in note 8 to the financial statements on pages 176 to 180 in this annual report.

Nomination Policy

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.

Candidates for Directors are normally submitted to the Shareholders' meeting by the Board in the form of proposals. The Shareholders and the Supervisory Committee of the Company may nominate candidates for Directors in accordance with the Articles of Association.

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.

As at the date of this report, the following table and paragraph illustrates the composition and diversity of the Board in terms of four objective criteria, namely (i) gender, (ii) age group, (iii) cultural and educational background and (iv) industry and professional experience.

Gender		Age group			
Male	Female	40 to 45	46 to 50	51 to 55	56 to 60
90.91%	9.09%	9.09%	27.27%	36.36%	27.27%

Cultural and educational background			Industry and Professional experience			
Bachelor's degree holder	Master's degree holder	Doctoral degree holder	Mining	Estate	Finance	Others
9.09%	63.64%	27.27%	54.55%	9.09%	27.27%	9.09%

The Nomination and Remuneration Committee considers that the existing composition of the Board is diversified, taking into account (i) the business model of the Group; (ii) the specific needs of the Group; and (iii) the different background of the Directors.

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 meetings	Attendance	Of which: attendance by proxy
Choy Sze Chung Jojo *(Chairman)*	1	1	(0)
Liang Xinjun (resigned on 6 March 2018)	1	0	(0)
Cong Jianmao (resigned on 6 March 2018)	1	1	(0)
Chen Jinrong	1	1	(0)
Wei Junhao	1	0	(0)
Yao Ziping (appointed with effect from 6 March 2018)	1	0	(0)
Wang Ligang (appointed with effect from 6 March 2018)	1	0	(0)

In 2018, the Nomination and Remuneration Committee considered and passed the Resolution on "Appraisal of 2018 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	
	2018	2017
Below HK$1,000,000 (approximately equivalent to RMB876,200)	**7**	5
HK$1,000,001 – HK$1,500,000 (approximately equivalent to RMB876,201 – RMB1,314,300)	**0**	0
Total	**7**	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 RMB2,970,000 (2017: 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 2018, 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 a 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	2	(0)
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 2017;

2. reviewed the Group's interim report and interim results announcement for the six months ended 30 June 2018;

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 2018, 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 2018, 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. Liu Yongsheng, both being non-executive Directors.

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	0	(0)
Liu Yongsheng	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 2018, 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. Liu Yongsheng, being a non-executive Director, and Mr Shen Shifu, being an independent non-executive Director.

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 2018. 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)
Liu Yongsheng	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 2018, the Safety and Environment Protection Committee comprised three members, with Mr. Dong Xin, being an executive Director, as the chairman. Other members included Mr. Wang Ligang, being an executive Director, and Mr Shen Shifu, being an independent non-executive Director.

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. Dong Xin, the chairman of the committee. The committee reviewed and passed the Summary of Safety and Environmental Protection Work for 2018 and reviewed and passed the Plan on Safety and Environment Protection Work for 2019.

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

	Number of meeting	Attendance	Of which: attendance by proxy
Dong Xin *(Chairman)*	1	1	(0)
Wang Ligang	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 2018, members of the fifth session of the Supervisory Committee comprised Mr. Li Xiuchen, Mr. Zou Chao and Ms. Zhao Hua, among whom Ms. Zhao Hua is an employee representative Supervisor and Mr. Li Xiuchen 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 64 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.

The sixth session of the Supervisory Committee was established by election at the extraordinary general meeting convened on 26 February 2019. The Committee comprises Mr. Wang Xiaojie, Mr. Zou Chao and Ms. Zhao Hua.

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 2018, 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 2018, 1,137,481,195 domestic shares and 32,365,500 H shares were held by Zhaojin Group, the controlling Shareholder of the Company, representing approximately 36.32% 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. Ng Ka Man was appointed as Company Secretary. She is a manager of Listing Services Department 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 2018, Company Secretary, Ms. Ng, 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 547 customers in addition to the Company as at 31 December 2018 (as at 31 December 2017: approximately 606 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 288 customers in addition to the Company as at 31 December 2018 (31 December 2017: approximately 298 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 7 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, 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 2019, 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 2018.

Investor Relations

With the continuous promotion and improvement of the institutionalization of the capital market, as well as the gradual maturity and specialization of investors, the management of investor relations of listed companies has attracted people's attention. The Company insists on attaching great importance to investor relations management and considers it as one of main routine works. In 2018, the Company accommodated more than 40 batches of investor visitors and held more than 50 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. 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 "Listed Company Award of Excellent 2018", "2018 Golden Stocks Most Valuable Energy and Resources Company" and "Most Growth Mutual Market Company Award".

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

There was no amendment made to the Articles of Association for the year ended 31 December 2018.

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 satisfy 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 satisfy 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 satisfy the community.

Continuous Enhancement of Corporate Governance Standard

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 2018 are set out below:

Director	Position	Participation of Training Types	Training Types
Weng Zhanbin	Executive Director, Chairman	A, B, C, D	A. Training provided by regulators
Dong Xin	Executive Director	A, B, C, D	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
Wang Ligang	Executive Director	A, B, C, D	
Xu Xiaoliang	Non-executive Director	A, B, C, D	D. Conducting on-site inspections on the Company's businesses
Liu Yongsheng	Non-executive Director	A, B, C, D	
Yao Ziping	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	A, B, C, D	
Shen Shifu	Independent Non-executive Director	A, B, C, D	

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 continuous improvement and developing green mines" while committing itself to the environmental protection concept of "lucid waters and lush mountains are invaluable assets", 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 2018, 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 established 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	18,500,000 m^3
Waste water	390,000 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. We are of the opinion that using such non-hazardous waste for filing pits, and storing a portion in qualified tailing dams, are adequate measures for handling the non-hazardous waste produced.

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 2018 was as follows:

Resource type	Usage
Water	Among total consumption of 11,964.31 tons, 10,814.25 tons was recycled water, and only 1,132.06 tons was fresh water
Electricity	Total consumption was 673.28 million kwh, and integrated power consumption was 41.59 kwh/ton
Diesel	3,826.49 tons
Coal	19,717.75 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 2018, we put great effort continuously 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 7.26kg/ton, decreased by 12.83% compared to 2017. 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 implemented one-vote responsibility system of energy conservation and emission reduction targets, and prohibited purchasing electromechanical equipment listed in "Directory of Eliminated Items". The second 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 saved capital from electricity saving and load regulation to more than RMB1,600,000. Third, we carried out energy conservation activities based on the "Seven in One" energy conservation working methods. Fourth, in response to the national environmental protection requirements, the coal-fired boiler was banned. The reform of the coal-fired boiler of the Jinhui Copper Mine passed the application for local heating and electricity policy, which the annual electricity cost was reduced by RMB500,000, achieving environmental protection and efficiency win-win. Fifth, we continued to launch direct purchase of electricity, and the unit price of electricity was reduced by RMB0.0107 per KWH, and the cumulated savings in electricity was RMB7.50 million.

There was no issue in sourcing water that is fit for purpose 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 2018, with accumulative injection of more than RMB200 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 65 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 52.12 tons (approximately 1,838,500 ounces). According to JORC Code, as of 31 December 2018, the Company had resources of 1,231.61 tons (approximately 39,597,200 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 2018, the Group had a total of 6,351 employees (2017: 6,512 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 2018

	Male	Female	Under 30 years old	30-39 years old	40-49 years old	Over 50 years old	Subtotal
Shandong	4,268	986	1,011	1,591	1,677	9759	5,254
Xinjiang	440	65	210	89	128	78	505
Gansu	288	30	128	77	86	27	318
Inner Mongolia	72	13	31	17	32	5	85
Other region	171	18	71	45	57	16	189
Total	5,239	1,112	1,451	1,819	1,980	1,101	6,351

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 during the Reporting Period 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. In 2018, the Group took the opportunity of the "Occupational Health Management Improvement Year" (職業健康管理提升年) of the National as an opportunity to improve the working environment and improve the occupational health of employees by improving the process and improving the protective facilities. In the whole year, 13 sets of dust collectors were upgraded and upgraded, and more than 5,600 occupational health examinations were carried out. The number of newly added occupational patients has decreased year after year. At the same time, the Group continued to attach importance to emergency rescue plans and joint drills, and carried out more than 60 drills such as underground production suspension, permeable, and tailings pond dam breaks. Dayingezhuang Gold Mine won the title of "Shandong Province Safe Production Emergency Management Demonstration Point" (山東省安全生產應急管理示範點); Xiadian Gold Mine passed the "Shandong Non-coal Mine Safety Production Emergency Management Standardization Enterprise" (山東省非煤礦山安全生產應急管理標準化企業) acceptance; Jinchiling Gold Mine hosted 2018 Coal mine mountain emergency rescue drill of Yantai City; the Zaozigou Gold Mine combined with local government, safety supervision, environmental protection and other government departments to carry out many drills such as poisoning asphyxiation, slope collapse, and topping gangs, and participated in the "11.17" tunnel collapse accident rescue, emergency management work further strengthened, no fatal accident happened. The Group will continue to ensure the adequate protection of 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 2018, the Company enacted the system of regular training meetings to provide training on a weekly basis and carried out a reading event for "reading a good book together". 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, and safety training is normalized, with 330 rounds of training on safety alone. The number of attendance of cross-functional safety training (with the construction team included) reached over 38,000. The training costs amounted to RMB2,972,500 during the year (2017: RMB2,666,800).

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 2018, 1,107 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 2018, 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 and organized party members and cadres to go to the revolutionary holy places for patriotic education, in order to establish the spirit of "being compliant 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 level 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 conduct, aligned with double focus work of the Company, and 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 2018, 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 2018, 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 RMB41 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 2018

- Listed Company Award of Excellent 2018
- 2018 Golden Stocks Most Valuable Energy and Resources Company
- Most Growth Mutual Market Company Award
- Most Socially Responsible Listed Company Award

To the Shareholders,

During the Year, in compliance 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 protected 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 9th Meeting of the Fifth Session of the Supervisory Committee on 6 June 2018

Reviewing and approving proposals of the resignation and Appointment of Shareholder representative Supervisor, and the election of the chairman of the supervisory committee.

The 10th Meeting of the Fifth Session of the Supervisory Committee on 16 March 2018

Reviewing and approving the annual results announcement and the annual report of the Group for 2017.

The 11th Meeting of the Fifth Session of the Supervisory Committee on 24 August 2018

Reviewing and approving interim results announcement, interim report, the proposal of profits allocation of the Group in 2018 and other resolutions.

The 12th Meeting of the Fifth Session of the Supervisory Committee on 28 December 2018

Reviewing and approving proposal of the executive president report on the expected completion of the whole year work and the work schedule for the next year.

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. During the Year, 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. During the Year, 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 2019, 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.

Wang Xiaojie
Chairman of the Supervisory Committee

22 March 2019

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

Independent auditor's report
To the Shareholders 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 115 to 242, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 RMB693 million as at 31 December 2018 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 the allocation of goodwill to the 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, and discount rates; and checking the data of mineral reserves and resources used to the report issued by the mine geologists. Regarding the gold and copper price projections and discount rates, we compared the key assumptions with external information resources in the gold and copper industries and the analysis of the specific risks relating to the relevant CGUs. Regarding the mineral reserves and resources, we assessed the mine geologist's professional competency, capabilities, and objectivity, 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 2018, the Group had property, plant and equipment, prepaid land lease payments and other intangible assets amounting to RMB14,221 million, RMB684 million, and RMB9,399 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 was determined for the Group's individual CGUs to which the assets belong. The determination of the value in use of the Group's individual CGUs was complex and involved significant judgements. The Group's disclosures about the impairment of these non-current assets are included in section *Property, plant and equipment and depreciation* and *Intangible assets (other than goodwill)* in note 2.4, *Estimation uncertainty* in note 3, and notes 12, 13 and 15 to the consolidated financial statements.	Our audit procedures in assessing the value in use of the Group's individual CGUs to which the assets belong and where impairment indicator exists, included, among others, involving our valuation specialists, in some cases, to assist us in evaluating the key assumptions and methodologies used by management, in particular, gold and copper price projections, and discount rates; and checking the data of mineral reserves and resources used to the report issued by the mine geologists. Regarding the gold and copper price projections and discount rates, we compared the key assumptions with the external information resources on the gold and copper industries and analysis of the specific risks relating to the relevant CGUs. Regarding the mineral reserves and resources, we assessed the geologist's professional competency, capabilities, and objectivity, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Shun Lung Wai.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2019

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**7,177,057**	6,673,999
Cost of sales		**(4,694,849)**	(4,039,470)
Gross profit		**2,482,208**	2,634,529
Other income and gains	5	**440,070**	254,560
Selling and distribution expenses		**(55,584)**	(44,806)
Administrative expenses		**(941,521)**	(893,850)
Impairment losses on financial assets		**(38,535)**	(109,247)
Loss on disposal of financial assets		**(23,505)**	—
Other expenses		**(649,406)**	(534,052)
Finance costs	6	**(480,525)**	(432,974)
Share of profits and losses of:			
Associates		**6,195**	4,274
Joint ventures		**17,306**	9,750
PROFIT BEFORE TAX	7	**756,703**	888,184
Income tax expense	9	**(180,400)**	(134,155)
PROFIT FOR THE YEAR		**576,303**	754,029
Attributable to:			
Owners of the parent		**474,287**	643,951
Non-controlling interests		**102,016**	110,078
		576,303	754,029
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	11	**0.15**	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	576,303	754,029
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,005	5,505
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	1,005	5,505
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement of post-employment benefit obligations	1,381	9,677
Income tax effect	(345)	(2,419)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(28,960)	—
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(27,924)	7,258
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(26,919)	12,763
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	549,384	766,792
Attributable to:		
Owners of the parent	445,692	656,714
Non-controlling interests	103,692	110,078
	549,384	766,792

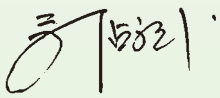
	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**14,221,347**	13,630,237
Prepaid land lease payments	13	**683,906**	705,819
Goodwill	14	**693,434**	779,931
Other intangible assets	15	**9,399,297**	9,315,819
Investments in joint ventures	16	**172,416**	119,979
Investments in associates	17	**678,125**	282,872
Available-for-sale investments	18	**—**	38,350
Equity investments designated at fair value through other comprehensive income	18	**—**	—
Financial assets measured at amortised cost		**241,753**	—
Deferred tax assets	19	**147,827**	170,055
Long-term deposits	21	**72,882**	82,706
Other long-term assets	22	**589,864**	649,424
Total non-current assets		**26,900,851**	25,775,192
CURRENT ASSETS			
Inventories	23	**4,190,556**	3,564,584
Trade and notes receivables	24	**145,497**	236,307
Prepayments, other receivables and other assets	25	**657,929**	708,939
Financial assets at fair value through profit or loss	26	**598,007**	279,078
Pledged deposits	27	**352,756**	277,822
Loans receivable	20	**1,898,284**	1,123,795
Cash and cash equivalents	27	**1,143,299**	1,847,169
Total current assets		**8,986,328**	8,037,694

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
CURRENT LIABILITIES			
Trade and notes payables	28	**524,515**	445,583
Other payables and accruals	29	**1,707,054**	1,949,251
Interest-bearing bank and other borrowings	30	**8,365,787**	10,779,923
Tax payable		**64,705**	68,312
Provisions	33	**14,525**	16,636
Deposits from customers	34	**1,002,015**	517,832
Current portion of other long-term liabilities		**125,000**	—
Total current liabilities		**11,803,601**	13,777,537
NET CURRENT LIABILITIES		**(2,817,273)**	(5,739,843)
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,083,578**	20,035,349
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**236,630**	619,338
Corporate bonds	31	**6,098,697**	1,794,964
Deferred tax liabilities	19	**361,989**	390,718
Deferred income	32	**305,238**	364,523
Provisions	33	**62,941**	76,980
Other long-term liabilities	35	**210,518**	24,918
Total non-current liabilities		**7,276,013**	3,271,441
Net assets		**16,807,565**	16,763,908

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	**3,220,696**	3,220,696
Perpetual capital instruments	37	**2,664,600**	2,664,600
Reserves	38	**7,413,181**	7,314,638
		13,298,477	13,199,934
Non-controlling interests		**3,509,088**	3,563,974
Total equity		**16,807,565**	16,763,908



Weng Zhanbin
Director

Dong Xin
Director

	Attributable to owners of the parent									
	Share capital RMB'000 (note 36)	Perpetual capital instruments RMB'000 (note 37)	Capital reserve RMB'000 (note 38)	Special reserve-safety fund RMB'000	Statutory and distributable reserve RMB'000 (note 38)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	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
Profit for the year	–	–	–	–	–	–	474,287	474,287	102,016	576,303
Other comprehensive income for the year:										
Exchange differences related to foreign operations	–	–	–	–	–	(671)	–	(671)	1,676	1,005
Changes in fair value of equity investments through other comprehensive income	–	–	(28,960)	–	–	–	–	(28,960)	–	(28,960)
Remeasurements of post-employment benefit obligations, net of tax	–	–	1,036	–	–	–	–	1,036	–	1,036
Total comprehensive income for the year	–	–	(27,924)	–	–	(671)	474,287	445,692	103,692	549,384
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(125,619)	(125,619)
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	10,500	10,500
Purchase of minority shares	–	–	(12,350)	–	–	–	–	(12,350)	(43,370)	(55,720)
Transfer to reserves	–	–	–	–	45,332	–	(45,332)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(3,589)	(3,589)
Safety production cost	–	–	–	(1,706)	–	–	–	(1,706)	–	(1,706)
Accrued distribution of perpetual capital instruments	–	139,850	–	–	–	–	(139,850)	–	–	–
Distribution of perpetual capital instruments paid	–	(139,850)	–	–	–	–	–	(139,850)	–	(139,850)
Establishment of a subsidiary	–	–	–	–	–	–	–	–	3,500	3,500
Final 2017 dividend declared and paid	–	–	–	–	–	–	(193,243)	(193,243)	–	(193,243)
At 31 December 2018	3,220,696	2,664,600	2,264,755*	26,433*	1,028,595*	(9,096)*	4,102,494*	13,298,477	3,509,088	16,807,565

* These reserve accounts comprise the consolidated reserves of RMB7,413,181,000 (31 December 2017: RMB7,314,638,000) in the consolidated statement of financial position.

	Attributable to owners of the parent									
	Share capital RMB'000 (note 36)	Perpetual capital instruments RMB'000 (note 37)	Capital reserve RMB'000 (note 38)	Special reserve-safety fund RMB'000	Statutory and distributable reserve RMB'000 (note 38)	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	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	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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**756,703**	888,184
Adjustments for:			
Finance costs	6	**480,525**	432,974
Share of profits of associates		**(6,195)**	(4,274)
Share of profits of joint ventures		**(17,306)**	(9,750)
Interest income from loans receivable		**(38,271)**	(11,664)
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	**12,028**	42,682
Loss on disposal of a subsidiary	7	**–**	493
Fair value gain, net:			
– Equity investments at fair value through profit or loss	7	**(81,017)**	(1,038)
Gain on bargain purchase	7	**–**	(2,118)
Loss/(gain) on disposal of financial assets at fair value through profit or loss	7	**23,505**	(25,915)
(Gain)/loss on settlement of commodity derivative contracts	7	**(23,791)**	1,741
Depreciation of property, plant and equipment	7	**861,598**	819,560
Amortisation of other intangible assets	7	**134,471**	76,556
Amortisation of prepaid land lease payments	7	**20,852**	20,218
Amortisation of long-term prepaid expenses		**14,268**	11,438
Provision for impairment of receivables	7	**15,639**	66,130
Impairment loss on loans receivable	7	**22,896**	43,117
Impairment (reversal)/loss on inventories	7	**(85,547)**	113,455
Impairment loss on non-current assets	7	**597,561**	190,061
		2,687,919	2,651,850

	2018 RMB'000	2017 RMB'000
Decrease in other long-term assets	—	24,000
Decrease/(increase) in long-term deposits	9,824	(5,323)
Increase in inventories	(540,425)	(47,441)
Decrease in trade and notes receivables	89,080	39,414
Decrease/(increase) in prepayments and other receivables	102,852	(267,746)
Increase in pledged deposits	(92,644)	(16,350)
Increase in loans receivable	(667,230)	(515,486)
Increase in trade and notes payables	78,932	55,722
Decrease in other payables and accruals	(180,496)	(55,541)
Increase/(decrease) in deposits from customers	484,183	(467,904)
Decrease in deferred income	(59,285)	(71,351)
Decrease in provisions	(15,521)	(22,272)
CASH GENERATED FROM OPERATIONS	1,897,189	1,301,572
Income taxes paid	(190,853)	(234,210)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,706,336	1,067,362
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,890	2,212
Dividend received from a joint venture	34,000	10,000
Purchases of items of property, plant and equipment	(1,652,075)	(1,380,291)
Proceeds from disposal of items of property, plant and equipment	33,824	34,643
Increase in prepaid land lease payments	(18,499)	(17,718)
Receipt of government grants for property, plant and equipment	—	7,552
Increase in other intangible assets	(280,104)	(143,554)
Acquisition of subsidiaries	(55,720)	(26,164)
Acquisition of a joint venture	(69,160)	—
Acquisition of associates	(390,002)	—
Net gain/(loss) from commodity derivative contracts	23,791	(1,741)
Deposits (paid)/received for commodity derivative contracts	(29,341)	39,599
Net proceeds from acquisition and disposal of equity investments at fair value through profit or loss	(252,027)	161,946
Payment for investments in financial assets measured at amortised cost	(241,753)	(7,590)
Disposal of investments in available-for-sale investments	—	280,000
Increase in long-term prepaid expenses	(1,668)	(7,000)
Decrease in loans receivable	10,000	43,000
Increase in loans receivable	(143,000)	(25,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(3,029,844)	(1,030,106)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**11,512,553**	12,346,542
Issuance of a corporate bond, net of issuance expense		**4,750,000**	850,000
Repayment of a corporate bond		**(443,008)**	(1,200,000)
Repayment of bank and other borrowings		**(14,308,830)**	(12,920,432)
Proceeds from issue of shares		**–**	1,064,379
Repayment from gold leasing business		**–**	(52,196)
Capital contribution from non-controlling shareholders		**14,000**	560,788
Dividends paid		**(314,061)**	(195,783)
Decrease in pledged deposits for short-term bank loans		**17,710**	58,879
Issuance of perpetual capital instruments, net of issuance expense		**–**	498,500
Distribution paid for perpetual capital instruments		**(139,850)**	(112,700)
Interest paid		**(493,857)**	(486,350)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**594,657**	411,627
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(728,851)**	448,883
Cash and cash equivalents at beginning of year		**1,847,169**	1,437,951
Effects of foreign exchange rate changes, net		**24,981**	(39,665)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,143,299**	1,847,169
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**968,591**	1,846,668
Non-pledged time deposits with original maturity of less than three months when acquired		**174,708**	501
Cash and cash equivalents as stated in the consolidated statement of cash flows	27	**1,143,299**	1,847,169

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 2018, Shandong Zhaojin Group Company Limited ("Zhaojin Group"), a state-owned enterprise established in the PRC, and its subsidiary held totally 36.32% 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 and processing of gold products
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
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

1. CORPORATE AND GROUP STATEMENTS – *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
Subsidiaries 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 and processing of gold products
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	–	Sulfuric acid manufacturing and smelting, and sale of residue
Subsidiary of Jinhe:					
Shandong Zhaojin Taoci Technical Company Limited ("Taoci Technology") (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

1. CORPORATE AND GROUP STATEMENTS – *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
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, and processing of gold products
JHKAShi 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
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") (鳳城市鑫丰源礦業有限公司)	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

1. CORPORATE AND GROUP STATEMENTS – *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
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
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 Ruihai Porting Industry Company Limited ("Ruihai Gangwu") (萊州市瑞海港务有限公司)	PRC/Mainland China 7 November 2016	10,000	–	63.86	Freight Transportation
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

1. CORPORATE AND GROUP STATEMENTS – *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	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
		RMB'000	%	%	
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	65	–	Smelting of gold and other precious metals
Fuyun Zhaojin Mining Industry Company Limited ("Fuyun") (富蘊招金礦業有限公司)	PRC/Mainland China 27 September 2012	10,000	100	–	Investment holding
Zhaojin Jishan Mining Industry Company Limited ("Jishan") (招金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
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	Gold mining and processing of gold 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	–	Gold mining and processing of gold products
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 STATEMENTS – *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	79	–	Engineering design and development
Yantai Dian Jing Cheng Chuan Investment Limited Partnership ("Dianjinchengchuan") (煙臺點金成川投資中心(有限合夥))	PRC/Mainland China 22 May 2015	200,100	99.95	–	Investment
Sparky International Company Limited ("SIC") (斯派柯國際有限公司)	Hong Kong 16 May 2007	HK$127,600,000	100	–	Purchase of gold concentrates from places outside China
Subsidiaries of SIC:					
Gold Vein International Investment Limited ("Gold Vein") (金脈國際投資有限公司)	British Virgin Islands 14 October 2009	United States dollars ("USD")1	–	100	Investment holding
Starlet Creation Limited ("Starlet") (星河創建有限公司)	Hong Kong 7 July 2011	HK$1	–	100	Investment holding
Jodies Joy Limited ("Jodies Joy") (領興有限公司)	British Virgin Islands 21 July 2011	USD1	–	100	Investment holding

1. CORPORATE AND GROUP STATEMENTS – *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 International Mining Company Limited ("Zhaojin International") (招金國際礦業有限公司)	Seychelles 8 June 2015	USD1	–	100	Investment holding
Subsidiary of Zhaojin International:					
Zhaojin International Mining (Hong Kong) Company Limited ("ZJJRHK") (招金國際礦業(香港)有限公司)	Hong Kong 13 April 2018	HK$10,000	–	100	Investment holding
Zhaojin Mining International Finance Company Limited ("ZJJR") (招金國際金融有限公司)	British Virgin Islands 13 April 2018	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	Investment holding
Subsidiary of Zhaojin Ecuador:					
Goldking Mining Company S.A ("Goldking") (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 holding
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
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

1. CORPORATE AND GROUP STATEMENTS – *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
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") (山東招金新型耐磨材料有限公司)	PRC/Mainland China 1 November 2016	40,000	60	–	Research and sale of wear-resistant steel balls
Inner Mongolia Zhaojin Kaifa Company Limited ("IMZJ") (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
Shandong Zhaojin Technology Company Limited ("ZJKJ") (山東招金科技有限公司)	PRC/Mainland China 15 March 2018	10,000	55	10	Technical advisory services
Inner Mongolia Zhaojin Ziyuan Company Limited ("IMZY") (內蒙古招金資源開發有限公司)	PRC/Mainland China 23 July 2018	50,000	70	–	Mining of precious metals

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. 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 2018, the Group had net current liabilities of RMB2,817,273,000 (2017: RMB5,739,843,000). 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 2018, 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 2018. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

(a) – *continued*

Classification and measurement – continued

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount RMB'000	re-classification RMB'000	ECL RMB'000	HKFRS 9 measurement Amount RMB'000	HKFRS 9 measurement Category
Financial assets							
Equity investments designated at fair value through other comprehensive income		N/A	–	30,761	–	30,761	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			30,761	–	–	
Available-for-sale investments		AFS[2]	38,350	(38,350)	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			(30,761)	–	–	
To: Financial assets at fair value through profit or loss	(ii)			(7,589)	–	–	
Trade receivables	(iii)	L&R[3]	236,307	–	–	236,307	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	226,183	–	–	226,183	AC
Equity investments at fair value through profit or loss		FVPL[5]	279,078	7,589	–	286,667	FVPL
From: Available-for-sale investments	(ii)			7,589	–	–	
Loans receivable		L&R	1,123,795	–	–	1,123,795	AC
Pledged deposits		L&R	277,822	–	–	277,822	AC
			2,181,535	–	–	2,181,535	
Financial liabilities							
Trade payables and notes payables		AC	445,583	–	N/A	445,583	AC
Financial liabilities included in other payables and accruals		AC	1,547,051	–	N/A	1,547,051	AC
Interest-bearing bank loans and other borrowings		AC	11,399,261	–	N/A	11,399,261	AC
Corporate bonds		AC	1,794,964	–	N/A	1,794,964	AC
Deposits from customers		AC	517,832	–	N/A	517,832	AC
Other long-term liabilities (including current portion)		AC	24,918	–	N/A	24,918	AC
Total liabilities			15,729,609	–	N/A	15,729,609	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

(a) – *continued*

Classification and measurement – continued

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified its investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.

(iii) The gross carrying amounts of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(c) to the financial statements.

Impairment

The impact of adopting the ECL allowances under HKFRS 9 is not significant.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is not significant.

(b) HKFRS 15 and its amendments replace HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a 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 disclosures are included in note 4 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has no outstanding contracts on 1 January 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – *continued*

(b) – *continued*

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 18 and related interpretations.

There was no financial impact of the transition to HKFRS 15 on the Group's Reserve at 1 January 2018. However, upon adoption of HKFRS 15, the Group recognised revenue-related contract liabilities for the unsatisfied performance obligation which were previously recognised as "Advances from customers" under "Other payables and accruals (current)". Accordingly, upon adoption of HKFRS 15, "Contract liabilities" were increased by RMB221,783,000 and "Advances from customers" included in "Other payables and accruals (current)" were decreased by RMB221,783,000 at the date of initial application of HKFRS 15 (1 January 2018).

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 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.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

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 16 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 will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB61,358,000 and lease liabilities of RMB65,092,000 will be recognised at 1 January 2019 with a corresponding adjustment to the opening balance of retained earnings.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are 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*

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments in associates and joint ventures – *continued*

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Business combinations and goodwill – *continued*

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

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fair value measurement – *continued*

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

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of non-financial assets – *continued*

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.

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. 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.

Intangible assets (other than goodwill)

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

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

Exploration rights and assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets (other than goodwill) – ***continued***

Mining rights and reserves

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

Leases

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) – ***continued***

Subsequent measurement – continued

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition (applicable before 1 January 2018)” below.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) – ***continued***

Subsequent measurement – continued

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. 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. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for “Revenue recognition (applicable before 1 January 2018)” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) – ***continued***

Subsequent measurement – continued

Available-for-sale financial investments – *continued*

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.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018) – ***continued***

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 (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two measurement bases. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) – ***continued***

General approach – continued

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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

Financial assets carried at amortised cost

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

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 (policies under HKAS 39 applicable before 1 January 2018) – ***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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) – *continued*

Subsequent measurement

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

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.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

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 joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Income tax – *continued*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Revenue from other sources

Service income is recognised on a time proportion basis over the service period.

Other income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition (applicable before 1 January 2018)

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) service income, on a time proportion basis over the service period;

(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.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Employee benefits – *continued*

Early retirement benefits – continued

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 4.20% and 4.75% has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Dividends

Final 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies – *continued*

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) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 24 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – *continued*

Estimation uncertainty – *continued*

(b) 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 2018 was approximately RMB147,827,000 (2017: RMB170,055,000). Further details are contained in note 19 to the financial statements.

(c) 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 2018 was RMB693,434,000 (2017: RMB779,931,000). Further details are contained in note 14 to the financial statements.

(d) 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 2018 was RMB23,620,644,000 (2017: RMB22,946,056,000).

(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.

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;

(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, 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, 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 2018

	Gold operations RMB'000	Copper operations RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Revenue from external customers	6,422,550	685,090	69,417	7,177,057
Segment results	1,059,553	88,471	(10,921)	1,137,103
Reconciliation:				
Interest income				100,125
Finance costs				(480,525)
Profit before tax				756,703
Segment assets	29,844,129	2,466,545	1,932,623	34,243,297
Reconciliation:				
Corporate and other unallocated assets				1,643,882
Total assets				35,887,179
Segment liabilities	2,639,199	333,333	1,043,978	4,016,510
Reconciliation:				
Corporate and other unallocated liabilities				15,063,104
Total liabilities				19,079,614
Other segment information				
Capital expenditure*	2,126,543	126,804	27,858	2,281,205
Investments in associates	678,125	–	–	678,125
Investment in joint ventures	–	104,551	67,865	172,416
Impairment losses recognised in the statement of profit or loss	524,995	2,203	23,351	550,549
Share of profits/(losses) of				
– Associates	6,195	–	–	6,195
– Joint ventures	–	18,572	(1,266)	17,306
Depreciation and amortisation	869,801	122,324	24,796	1,016,921
Fair value gain/(loss) on financial assets at fair value through profit or loss	22,794	–	(80,306)	(57,512)

* 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 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 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*

Geographical information

As over 95% 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 RMB5,089,492,000 (71% of the total sales) (2017: RMB5,275,094,000, 79% of the total sales) was derived from sales by the gold operations segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 **RMB'000**	2017 RMB'000
Revenue from contracts with customers	**7,375,881**	—
Sale of goods	**—**	6,760,519
Rendering services	**—**	90,897
Less:		
Government surcharges	**(198,824)**	(177,417)
	7,177,057	6,673,999

5. REVENUE, OTHER INCOME AND GAINS – *continued*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	RMB'000
Type of goods or services	
Sales of gold	6,268,954
Sales of copper	665,272
Sales of silver	111,758
Sales of sulphur	68,194
Sales of other by-products	133,685
Rendering of services	78,009
Others	50,009
	7,375,881
Less:	
Government surcharges	(198,824)
Total revenue from contracts with customers	7,177,057
Timing of revenue recognition	
Goods transferred at a point in time	7,247,863
Services transferred over time	128,018
Total revenue from contracts with customers	7,375,881

The amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods was RMB221,783,000.

5. REVENUE, OTHER INCOME AND GAINS – *continued*

Revenue from contracts with customers – *continued*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of goods

The performance obligation is satisfied upon delivery of the products. Payment is generally due upon delivery of the products, a proportional payment in advance is in some cases required.

Processing and other services

The performance obligation is satisfied over time as services are rendered and a proportional payment in advance is normally required. Payment is generally due upon completion of processing services.

At 31 December 2018, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Entity-wide disclosures:

Information about products and service

Other than those disclosed above in accordance with HKFRS 15, the following table sets forth the total revenue from external customers by product and service and the percentage of total revenue by product during the year ended 31 December 2017:

Revenue

	RMB'000
Sale of goods:	
Gold	5,952,639
Copper	604,197
Silver	62,342
Sulphur	36,401
Other by-products	104,940
Rendering of services:	
Processing of gold and silver	60,072
Others	30,825
	6,851,416
Less:	
Government surcharges	(177,417)
Revenue	6,673,999

5. REVENUE, OTHER INCOME AND GAINS – *continued*

	2018 RMB'000	2017 RMB'000
Other income and gains		
Interest income	100,125	56,971
Government grants	75,488	71,351
Sales of auxiliary materials	82,386	74,173
Gain on settlement of financial instruments	104,809	26,953
Exchange gain	60,171	—
Others	17,091	25,112
Other income and gains	440,070	254,560

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings	178,230	182,505
Interest on corporate bonds	193,742	105,905
Interest on gold leasing business	236,038	207,646
Interest on short-term bonds	6,824	37,803
Subtotal	614,834	533,859
Less: Interest capitalised	(137,435)	(104,138)
Incremental interest on provisions and other long-term liabilities	3,126	3,253
Total	480,525	432,974

7. PROFIT BEFORE TAX

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

	2018 RMB'000	2017 RMB'000
Cost of inventories sold and services provided	4,694,849	4,039,470
Staff costs (including Directors' remuneration):		
Wages and salaries	751,620	672,620
Defined contribution fund:		
– Retirement costs	141,945	123,902
– Other staff benefits	93,615	96,160
Total staff costs	987,180	892,682
Auditor's remuneration	2,970	2,800
Amortisation of prepaid land lease payments	20,852	20,218
Amortisation of other intangible assets	134,471	76,556
Depreciation of property, plant and equipment	861,598	819,560
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	12,028	42,682
Operating lease rentals	19,381	15,900
Provision for impairment of receivables	15,639	66,130
Impairment loss on prepaid land lease payments	–	94
Impairment loss on property, plant and equipment	159,938	62,861
Impairment loss on other intangible assets	350,738	31,140
Impairment loss on goodwill	86,497	95,966
Impairment loss on construction in progress	388	–
Impairment (reversal)/loss on inventories	(85,547)	113,455
Impairment loss on loans receivable	22,896	43,117
Fair value gain, net:		
– Equity investments at fair value through profit or loss	(81,017)	(1,038)
(Gain)/loss on settlement of commodity derivative contracts	(23,791)	1,741
Loss/(gain) on disposal of equity investments at fair value through profit or loss	23,505	(25,915)
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:

	2018 RMB'000	2017 RMB'000
Fees:		
– Non-executive directors	–	–
– Independent non-executive directors	640	640
– Supervisors	–	–
	640	640
Salaries, allowances and benefits in kind	610	581
Performance related bonuses	1,725	1,666
Pension scheme contributions	209	192
	2,544	2,439
	3,184	3,079

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 2018

	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	–	250	660	45	955
– Dong Xin	–	192	551	82	825
– Wang Li Gang	–	168	514	82	764
	–	610	1,725	209	2,544
Non-executive directors:					
– Yao Zi Ping	–	–	–	–	–
– Xu Xiao Liang	–	–	–	–	–
– Liu Yong Sheng	–	–	–	–	–
– Gao Min	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
– Zou Chao	–	–	–	–	–
– Wang Xiao Jie	–	–	–	–	–
– Zhao Hua	–	–	–	–	–
	–	–	–	–	–
	–	610	1,725	209	2,544

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 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) (ii) Independent non-executive directors

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

	2018 RMB'000	2017 RMB'000
– Cai Si Cong	**160**	160
– Chen Jin Rong	**160**	160
– Shen Shi Fu	**160**	160
– Wei Jun Hao	**160**	160
	640	640

There were no other emoluments payable to the independent non-executive directors during the year (2017: 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:

	2018 RMB'000	2017 RMB'000
Directors	**3**	2
Non-director and non-supervisor employees	**2**	3
	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:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	337	488
Performance related bonuses	1,013	1,423
Pension scheme contributions	163	222
	1,513	2,133

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

	Number of employees	
	2018	2017
Nil to HK$1,000,000 (Equivalent to RMB876,200)	2	3

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 current income tax in Mainland China is based on the statutory rate of 25% (2017: 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% (2017: 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:

	2018 RMB'000	2017 RMB'000
Current – Hong Kong	–	–
Current – Mainland China		
– Charge for the year	187,246	123,446
Deferred tax *(note 19)*	(6,846)	10,709
Total tax charge for the year	180,400	134,155

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:

		2018		2017
	%	RMB'000	%	RMB'000
Profit before tax		756,703		888,184
Tax at the statutory tax rates	25.0	189,175	25.0	222,046
Reconciling items:				
Lower tax rates for specific entities	(14.1)	(106,545)	(12.0)	(106,751)
Expenses not deductible for tax	0.8	6,186	0.8	6,778
Adjustment in respect of current tax of previous periods	(0.7)	(5,618)	(13.1)	(116,481)
Tax losses and temporary differences not recognised	19.7	149,099	19.7	175,272
Effect on opening deferred tax of increase in rates of certain subsidiaries	–	–	(1.2)	(10,640)
Tax losses utilised from previous periods	(3.1)	(23,320)	(1.9)	(16,449)
Effect on non-taxable income	(0.2)	(1,646)	–	–
Research and development costs	(2.8)	(21,056)	(1.8)	(16,114)
Profits and losses attributable to associates and joint ventures	(0.8)	(5,875)	(0.4)	(3,506)
Total tax charge for the year	23.8	180,400	15.1	134,155

10. DIVIDEND

	2018 RMB'000	2017 RMB'000
Ordinary:		
Proposed final – RMB0.04 per share (2017: RMB0.06 per share)	**128,828**	193,242

The board of directors recommended a cash dividend to all shareholders on the basis of RMB0.04 per share (tax included) (2017: RMB0.06 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 3,220,696,000 (2017: 3,155,675,000) 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 basic and diluted earnings per share are based on:

	2018	2017
	RMB'000	RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	474,287	643,951

	Number of shares	
	2018	2017
	'000	'000
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	3,220,696	3,155,675
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	3,220,696	3,155,675
Basic earnings per share (RMB)	0.15	0.20
Diluted earnings per share (RMB)	0.15	0.20

12. PROPERTY, PLANT AND EQUIPMENT

31 December 2018

	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 2018	5,014,708	3,217,970	257,766	305,060	7,483,173	2,397,087	18,675,764
Additions	80,147	134,246	22,402	22,448	8,887	1,366,096	1,634,226
Transferred from CIP	163,815	72,953	4,100	16	461,783	(702,667)	–
Disposals	(2,355)	(59,286)	(9,098)	(18,166)	(2,146)	(2,955)	(94,006)
At 31 December 2018	5,256,315	3,365,883	275,170	309,358	7,951,697	3,057,561	20,215,984
Accumulated depreciation:							
At 1 January 2018	1,040,570	1,412,157	185,860	200,950	1,939,124	–	4,778,661
Charge for the year	220,383	387,561	21,761	29,235	202,658	–	861,598
Disposals	(662)	(44,712)	(8,488)	(16,871)	(1,192)	–	(71,925)
At 31 December 2018	1,260,291	1,755,006	199,133	213,314	2,140,590	–	5,568,334
Impairment:							
At 1 January 2018	3,883	7,554	17,614	928	194,839	42,048	266,866
Charge for the year*	52,157	15,834	822	1,063	90,062	388	160,326
Disposals	–	–	–	–	(889)	–	(889)
At 31 December 2018	56,040	23,388	18,436	1,991	284,012	42,436	426,303
Net book value:							
At 31 December 2018	3,939,984	1,587,489	57,601	94,053	5,527,095	3,015,125	14,221,347

* During the year, the impairment loss recognised in property, plant and equipment related to the mining operations of the Liyuan Mining CGU was RMB156,629,000 (2017: Nil) and the Fuyun Mining CGU was RMB3,697,000 (2017: Nil), respectively.

12. PROPERTY, PLANT AND EQUIPMENT – *continued*

The impairment charges are driven by the lower recoverable amounts of those CGUs mentioned above as compared with the carrying amounts in aggregate of relevant assets (including property, plant and equipment, other intangible assets and prepaid land lease payments) belonging to those CGUs. This is resulted from the directors' reassessment of proven and probable mining reserves and consideration of the grade of the gold mines, after referencing from recent production and technical information of these CGUs. The recoverable amounts of those CGUs have been determined on a value-in-use method, which is based on certain key assumptions including the discount rate, gold price projection and estimation of mineral reserves and resources. The discount rates applied to the cash flow projections are in a range of 12%-13% (2017: 12%-16%).

As the mining license of Liyuan was cancelled by the Government, the recoverable amounts of those assets belonging to the mining operation of the Liyuan Mining CGU were determined to be zero, and impairment loss of RMB156,629,000 (2017: Nil) was recognised in property, plant and equipment.

As Fuyun was redesignated into a national conservation area, the recoverable amounts of those assets belonging to the mining operation of the Fuyun Mining CGU were determined to be zero, and impairment loss of RMB3,697,000 (2017: Nil) was recognised in property, plant and equipment.

12. PROPERTY, PLANT AND EQUIPMENT – *continued*

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	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

At 31 December 2018, no property, plant and equipment of the Group were pledged to secure certain of the Group's bank borrowings (2017: Nil) (note 30).

13. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**705,819**	708,807
Additions during the year	**18,499**	17,718
Disposals/write-off during the year	**(19,560)**	(394)
Amortised during the year	**(20,852)**	(20,218)
Impairment during the year	**–**	(94)
Carrying amount at 31 December	**683,906**	705,819

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, the period is 50 years from the grant date.

At 31 December 2018, no prepaid land lease payments of the Group were pledged to secure certain of the Group's bank borrowings (2017: Nil) (note 30).

14. GOODWILL

	RMB'000
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
Cost at 1 January 2018, net of accumulated impairment	779,931
Impairment during the year	(86,497)
Cost and net carrying amount at 31 December 2018	693,434
At 31 December 2018:	
Cost	925,065
Accumulated impairment	(231,631)
Net carrying amount	693,434

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 on a value-in-use method using cash flow projections based on a financial budget covering a five-year period approved by management, and the growth rate is zero from the sixth year onwards. The discount rates applied to the cash flow projections are in a range of 12% to 13% (2017: 12% to 16%).

In the opinion of the Company's directors, as the mining license of Liyuan was cancelled by the Government, the goodwill of Liyuan amounting RMB86,497,000 has been fully impaired this year.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of goodwill:		
The Company	**84,335**	84,335
JTL	**70,086**	70,086
Dongfang Yanjing	**2,191**	2,191
Liyuan	**–**	86,497
Yuantong	**85,627**	85,627
Jinying	**15,072**	15,072
Dishui	**103,795**	103,795
Baiyun	**139,691**	139,691
FNJL	**130,900**	130,900
MXTH	**26,221**	26,221
TZB	**35,516**	35,516
	693,434	779,931

14. GOODWILL – *continued*

Impairment testing of goodwill – *continued*

Assumptions were used in the value-in-use calculation of all the cash-generating units for 31 December 2018 and 31 December 2017. 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 2018

	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 2018	7,798,392	2,709,203	6,219	25,761	10,539,575
Additions	97,082	475,666	151	–	572,899
Disposals/write-off	(4,212)	–	–	–	(4,212)
At 31 December 2018	7,891,262	3,184,869	6,370	25,761	11,108,262
Accumulated amortisation:					
At 1 January 2018	42,203	916,247	1,296	9,395	969,141
Provided during the year	–	124,889	1,624	7,958	134,471
At 31 December 2018	42,203	1,041,136	2,920	17,353	1,103,612
Impairment:					
At 1 January 2018	46,477	208,138	–	–	254,615
Provided during the year*	349,858	880	–	–	350,738
At 31 December 2018	396,335	209,018	–	–	605,353
Net book value:					
At 31 December 2018	7,452,724	1,934,715	3,450	8,408	9,399,297

* During the year, the impairment loss recognised in other intangible assets related to the mining operations of the Huabeizhaojin Mining CGU was RMB1,560,000 (2017: Nil) and the Fuyun Mining CGU was RMB349,178,000 (2017: Nil), respectively.

As the exploration on HZMI was unsuccessful, the carrying amounts of those assets belonging to the mining operation of the HZMI Mining CGU were determined to be higher than the recoverable amount of zero, and impairment loss of RMB1,560,000 (2017: Nil) was recognised in other intangible assets.

As Fuyun was redesignated into a national conservation area, the carrying amounts of those assets belonging to the mining operation of the Fuyun Mining CGU were determined to be higher than the recoverable amount of zero, and impairment loss of RMB349,178,000 (2017: Nil) was recognised in other intangible assets.

During the year, no impairment loss on other intangible assets was recognised relating to the mining operation of the Xinyuan Mining CGU (2017: RMB737,000).

15. OTHER INTANGIBLE ASSETS – *continued*

During the year, no impairment loss on other intangible assets related to the mining operation of the Daqinjia Mining CGU was recognised (2017: RMB30,403,000).

During the year, the amortisation of the Group amounted to RMB134,471,000 (2017: RMB76,556,000) was mainly included in cost of sales.

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	3,539	–	–	–	3,539
Acquisition of a subsidiary accounted for as a business combination	–	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

As at 31 December 2018, no other intangible assets were pledged to secure the Group's bank borrowings (2017: Nil) (note 30).

16. INVESTMENTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	172,416	119,979

The Group's prepayments, other receivable and other assets balances and trade transactions with the joint ventures are disclosed in notes 25 and 41 to the financial statements.

Particulars of the Group's material joint ventures 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
Gravitas Zhaojin Gold Industry Fund LP ("Gravitas") (招金Gravitas礦業投資公司)	Canada 6 July 2017	USD300,000	40%	Investing in stocks related to the mining industry

The statutory financial statements of the joint ventures were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above interests in joint ventures are directly held by the Group.

Ruoqiang Changyun Sanfengshan Mining Company Limited, which is considered a material joint venture of the Group is accounted for using the equity method.

16. INVESTMENTS IN JOINT VENTURES – *continued*

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

	2018 RMB'000	2017 RMB'000
Current assets	64,354	67,551
Non-current assets	188,664	249,459
Current liabilities	(43,916)	(77,052)
Net assets	209,102	239,958

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

	2018 RMB'000	2017 RMB'000
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	104,551	119,979
Carrying amount of the investment	104,551	119,979
Revenue	169,593	173,490
Other income	111	268
	169,704	173,758
Total expenses	(124,850)	(138,644)
Tax	(7,710)	(15,614)
Total comprehensive income for the year	37,144	19,500
Dividend received	34,000	10,000

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

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' profit for the year	(1,266)	–
Share of the joint ventures' total comprehensive income	(1,266)	–
Aggregate carrying amount of the Group's investments in the joint ventures	67,865	–

17. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	617,526	222,273
Goodwill on acquisition	60,599	60,599
	678,125	282,872

The Group's prepayments, other receivable and other assets balances, trade payable balances and transactions with the associates are disclosed in notes 25 and 41 to the financial statements.

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
Sabina Gold & Silver Corp ("Sabina")	Canada June 1966	CAD478,720,000	9.9%	Gold mining and processing of gold products
Fengning Jinhe Mining Company Limited ("FNJH") (豐甯滿族自治縣金合礦業有限公司)	PRC 01 June 2018	RMB25,000,000	20%	Gold mining and processing of gold products

17. INVESTMENTS IN ASSOCIATES – *continued*

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

	2018 RMB'000	2017 RMB'000
Share of the associates' profit for the year	**6,195**	4,274
Share of the associates' total comprehensive income	**6,195**	4,274
Aggregate carrying amount of the Group's investments in the associates	**678,125**	282,872

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value	**–**	–
Available-for-sale investments		
Unlisted equity investments, at cost:		
– Mainland China	**–**	38,550
– Australia	**–**	26,677
Unlisted debt investments, at cost	**–**	–
Subtotal	**–**	65,227
Less: Impairment	**–**	(26,877)
Total	**–**	38,350
Less: Current portion of available-for-sale investments – financial products	**–**	–
Total of non-current portion	**–**	38,350

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

19. DEFERRED TAX

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

2018

Deferred tax assets

	Impairment losses on financial assets 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	Others RMB'000	Total RMB'000
At 1 January 2018	18,844	66,495	10,075	16,352	14,277	13,556	18,188	22,573	180,360
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 9)*	4,524	(4,303)	4,740	(3,510)	32,682	(2,233)	(13,854)	(9,351)	8,695
Deferred tax credited to other comprehensive income	–	–	(345)	–	–	–	–	–	(345)
At 31 December 2018	23,368	62,192	14,470	12,842	46,959	11,323	4,334	13,222	188,710

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 2018	(348,615)	(52,408)	(401,023)
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 9)*	15,975	(17,824)	(1,849)
At 31 December 2018	(332,640)	(70,232)	(402,872)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position as at 31 December 2018. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

19. DEFERRED TAX – *continued*

2018 – *continued*

Deferred tax assets

	2018 RMB'000
Gross deferred tax assets at 31 December 2018	188,710
Deferred tax assets and liabilities have been offset in the statement of financial position	(40,883)
Net deferred tax assets recognised in the consolidated statement of financial position	147,827

Deferred tax liabilities

	2018 RMB'000
Gross deferred tax liabilities at 31 December 2018	(402,872)
Deferred tax assets and liabilities have been offset in the statement of financial position	40,883
Net deferred tax liabilities recognised in the consolidated statement of financial position	(361,989)

2017

Deferred tax assets

	Share-based payment RMB'000	Difference on tax depreciation and book value of property, plant and equipment RMB'000	Impairment losses on financial assets 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	Other RMB'000	Total RMB'000
At 1 January 2017	26,400	43,032	5,839	22,624	26,705	56,288	6,852	2,165	5,062	58,937	253,904
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 9)*	(26,400)	23,463	13,005	(10,130)	(10,353)	(42,011)	6,704	16,023	(5,062)	(36,364)	(71,125)
Deferred tax credited to other comprehensive income	–	–	–	(2,419)	–	–	–	–	–	–	(2,419)
At 31 December 2017	–	66,495	18,844	10,075	16,352	14,277	13,556	18,188	–	22,573	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*

At 31 December 2018, there was no significant unrecognised deferred tax liability (2017: 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 RMB930,636,000 and RMB527,539,000 respectively as at 31 December 2018 (2017: RMB1,162,379,000 and RMB262,286,000) 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	**2018 RMB'000**	2017 RMB'000
Loans receivable due from			
– a joint venture		**–**	10,000
– an associate	(a)	**106,934**	53,934
– Zhaojin Group	(b)	**785,475**	487,628
– subsidiaries of Zhaojin Group	(c)	**772,608**	374,896
– third parties	(d)	**304,926**	246,100
		1,969,943	1,172,558
Less: Impairment		**(71,659)**	(48,763)
		1,898,284	1,123,795
Less: Due within 12 months		**(1,898,284)**	(1,123,795)
Due after 12 months		**–**	–

20. LOANS RECEIVABLE – *continued*

(a) The Company signed entrusted loan agreements to provide loans of RMB106,934,000 (2017: RMB53,934,000) to an associate through China Construction Bank. The loans are unsecured, bear interest at a fixed rate of 4.35% per annum and have maturity date on 31 December 2019.

(b) Zhaojin Finance, a subsidiary of the Group, signed loan agreements to provide loans of RMB530,000,000 (2017: RMB270,000,000) to Zhaojin Group. Both of the loans amounted to RMB530,000,000 provided in 2018 have been fully settled in 2018.

Zhaojin Finance also provided bill discounting services of RMB785,475,000 (2017: RMB487,628,000) to Zhaojin Group, which bear interest at fixed rates from 3.00% to 3.85% per annum and have maturity dates from 25 March 2019 to 12 November 2019.

(c) Zhaojin Finance provided loans of RMB577,901,000 (2017: RMB267,671,000) to subsidiaries of Zhaojin Group. The loans are guaranteed by Zhaojin Group, bear interest at fixed rates from 3.9150% to 4.3935% per annum and have maturity dates from 10 January 2019 to 9 October 2019.

Zhaojin Finance also provided bill discounting services of RMB194,707,000 (2017: RMB107,225,000) to subsidiaries of Zhaojin Group, which bear interest at fixed rates from 3.00% to 4.31% per annum and have maturity dates from 19 February 2019 to 13 December 2019.

(d) The Company signed entrusted loan agreements to provide loans of RMB275,100,000 (2017:RMB185,100,000) to third parties through China Construction Bank. The loans are unsecured, bear interest at a fixed rate of 4.35% per annum and have maturity date on 31 December 2019.

Zhaojin Finance provided bill discounting services of RMB29,826,000 (2017: Nil) to a third party, which bear interest at fixed rate of 4.35% per annum and has a maturity date on 26 February 2019.

The loans provided by Zhaojin Finance to a third party amounted at RMB61,000,000 was settled 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 2018.

22. OTHER LONG-TERM ASSETS

	2018 RMB'000	2017 RMB'000
Advances and deposits paid for acquisitions of subsidiaries and exploration rights	449,170	462,239
Advance payments for purchases of property, plant and equipment	117,470	151,361
Long-term prepaid expenses	23,224	35,824
	589,864	649,424

The outstanding commitments in relation to the above acquisitions and purchases are disclosed in note 40.

23. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	141,881	134,618
Work in progress	3,884,478	3,284,509
Finished goods	183,361	260,093
	4,209,720	3,679,220
Less: impairment	(19,164)	(114,636)
	4,190,556	3,564,584

24. TRADE AND NOTES RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	116,514	55,345
Notes receivable	40,288	190,537
Impairment	(11,305)	(9,575)
	145,497	236,307

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	96,024	33,305
1 to 2 years	4,404	527
2 to 3 years	152	7,161
Over 3 years	15,934	14,352
	116,514	55,345
Less: impairment of trade receivables	(11,305)	(9,575)
	105,209	45,770

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At beginning of year	9,575	4,081
Impairment losses	1,730	5,494
At end of year	11,305	9,575

24. TRADE AND NOTES RECEIVABLES – *continued*

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Past due				
	Within 1 year	1 to 2 year	2 to 3 year	Over 3 years	Total
Expected credit loss rate	2.82%	26.36%	35.04%	46.35%	9.70%
Gross carrying amount (RMB'000)	96,024	4,404	152	15,934	116,514
Expected credit losses (RMB'000)	2,706	1,161	53	7,385	11,305

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 RMB'000
Within 1 year	33,305
1 to 2 years	527
2 to 3 years	7,161
Over 3 years	14,352
	55,345

24. TRADE AND NOTES RECEIVABLES – *continued*

Impairment under HKAS 39 for the year ended 31 December 2017 – *continued*

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Trade and notes receivables are non-interest-bearing. As 71% (2017: 79%) of the sales of the Group for the year ended 31 December 2018 were made through the Shanghai Gold Exchange (SGE) without specific credit terms, there were no significant receivables that were overdue or impaired.

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

	2018 RMB'000	2017 RMB'000
Amounts due from related parties		
– Zhaojin Group	**1,562**	55
– Subsidiaries of Zhaojin Group	**18,471**	199,548
– Associates of Zhaojin Group	**11**	—
	20,044	199,603

The amounts due from related parties are unsecured, interest-free and are expected to be settled within 180 days.

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Prepayments	**246,866**	392,117
Other receivables	**529,316**	421,166
	776,182	813,283
Less: impairment	**(118,253)**	(104,344)
	657,929	708,939

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS – *continued*

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

	2018 RMB'000	2017 RMB'000
Amounts due from related parties:		
– Zhaojin Group	**3,534**	3,928
– Subsidiaries of Zhaojin Group	**144,110**	4,453
– Associates	**42,832**	6,997
– A joint venture – Sanfengshan	**1,040**	801
	191,516	16,179

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:

	2018 RMB'000	2017 RMB'000
At 1 January	**104,344**	43,851
Impairment losses recognised	**20,448**	61,858
Impairment losses reversed	**(6,539)**	(1,222)
Amount written off as uncollectible	**–**	(143)
At 31 December	**118,253**	104,344

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Listed equity investments, at fair value	**557,639**	245,178
Listed fund investments, at fair value	**40,368**	33,900
	598,007	279,078

The above listed equity investments at 31 December 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

The above listed fund investments at 31 December 2018 were wealth management products issued by securities companies in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

27. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**968,591**	1,846,668
Time deposits	**527,464**	278,323
	1,496,055	2,124,991
Less: Pledged deposits		
– Pledged for environment governance	**(167,941)**	(153,479)
– Pledged for short-term bank loans	**—**	(17,710)
– Required reserve deposits*	**(105,297)**	(96,535)
– Pledged for bills payable	**(79,518)**	(10,098)
	1,143,299	1,847,169

* Required reserve deposits amounting to RMB105,297,000 (2017: RMB96,535,000) 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 RMB95,549,000 (2017: RMB851,629,000), those denominated in United States dollars ("USD") amounted to approximately RMB27,023,000 (2017: RMB87,741,000), those denominated in Australian dollars amounted to approximately RMB0 (2017: RMB22,217,000), those denominated in Kazakhstani Tenge amounted to approximately RMB8,000 (2017: RMB8,000), those denominated in Canadian dollars amounted to approximately RMB0(2017 RMB1,092,000) and those denominated in British Pounds amounted to approximately RMB0 (2017: 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

	2018 RMB'000	2017 RMB'000
Trade payables	367,885	426,637
Notes payable	156,630	18,946
	524,515	445,583

At 31 December 2018, the balance of trade and notes payables mainly represents the amount regarding the unsettled procurement of gold concentrates. The trade payables are non-interest-bearing and are normally settled on 60 days' terms.

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within one year	465,410	407,673
Over one year but within two years	43,961	28,270
Over two years but within three years	9,341	1,858
Over three years	5,803	7,782
	524,515	445,583

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

	2018 RMB'000	2017 RMB'000
Amounts due to related parties		
– Subsidiaries of Zhaojin Group	19,883	19,806

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

	2018 RMB'000	2017 RMB'000
Accrued taxes other than income tax	74,246	97,821
Accrued expenses and other payables	817,925	774,061
Contract liabilities	102,818	221,783
Capital expenditure payables	712,065	855,586
	1,707,054	1,949,251

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

	2018 RMB'000	2017 RMB'000
Amounts due to related parties		
– Zhaojin Group	17,303	3,266
– Subsidiaries of Zhaojin Group	32,027	29,631
	49,330	32,897

The amounts due to related parties are unsecured, interest-free and are repayable on demand.

Contract liabilities include short-term advances received in relation to the delivery of gold and copper concentrates.

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

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2018			2017		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans – guaranteed	(b)	4.35-4.57	2019	430,000	2.59-4.35	2018	967,830
Bank loans – unsecured		3.50-6.00	2019	1,942,225	3.92-7.82	2018	4,085,464
Gold leasing business – unsecured		3.70-4.35	2019	4,411,137	3.25-4.10	2018	3,880,694
Gold leasing business – guaranteed	(b)	3.75-4.33	2019	454,187	3.60-3.96	2018	447,332
Other borrowings – unsecured		2.25-2.55	2019	429,420	2.25-2.55	2018	399,219
Short-term bonds – unsecured		3.85	2019	698,818	4.35-4.45	2018	999,384
				8,365,787			10,779,923
Non-current							
Bank loans – unsecured		4.75	2023	100,000	5.25	2020	582,000
Other borrowings – unsecured		2.55-4.75	2021	136,630	2.55-5.46	2020-2021	37,338
				236,630			619,338
				8,602,417			11,399,261

30. INTEREST-BEARING BANK AND OTHER BORROWINGS – *continued*

Notes:

(a) Unutilised limit of bank loans and gold leasing business

	2018 RMB'000	2017 RMB'000
Banking facilities:		
– Available	**24,208,000**	23,638,000
– Utilised	**(7,267,590)**	(10,164,003)
Unutilised	**16,940,410**	13,473,997

(b) As at 31 December 2018, bank loans and gold leasing business of the subsidiaries with carrying amount in aggregate of RMB674,187,000 were guaranteed by the Company (2017: RMB1,415,162,000). As at 31 December 2018, bank loans of the subsidiaries with carrying amounts in aggregate of RMB210,000,000 were guaranteed by Zhaojin Group (2017: Nil).

As at 31 December 2018, there were no bank loans denominated in Hong Kong dollars and United States dollars, respectively, all borrowings were denominated in RMB (2017: RMB647,830,250 and RMB588,078).

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans and short-term bonds repayable:		
Within one year or on demand	**2,372,225**	6,052,678
In the third to fifth years, inclusive	**100,000**	582,000
	2,472,225	6,634,678
Other borrowings repayable:		
Within one year	**1,128,238**	399,219
In the third to fifth years, inclusive	**136,630**	37,338
	1,264,868	436,557
Gold leasing business repayable:		
Within one year	**4,865,324**	4,328,026
	8,602,417	11,399,261

31. CORPORATE BONDS

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 29 July 2018, The Company repaid the principal amount of RMB443 million and the interest rate of the bond rose to 4.8%.

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.

On 7 March 2018, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.75 billion (the “2018 1st Zhaojin Bond”). The bond carries interest at 5.45% per annum with a term of three years, which is payable annually in arrears on 15 March each year.

On 1 August 2018, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB1.3 billion (the “2018 2nd Zhaojin Bond”). The bond carries interest at 4.19% per annum with a term of five years, which is payable annually in arrears on 10 August each year. According to the offering memorandum of the 2018 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 August 2018.

On 14 August 2018, the Company issued a corporate bond to the public on the Shanghai Stock Exchange with a par value of RMB0.7 billion (the “2018 3rd Zhaojin Bond”). The bond carries interest at 4.47% per annum with a term of three years, which is payable annually in arrears on 27 August each year.

On 9 October 2018, the Company issued a medium term note to the public on the Shanghai Stock Exchange with a par value of RMB0.5 billion (the “2018 1st Zhaojin medium term note”). The bond carries interest at 4.27% per annum with a term of three years, which is payable annually in arrears on 22 October each year.

On 12 November 2018, the Company issued a medium term note to the public on the Shanghai Stock Exchange with a par value of RMB0.5 billion (the “2018 2nd Zhaojin medium term note”). The bond carries interest at 4.03% per annum with a term of three years, which is payable annually in arrears on 21 November each year.

31. CORPORATE BONDS – *continued*

	2018 RMB'000	2017 RMB'000
Corporate bonds at the beginning of the year	**1,794,964**	2,143,172
Corporate bonds issued during the year	**4,750,000**	850,000
Corporate bonds redeemed during the year	**(443,008)**	(1,200,000)
(Decrease)/Increase arising from the amortisation method	**(3,259)**	1,792
Corporate bonds at the end of the year	**6,098,697**	1,794,964
Non-current	**6,098,697**	1,794,964
	6,098,697	1,794,964

As at 31 December 2018, the bonds issued with a carrying amount of RMB503,370,104 were guaranteed by Zhaojin Group.

32. 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:

	2018 RMB'000	2017 RMB'000
At beginning of year	**364,523**	420,635
Received during the year	**16,033**	15,239
Recognised as income during the year	**(75,318)**	(71,351)
At end of year	**305,238**	364,523

33. PROVISIONS

	Notes	2018 RMB'000	2017 RMB'000
Post-employment benefit obligations:			
Early retirement	(a)	44,957	59,924
Rehabilitation	(b)	32,509	33,692
		77,466	93,616
Current		14,525	16,636
Non-current		62,941	76,980
		77,466	93,616

(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 2018, using the projected cumulative unit credit method.

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

	2018 RMB'000	2017 RMB'000
Discount rate (%)	2.75	3.75
Annual increase rate of post-employment salary continuance benefits (%)		
– Before 2020 (including 2020)	–	–
– After 2021	–	–

Mortality: Average life expectancy of residents in Mainland China

33. PROVISIONS – *continued*

(a) – *continued*

A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 is shown below:

	Increase in rate %	(Decrease)/ increase in net early retirement RMB'000	Decrease in rate %	(Increase)/ decrease in net early retirement RMB'000
Discount rate	0.25	(285)	0.25	(290)
Annual increase rate of post-employment salary continuance benefits	0.50	505	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 in the statement of financial position.

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

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

	2018 RMB'000	2017 RMB'000
At beginning of year	**59,924**	89,658
Charged to the statement of profit or loss for employment benefits		
– interest increment	**1,935**	2,215
Remeasurement gain recognised in other comprehensive income	**(1,381)**	(9,677)
Utilised during the year	**(15,521)**	(22,272)
At end of year	**44,957**	59,924
Current	**14,525**	16,636
Non-current	**30,432**	43,288
	44,957	59,924

33. PROVISIONS – *continued*

(a) – *continued*

Analysis of the expected maturity of undiscounted post-employment benefits:

At 31 December 2018	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Early retirement benefits	14,525	25,320	8,588	48,433

(b) The provision for rehabilitation is related 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:

	2018 RMB'000	2017 RMB'000
At beginning of year	33,692	11,237
Interest increment	1,445	420
Addition	—	22,065
Change in discount rate	(2,628)	(30)
At end of year	32,509	33,692
Non-current	32,509	33,692

34. DEPOSITS FROM CUSTOMERS

	2018 RMB'000	2017 RMB'000
Demand deposits	524,624	420,007
Notice deposits	225,485	24,225
Time deposits	251,906	73,600
	1,002,015	517,832

As at 31 December 2018, deposits from customers represented the deposits which were placed in Zhaojin Finance, a subsidiary of the Group. The deposit interest rates range from 0.4375% to 4.2625% per annum, except for the time deposits with maturity dates from 28 February 2019 to 29 June 2023, other deposits will be repaid upon the demand and notice of the customers.

34. DEPOSITS FROM CUSTOMERS – *continued*

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

	2018 RMB'000	2017 RMB'000
Amounts due to related parties		
– Zhaojin Group	**589,434**	125,318
– Subsidiaries of Zhaojin Group	**407,320**	388,850
– Associates of Zhaojin Group	**—**	85
	996,754	514,253

35. OTHER LONG-TERM LIABILITIES

As at 31 December 2018, the non-current portions of other long-term liabilities amounting to RMB26,243,000 (2017: RMB24,918,000) 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.

As at 31 December 2018, the non-current portions of other long-term liabilities amounting to RMB184,275,000 (2017: Nil) represent the payable for the instalment of the purchase of long-term assets.

36. SHARE CAPITAL

	2018 RMB'000	2017 RMB'000
Registered, issued and fully paid:		
2,171,481,195 (2017: 2,171,481,195) domestic shares of RMB1.00 each	**2,171,481**	2,171,481
1,049,215,000 (2017: 1,049,215,000) H shares of RMB1.00 each	**1,049,215**	1,049,215
	3,220,696	3,220,696

36. SHARE CAPITAL – *continued*

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 2018 and 31 December 2018	2,171,481,195	2,171,481

H shares:	Number of shares in issue	Share capital RMB'000
As at 1 January 2018 and 31 December 2018	1,049,215,000	1,049,215

37. 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.

38. 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 as 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 investors 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").

38. 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.

39. 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
At 1 January 2018	**11,399,261**	**1,794,964**	**88,799**
Changes from financing cash flows	**(2,796,277)**	**4,306,992**	**(494,202)**
Interest expense	**(567)**	**(3,259)**	**601,688**
At 31 December 2018	**8,602,417**	**6,098,697**	**196,285**

	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	—

40. COMMITMENTS

(a) Capital commitments

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	**372,508**	799,092
– Commitment for potential acquisitions	**1,675,317**	1,691,954
	2,047,825	2,491,046

(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:

	2018 RMB'000	2017 RMB'000
Within one year	**12,946**	7,987
In the second to fifth years, inclusive	**40,671**	20,129
After five years	**34,614**	40,555
	88,231	68,671

41. 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:

	2018 RMB'000	2017 RMB'000
Nature of relationships/transactions		
(i) Zhaojin Group		
Expenses:		
– Payment of rental of land use rights	9,701	4,553
– Brokerage service fees	5,156	7,027
Others:		
– Loans to related parties	530,000	270,000
– Interest income from loans to related parties	660	214
– Increase in deposits from customers, net	464,116	—
– Decrease in deposits from customers, net	—	17,821
– Interest expense on deposits from customers	4,419	2,400
– Bills discounting service	785,475	500,000
– Interest income from bills discounting service	24,077	5,028
(ii) Subsidiaries of Zhaojin Group		
Sales of silver	2,000	—
Sales of gold concentrate	3,395	—
Purchase of gold concentrate	19,498	—
Expenses:		
– Fees for refining services	8,015	5,579
– Brokerage service fees	187	70
Capital transactions:		
– Purchase of materials	130,304	118,701
– Purchase of exploration services	36,830	46,756
– Purchase of digital mine construction technology services	32,318	13,283
– Purchase of engineering services	4,281	8,448
– Purchase of super filter membrane and water treatment equipment	598	9,189
Others:		
– Loans to related parties	1,066,901	1,016,671
– Interest income from loans to related parties	7,852	3,907
– Increase in deposits from customers, net	18,470	—
– Decrease in deposits from customers, net	—	368,607
– Interest expense on deposits from customers	6,555	6,324
– Bills discounting service	194,707	180,000
– Interest income from bills discounting service	3,479	2,782

41. 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*

	2018 RMB'000	2017 RMB'000
Nature of relationships/transactions – *continued*		
(iii) Associate – Aletai		
– Purchase of gold concentrates	9,750	52,725
(iv) Joint venture – Sanfengshan		
– Purchase of copper concentrates	–	11,031
– Interest income	39	1,698
(v) A subsidiary of an associate – Shandong Wucailong Investment Company Limited		
– Entrusted loans	106,934	25,000
– Interest income	3,577	1,900
(vi) An associate of Zhaojin Group – Yantai Zhaojin Lifu Precious Metal Company Limited		
– Loans to related parties	–	40,000
– Interest income from loans to related parties	–	1,950
– Decrease in deposits from customers, net	85	3,174
– Interest expense on deposits from customers	–	8

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.

41. RELATED PARTY TRANSACTIONS – *continued*

(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.

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

	2018	2017
	RMB'000	RMB'000
Short-term employee benefits	6,911	4,552
Post-employment benefits	—	—
Total compensation paid to key management personnel	6,911	4,552

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.

42. 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

	2018			
	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and notes receivables	–	–	145,497	145,497
Financial assets included in other receivables	–	–	274,964	274,964
Equity investments designated at fair value through other comprehensive income	–	–	–	–
Equity investments at fair value through profit or loss	598,007	–	–	598,007
Financial assets at amortised cost	–	–	241,753	241,753
Loans receivable	–	–	1,898,284	1,898,284
Pledged deposits	–	–	352,756	352,756
Total	598,007	–	2,913,254	3,511,261

Financial liabilities

	2018 Financial liabilities at amortised cost RMB'000
Trade and notes payables	524,515
Financial liabilities included in other payables and accruals	1,453,446
Interest-bearing bank and other borrowings	8,602,417
Corporate bonds	6,098,697
Deposits from customers	1,002,015
Other long-term liabilities (including current portion)	335,518
Total	18,016,608

42. 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

	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
Total	279,078	1,864,107	38,350	2,181,535

Financial liabilities

	2017 Financial liabilities at amortised cost RMB'000
Trade and notes payable	445,583
Financial liabilities included in other payables and accruals	1,547,051
Interest-bearing bank and other borrowings	11,399,261
Corporate bonds	1,794,964
Deposits from customer	517,832
Other long-term liabilities (including current portion)	24,918
Total	15,729,609

43. 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	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	236,630	619,338	236,597	619,237
Corporate bonds, non-current portion	6,098,697	1,794,964	6,619,500	1,779,875
Total	6,335,327	2,414,302	6,856,097	2,399,112

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, other receivables and other assets and financial liabilities included in other payables and accruals, deposits from customers, the current portion of loans receivable, the current portion of interest-bearing bank and other borrowings and the current portion of other long-term liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings and other long-term liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS – *continued*

The fair values of listed equity investments without a lock-up period, derivative financial instruments, 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.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. 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, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model. The fair value of these unlisted equity investments which were unlisted investments in China held by the Group was nil (31 December 2017: RMB30,760,000) and in Australia held by the Group was nil (31 December 2017: RMB7,590,000).

43. 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 2018

	Fair value measurement using		
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total 2018 RMB'000
Financial assets at fair value through profit or loss	169,756	428,251	598,007

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 2018 RMB'000
Financial assets at fair value through profit or loss	279,078	—	279,078

43. 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 2018

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total 2018 RMB'000
Interest-bearing bank and other borrowings, non-current portion	—	236,597	236,597
Corporate bonds	6,619,500	—	6,619,500
Other long-term liabilities, non-current portion	—	210,518	210,518
Total	6,619,500	447,115	7,066,615

As at 31 December 2017

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Total 2018 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

44. 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:

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
2018					
Interest-bearing bank and other borrowings	–	8,484,269	316,290	–	8,800,559
Trade and notes payables	367,885	156,630	–	–	524,515
Financial liabilities included in other payables and accruals	1,143,596	309,850	–	–	1,453,446
Corporate bonds	–	290,321	7,276,446	–	7,566,767
Deposits from customers	–	1,002,015	–	–	1,002,015
Other long term liabilities (including current portion)	–	125,000	345,000	–	470,000
	1,511,481	10,368,085	7,937,736	–	19,817,302

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Liquidity risk – *continued*

	On demand RMB'000	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	426,637	18,946	–	–	445,583
Financial liabilities included in other payables and accruals	1,349,487	197,564	–	–	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
	1,776,124	11,783,874	2,772,081	–	16,332,079

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.

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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Interest rate risk – *continued*

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
2018		
RMB	**100**	**(8,671)**
HK$	**—**	**—**
RMB	**(100)**	**8,671**
HK$	**—**	**—**
2017		
RMB	100	(2,094)
HK$	100	(1,070)
RMB	(100)	2,094
HK$	(100)	1,070

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 SGE and Shanghai Futures Exchange (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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Credit risk

The Group has no significant credit risk with customers since almost most of the gold sales are made through the SGE. Besides, the Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. As disclosed in note 19, the Group seeks to maintain strict control over its outstanding receivables and senior management regularly reviews the overdue balances.

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.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade receivables*	–	–	–	116,514	116,514
Financial assets included in prepayments, other receivables and other assets					
– Normal**	126,156	–	–	–	126,156
– Doubtful**	–	213,533	65,470	–	279,003
Loans receivable					
– Not yet past due	1,934,843	–	35,100	–	1,969,943
	2,060,999	213,533	100,570	116,514	2,491,616

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Credit risk – *continued*

Maximum exposure as at 31 December 2017

Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in Mainland China, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and trade receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with the SGE and recognised and creditworthy third parties, there are no significant concentrations of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

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 2018 and 2017. The Group's listed equity investments are listed on the Shanghai and Shenzhen stock exchanges, the Australian, Hong Kong and US Stock Exchanges 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 2018	**High/low 2018**	31 December 2017	High/low 2017
Shanghai – A Share Index	**2,499**	**3,587/2,449**	3,307	3,448/3,053
Shenzhen – A Share Index	**1,326**	**2,056/1,267**	1,753	1,992/1,656
Australia – ASX 200 Index	**5,646**	**6,353/5,469**	6,065	6,088/5,611
Hong Kong – HSI Index	**25,846**	**33,484/24,541**	29,919	29,919/22,134
New York – NYSE Index	**11,374**	**13,637/10,724**	12,809	12,853/11,154
Toronto – TSX Index	**—**	**—**	16,209	16,222/14,952

44. 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.

2018 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	3,948	10	395	–
		(10)	(395)	–
America – Held-for-trading	9,192	10	919	–
		(10)	(919)	–
Canada – Held-for-trading	–	–	–	–
Shenzhen – Held-for-trading	18,583	10	1,858	–
		(10)	(1,858)	–
Shanghai – Held-for-trading	9,784	10	978	–
		(10)	(978)	–
Hong Kong – Held-for-trading	516,132	10	51,613	–
		(10)	(51,613)	–
Total	557,639	10	55,764	–
		(10)	(55,764)	–

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Equity price risk – *continued*

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)	—

* Excluding retained profits

44. 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 2018 and 2017.

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.

	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other borrowings	**8,602,417**	11,399,261
Corporate bonds	**6,098,697**	1,794,964
Less: Cash and cash equivalents	**(1,143,299)**	(1,847,169)
Net debt	**13,557,815**	11,347,056
Total equity	**16,807,565**	16,763,908
Total equity and net debt	**30,365,380**	28,110,964
Gearing ratio	**44.6%**	40.4%

45. 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 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	6,051,648	5,795,062
Prepaid land lease payments	201,758	208,646
Goodwill	84,336	84,336
Other intangible assets	1,069,413	1,059,833
Investments in subsidiaries	8,137,022	8,532,632
Investment in a joint venture	102,323	100,000
Investment in an associate	34,650	34,650
Available-for-sale investments	—	8,740
Loan receivable	1,007,000	—
Long-term deposits	6,255	9,235
Other long-term assets	532,438	526,687
Total non-current assets	17,226,843	16,359,821
CURRENT ASSETS		
Inventories	2,239,855	2,119,537
Trade and receivables	36,597	298,746
Prepayments, other receivables and other assets	3,583,989	3,085,318
Financial assets at fair value through profit or loss	41,736	64,412
Pledged deposits	98,068	101,165
Loans receivable	5,463,547	5,232,192
Cash and cash equivalents	510,010	488,919
Total current assets	11,973,802	11,390,289

45. 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 2018 RMB'000	31 December 2017 RMB'000
CURRENT LIABILITIES		
Trade and notes payables	**123,985**	173,544
Other payables and accruals	**951,425**	955,337
Interest-bearing bank and other borrowings	**7,463,458**	9,601,231
Tax payable	**—**	22,895
Provisions	**10,662**	11,944
Total current liabilities	**8,549,530**	10,764,951
NET CURRENT ASSETS	**3,424,272**	625,338
TOTAL ASSETS LESS CURRENT LIABILITIES	**20,651,115**	16,985,159
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**490**	583,198
Corporate bonds	**6,098,697**	1,794,964
Deferred tax liabilities	**53,888**	33,247
Deferred income	**186,771**	227,767
Provisions	**25,849**	34,751
Other long-term liabilities	**26,243**	24,918
Total non-current liabilities	**6,391,938**	2,698,845
Net assets	**14,259,177**	14,286,314
EQUITY		
Share capital	**3,220,696**	3,220,696
Perpetual capital instruments (note 37)	**2,664,600**	2,664,600
Reserves (note (a))	**8,373,881**	8,401,018
TOTAL EQUITY	**14,259,177**	14,286,314

45. 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	Special reserve-safety fund	Statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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 share subscription plan	(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 and 1 January 2018	2,867,778	6,414	983,263	4,543,563	8,401,018
Total comprehensive income for the year	(7,514)	—	—	472,863	465,349
Merger of a subsidiary	(153,692)	—	—	—	(153,692)
Accrued distribution of perpetual capital instruments	—	—	—	(139,850)	(139,850)
Transfer to reserves	—	—	45,332	(45,332)	—
Utilisation of the safety fund	—	(5,701)	—	—	(5,701)
Final 2017 dividend declared and paid	—	—	—	(193,243)	(193,243)
At 31 December 2018	2,706,572	713	1,028,595	4,638,001	8,373,881

46. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2019, the Group issued 270-day notes with a par value of RMB700 million at a rate of 3.45% per annum.

On 1 March 2019, the Group issued three-year notes with a par value of USD300 million at a rate of 5.5% per annum.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2019.